AERIS ENVIRONMENTAL LTD

ACN 093977336

ANNUAL REPORT

2019

aeris ENVIRONMENTAL

ANNUAL REPORT 2019

CHAIRMAN AND CEO REPORT

Aeris today is successfully delivering on the inflection strategy outlined at our last AGM. The company is highly focused on its commercial scale up, driven by a series of global and local strategic partnerships.

It is clear that Aeris' technical leadership is now being recognised and supported by companies such as Daikin, Goodman, Carrier, Bunzl and many others.

The Aeris whole-of-system approach ensures that systems perform better, are safer, last longer and cost less to run. The Company's products solve real world problems more effectively than conventional toxic chemicals. Uniquely based on validated green formulations, Aeris' enzymes and treatments with residual protection provide long-term remediation and prevention of mould, bacteria growth, corrosion protection and improved hygiene.

During the 2018-19 financial year, Aeris continued with its thrust to market its product portfolio into the North American market, through strategic partnerships with global companies that can help deliver rapid growth with customers in that market. Aeris' work on product development, achieving regulatory approvals, customer validation and global branding in association with its high-profile customers and distributors in the core Hygiene and Consumables, Anti-Corrosion, and SmartHUB SmartENERGY and Control Systems business units.

Aeris' aim is to leverage its know-how to generate attractive margins on its product sales, in conjunction with a focus on controlling costs, and at the same time having a low fixed overhead. Aeris is now producing a strong pipeline of recurring sales with its leading customers and its platinum partners together with specifying consultants.

During the March 2019 quarter, Aeris announced that it has entered into an attractive distribution agreement in China, with Aus Made for the sale of three launch products, being Southern Cross Hard Surface Disinfectant dry paper wipes, Southern Cross Skin dry paper wipes and Evocide Extra (a hospital-grade disinfectant cleaner with unique residual efficacy). The opportunity in this strategic Australia-China partnership is achieve a direct replacement alternative for many plastic-based wipes and incorporates the capability to disinfect both surfaces and hands by simply moistening these paper-based wipes. Evocide Extra provides hospital-grade disinfectant capability, effective against bacteria, viruses, mould and mildew, with superior cleaning and extended residual anti-microbial protection properties.

The Company is pleased to report that its production support in the USA has proved to be successful and is now rapidly scaling, projecting to have more than enough capacity to support the planned growth. Key to growth in the USA is Aeris' new and highly experienced team who can provide its key distributors and commercial partners with comprehensive training, technical services, efficient regulatory registrations and supply chain management.

On 12 December 2018 Aeris successfully closed a share placement of $4 million to a new cornerstone strategic investor group, professional investors and existing shareholders. The Company held an Extraordinary General Meeting on 29 January 2019, at which Aeris' shareholders approved an additional share issue, and the placement was finalised on 31 January 2019 raising $3.21 million, for a total of $7,210,000. In January 2019 the Company also concluded a Share Purchase Plan which raised $257,000. The three capital raisings were completed at an issue price of $0.17 per share.

Aeris has had meaningful year on year growth, with all divisions demonstrating broadly based market demand and is increasingly generating new interest from distributors and customers internationally. The Company believes that the markets are broadly adopting a requirement for more environmentally friendly products and your company is in the right place, at the right time to capitalize on this global trend. Aeris is proud to be driving a comprehensive agenda in terms of its environmental, social and governance (ESG) responsibilities. Each and every product in the Aeris portfolio targets an improved environmentally sustainable profile, often replacing toxic and conventional older technologies. In parallel the products themselves deliver substantial environmental benefits via energy efficiency, system performance and extending the useful life of a broad range of HVAC and Refrigeration assets. From a social perspective, the Company has a number of active programmes and aims to deliver increased indoor air quality and improved health conditions in the building environment.

The Board wishes to recognize the outstanding efforts and achievements of our team who have succeeded in having Aeris achieve a global footprint and rapidly growing sales over the last calendar year. The Company is in parallel strengthening its investment in all aspects of ESG to help drive the Aeris to its full potential. Aeris is successfully building a scalable global business, delivering high impact and outstanding green credentials. Our business model and technology base is targeting an ongoing growth in shareholder value while delivering a clean, green, protect promise.

Maurie Stang
Non-Executive Chairman

Peter Bush
Chief Executive Officer

REVIEW OF OPERATIONS

The financial year ended 30 June 2019 has seen Aeris scale up its commercial production capabilities and continue with its multi-region sale effort. The Company has optimised its supply chain, commenced its key product rollout in the USA, and maintained its work on developing relationships with international leaders with existing paths to market.

Financial

Aeris achieved a record invoiced sales revenue of $6,851,000, which was a greater than 250% increase year-on-year with a strong forward sales order book. A significant effort was placed on the successful delivery of large-scale mould remediation projects in Townsville, Queensland, with the Company as master contractor. Aeris invoiced a total of $3,127,000, which was a combination of full margin product sales and low margin project management in the year. Customers and insurance companies have noted outstanding efficacy and performance of Aeris' products in this large-scale application. The Company's USA division invoiced over $500,000 in the last quarter of the financial year. It is anticipated that revenue in the USA will grow to become a material component of Aeris' sales mix in the 2019-20 financial year due to expanded sales channels.

The Company's business in China commenced in the second half of the 2018-19 year. Aeris' distributor in China has undertaken significant investment in marketing, sales and promotion. Revenue for the pre-launch initial purchases in the year were $485,000, and it is anticipated that these will scale as the Company's programme rolls out. Revenue of $2,739,000 was recorded from clients in Asia, the Middle East, Europe and Australia at attractive margins.

The annual operating loss, adjusted for one-off and abnormal items, was $3,041,000, which was down 15% year-on-year despite investment in the establishment of North American operations and including research & development (R&D) expenditure of $612,000.

The 2018-19 sales reflected a mix of 'white label' products supplied to original equipment manufacturers (OEMs) and project work, blended with the higher margins from the Aeris branded products. The Company anticipates that there will be a positive impact on margins as the core Aeris range forms a greater part of the revenue mix in subsequent years.

Budgeted operating expenses for the 2019-20 financial year are targeted at less than $5,000,000 per annum (including forecast R&D of $500,000 less ATO cash-back). This operating expenditure budget provides expanded capability and cost savings of $1,500,000 over the FY2019 year. It is anticipated that growth in operating expenses will remain modest whilst sales revenue is projected to grow significantly. The Company now has in place a series of strategic relationships that provide highly cost-effective distribution capability across all Aeris' major markets, with recent emphasis on contracts in the USA and in Europe. This includes an expanded management and sales team in North America.

Commercial

During the year Aeris signed and commenced worldwide strategic alliance with Goodman, a division of Daikin Industries, Ltd. The Company's USA-produced air-conditioning maintenance range was launched in North America across 210 stores and to over 80,000 contractors. Scale-up of new manufacturing and supply chain operations in the USA in support of growth in revenue in multiple key international markets.

First shipments of new Southern Cross hygiene range to Aus Made Express International Group Pty Ltd for the Greater China market.

BUNZL (leading global distributor of cleaning products, catering supplies, food production and health hygiene products) Memorandum of Understanding signed, including a joint marketing and new product development roadmap. Initial revenue and a joint marketing activity have been successfully established.

The first commercial order from Carrier in the Philippines was received following over two years of testing and is to supply corrosion coating for factory application to coils for brand new residential and commercial air-conditioning units.

Strategic opportunities are being addressed in measurement, and data visualisation, control and optimisation.

Revenue is scaling strongly in multiple divisions and territories, with key commercial partnerships in place, and now generating quarter-on-quarter growth. There is increasing customer recognition of the financial benefits, effectiveness, safety, and environmental and health benefits from the Aeris portfolio of solutions.

Working Capital

The full year cash receipts were $5,008,000, with an additional amount of over $2,500,000 received post-June 2019 year-end. At 30 June 2019 there was $3,468,000 cash-on-hand, with an additional $1,500,000 in net receivables (trade debtors less creditors) at the end of the June 2019 financial year. There has been an additional cash investment in inventory of $454,000 (total $770,000) reflecting increasing activity in the USA, Australia and south-east Asia. The net 2018- 19 normalised net operating cash outflow of $3,974,000, was achieved after $440,000 of one-off and abnormal items were added back.

Aeris continues to invest substantial resources into its manufacturing and supply chain capability to support the expected further material growth in its product sales through its distribution network. This requires an increase in the inventory of long lead time components and raw materials in order to minimise delays in sales

Share Placement, Share Purchase Plan and Loan Repayment

During the year Aeris completed two share placements amounting to $7,200,000 and Share Purchase Plan (SPP) of $257,000 for a total of $7,457,000. The placement and SPP were completed at $0.17 per share. The fundraising was made to a new cornerstone strategic investor group and existing shareholders of the Company. Directors' loans of $1,500,000 were converted into shares at the same price as the placement and SPP ($0.17 per share). The balance of $818,000 in Directors' loans, being principal and interest, were repaid in the March 2019 quarter from the proceeds of the placement, making Aeris debt free.

Investor Relations and Shareholder Communications

Aeris continues with its investor relations efforts and shareholders' communications. The Company's programme to reach retail and institutional investors continues to evolve and regular roadshows with brokers and investors are planned for the coming year. The Company increasingly attends and presents at both local and international trade shows to continue to drive the Company's profile and presence with trade wholesalers, key facility management companies and customers.

DIRECTORS' REPORT

30 JUNE 2019

The Directors of Aeris Environmental Ltd submit herewith the Annual Financial Report for the financial year ended 30 June 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors Report is as follows:

Directors

The names and details of the Directors and Company Secretary of the Company during or since the end of the financial year are:

Maurie Stang
Non-Executive Chairman

Mr M Stang is a director of the Regional Health Care Group of companies and of Novapharm Research. He has over 30 years of experience building and managing successful companies in the Australian healthcare market, and extensive networks within the life-sciences and pharmaceutical sectors, both in Australia and internationally. Since co-founding the Regional Health Care Group, Mr M Stang has been instrumental in building it into one of the region's leading healthcare product suppliers, with a key joint venture in the Australasian dental market, and successful operating businesses across a range of medical, pharmaceutical and consumer healthcare sectors.

Director since 2002 – appointed Chairman in 2002.

Directorship of other listed companies held in the last three years:
Non-Executive Chairman of Nanosonics Limited (ASX:NAN) since November 2000.
Non-Executive Deputy Chairman of Vectus Biosystems Limited (ASX:VBS) since December 2005.

Steven Kritzler
Non-Executive Director

Mr Kritzler (M.Sc from the UNSW in the field of Polymer Chemistry) holds a number of international patents. He is the Technical Director of Novapharm Research. Mr Kritzler has over 40 years of experience in commercial R&D in the areas of pharmaceutical, medical, cosmetic and specialty industrial products. Under his technical direction, Novapharm Research has become a world-leader in infection control science.

Director since 2002.

Directorship of other listed companies held in the last three years: None

Bernard Stang
Non-Executive Director

Mr B Stang (B.Arch) is a Co-Founder and Director of the Regional Health Care Group of companies. He serves as the Chief Executive Officer of Stangcorp Pty Ltd, Stoneville Ltd and Brunswick Property Pty Ltd, which are key property entities in the Stang Group. Mr B Stang manages a broad portfolio of investments in the private and listed sectors, and has enjoyed over 40 years of operational leadership in successful healthcare businesses. He serves as a Director of Novapharm Research. Mr B Stang is a Director of Weizmann Australia, which represents the Weizmann Institute of Science in Australia, and the Institute has recently established the Garvan-Weizmann Centre of Cellular Genomics in Sydney, in joint venture with the Garvan Institute. He served as a Non-Executive Director of Nanosonics Limited (ASX:NAN) until 2007.

Director since 2002.

Directorship of other listed companies held in the last three years:
Non-Executive Director of Vectus Biosystems Limited from December 2005 until October 2016.

Share Registry

Computershare Investor Services Pty Ltd

Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

GPO Box 2975,
Melbourne VIC 3001

Telephone: +61 3 9415 4000

Web: www.computershare.com

Alex Sava
Non-Executive Director

Dr Sava (M.Sc in Chemical Engineering, PhD in Physical Chemistry) spent seven years earlier in his career with the Institute of Semiconductors in Ukraine and four years as a Vice President of New York-based MicroMax Computer Intelligence Inc. He holds over 100 international patents and has authored over 50 scientific articles. Dr Sava was a Founder and Board member of Nanosonics Pty Ltd from 14 November 2000 until prior to its listing on ASX on 15 May 2007 as Nanosonics Limited (ASX:NAN). He also made a substantial contribution to the later success of Nanosonics Limited and has undertaken business development activity across many international markets. Dr Sava has scientific, regulatory and commercial experience.

Director since 3 October 2016.

Directorship of other listed companies held in the last three years:
None

Peter Bush
Chief Executive Officer, Alternate Director for M and B Stang, and Chief Financial Officer

Mr Bush (B.Com, CA) is the Chief Financial Officer of the Regional Health Care Group of companies (one of the region's leading diversified healthcare product suppliers, with successful businesses across a range of medical, pharmaceutical, consumer healthcare, and research and development sectors) and of GryphonCapital (an independent merchant bank that facilitates the financing and development of emerging healthcare-related entities). He began his career working for five years at BDO, a global accounting and consulting firm, and has since spent a number of years working in industry. Mr Bush holds a number of private directorships and board positions.

Alternate Director since 2011.

Directorship of other listed companies held in the last three years:
Non-Executive Director of Vectus Biosystems Limited (ASX:VBS) since July 2015.

Robert Waring
Company Secretary

Mr Robert J Waring (B.Ec, CA, FCIS, FFin, FAICD) was appointed to the position of Company Secretary of the Company in 2002. He has over 40 years of experience in financial and corporate roles, including over 25 years in company secretarial roles for ASX-listed companies and over 19 years as a Director of ASX-listed companies. Mr Waring has over 30 years of experience in industry and, prior to that, spent nine years with an international firm of chartered accountants. He is a director of Oakhill Hamilton Pty Ltd, which provides company secretarial and corporate advisory services to a range of listed and unlisted companies. Mr Waring is also presently the Company Secretary of ASX-listed companies Cobalt Blue Holdings Limited (ASX:COB), Vectus Biosystems Limited (ASX:VBS) and Xref Limited (ASX:XF1).

Directors' Meeting

The following table sets out the number of Directors' meetings and Committee meetings held during the financial year and the number of meetings attended by each Director (while they were a Director).

	Board of Directors Meetings	Audit Committee Meetings	Corporate Governance Committee Meetings	Remuneration and Nomination Committee Meetings
Number of meetings held	9	2	1	-
Number of meetings attended				
Maurie Stang	9	2	1	-
Steven Kritzler	7	N/A	N/A	-
Bernard Stang	8	2	1	-
Alex Sava	6	N/A	N/A	-

In addition to the above meetings the Board and senior executives conduct formal management meetings.

Committee Membership

As at the date of this Report, the Company had an Audit Committee, a Corporate Governance Committee and a Remuneration and Nomination Committee of the Board of Directors. Members acting on the Committees of the Board during the financial year were:

Audit Committee

Bernard Stang (Chairman)

Maurie Stang

Corporate Governance Committee

Maurie Stang (Chairman)

Bernard Stang

Remuneration and Nomination Committee

Maurie Stang (Chairman)

Bernard Stang

Steven Kritzler

Principal Activities

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

- research, development, commercialisation of proprietary technologies and global distribution of the AerisGuard range of products;
- provision of HVAC/R Hygiene and Remediation Technology; and
- provision of Energy Efficiency solutions.

There is no significant change in the nature of activities performed by the Company during the financial year.

Review of Operations

The results of the operations of the consolidated entity during the financial year were as follows:

	2019	2018
	$	$
Income	6,980,773	2,770,897
Expenses	(10,609,272)	(6,361,935)
Loss after income tax	(3,628,499)	(3,591,038)

For a comprehensive review of the Company's operational performance please refer to the Chairman's and Chief Executive Officer's Report.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2019 (2018: Nil). No dividends have been paid or declared since the start of the financial year.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Group.

Significant events after the balance date

In the opinion of the Directors, no matters or circumstances have arisen since the end of the financial year 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.

Likely developments and expected results

Disclosure of information other than that disclosed elsewhere in this Report regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this Report.

Environmental regulations

The economic entity is not subject to any significant environmental Commonwealth or State regulation in respect of its operating activities.

Indemnification of Officers and Auditors

Indemnification

The Company has a Deed of Access and Indemnity with each of its Directors, by which the Company indemnifies each Director in relation to any liability incurred as a result of being a Director of the Company except where there is lack of good faith.

During or since the financial year, the Company has not indemnified or agreed to indemnify the Auditor of the Company or any related entity against a liability incurred by the Auditor.

Insurance premiums

During the financial year, the Company paid a premium in respect of a contract to insure its Directors and executives against a liability to the extent permitted by the *Corporations Act 2001.* The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

During the financial year, the Company has not paid a premium in respect of a contract to insure the Auditor of the Company.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

The Company was not a party to any such proceedings during the financial year.

Directors' interests

Equity holdings	Ordinary shares	Rights over ordinary shares
Maurie Stang	22,630,218	-
Bernard Stang	19,459,124	-
Steven Kritzler	11,252,785	-
Alex Sava	665,085	100,000
Peter Bush	750,000	1,323,537

Options or rights granted to Directors and Officers of the Company

During or since the end of the 2019 financial year, the Company has not granted any options or rights for no consideration over unissued ordinary shares in Aeris Environmental Ltd to the Directors and Officers.

Options or rights issued during the year:		
	2019	2018
Performance rights to Peter Bush	-	1,323,537

Particulars of options or rights granted over unissued shares

	2019	2018
Number of options or rights on issue over unissued ordinary shares	2,959,037	3,534,037
Shares issued in the period as the result of the exercise of options or rights	-	50,000
Options or rights expired during the period	575,000	200,000
Options or rights granted during the period	-	1,939,037

Full details of options or rights on issue are shown in Note 18.

Non-audit services

During the financial year UHY Haines Norton, the Company's Auditor, performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the financial year by the Auditor and, in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services during the financial year by the Auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company, and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the Auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the Company who are former audit partners of UHY Haines Norton

There are no Officers of the Company who are former audit partners of UHY Haines Norton.

Auditors

UHY Haines Norton continues in office in accordance with section 327 of the *Corporations Act 2001.*

Auditor's Independence Declaration

The Auditor's Declaration of Independence for the year ended 30 June 2019 is attached to this Directors' Report on page 20.

Corporate Governance

Aeris Environmental Ltd's Corporate Governance Statement and ASX Appendix 4G are released to ASX on the same day the Annual Report is released.

The Company's Corporate Governance Statement, and its Corporate Governance Compliance Manual, can be all found on the Company's website at:

https://www.aeris.com.au/investor

REMUNERATION REPORT (AUDITED)

Key Management Personnel (KMP)

The KMP of the Company comprise the Directors, Chief Executive Officer and Company Secretary only, as follows:

Non-Executive Directors

Maurie Stang

Bernard Stang

Steven Kritzler

Alex Sava

Executive

Peter Bush
(Chief Executive Officer and Alternate Director)

Company Secretary

Robert Waring

Remuneration policies

Details of Aeris' remuneration policies and practices, together with details of Directors' and Executives' remuneration, are as follows:

a) Overview of remuneration structure

The objective of the Company's executive reward framework is to ensure that reward for performance is competitive and appropriate for the results delivered. Processes have been established to ensure that the levels of compensation and remuneration are sufficient and reasonable, and explicitly linked to the achievement of personal and corporate objectives. The short and long-term incentive plans are specifically aligned to shareholder interests.

Aeris' Remuneration and Nomination Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for staff, including Directors, the Company Secretary and senior managers of the Company. The Committee has access to the advice of independent remuneration consultants to ensure the remuneration and incentive schemes are consistent with its philosophy as well as current market practices.

b) Non-Executive Directors

During the 2019 financial year, 647,060 shares were issued to Alex Sava, Non-Executive Director, in lieu of Directors' Fees for his services for the period from 3 October 2016 to 30 June 2019, being 33 months, at the rate of $40,000 per annum, using the 20-day VWAP, being $0.17 per share. Payments to Non-Executive Directors are reviewed annually.

c) Executives

The objective of Aeris' executive reward system is to ensure that remuneration for performance is competitive and appropriate for the results delivered. Executive pay structures include a base salary and superannuation. In addition, executives and senior managers can participate in the Employee Share Option Plan.

Remuneration Report (Continued)

d) Short-term incentives (STI)

During the financial year ended 30 June 2019 no amounts were paid as STIs. The STI arrangement is reviewed annually by the Board.

e) Long-term incentives (LTI)

The LTI provide an annual opportunity for selected executives to receive awards in cash and equity. The equity portion, being performance rights, vest over three years and is intended to align a significant portion of an executive's overall remuneration to shareholder value over a longer term. Equity grants are subject to performance conditions (revenue and / or earnings per share) and are tested against the performance hurdles set at the end of three financial years. If performance hurdles are not met at the vesting date, the rights and options lapse. In addition, performance rights and options will only vest if the executive KMP member remains in continuous employment with Aeris in their current or equivalent position from the date of grant to the respective vesting date of each grant.

During the financial year ended 30 June 2019 no amounts were paid as LTIs.

f) Share option based compensation

In February 2005, Aeris established an Employee Share Option Plan (ESOP). The ESOP was approved by shareholders at the Annual General Meeting held on 25 November 2004 and was re-approved by shareholders at the Annual General Meeting held on 27 November 2014. The terms of the ESOP provide for the following conditions:

i. Vesting

   33.33% vest on the first anniversary of grant of options

   33.33% vest on the second anniversary of grant of options

   33.34% vest on the third anniversary of grant of options

ii. The contractual life of the options issued ranges from three to five years.

iii. The exercise price determined in accordance with the Rules of the ESOP is based on the weighted average price of the Company's shares for the 20 trading days prior to the offer.

iv. Each option is convertible to one ordinary share.

v. All options expire on the earlier of their expiry date or 90 days after voluntary termination of the participant's employment.

vi. There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the ordinary shares, which will be issued when the options have been exercised.

vii. The options issued are on an equity-settled basis. There are no cash settlement alternatives.

Equity holdings transactions

The movement during the reporting period in the number of ordinary shares in Aeris Environmental Ltd held directly, indirectly or beneficially by each specified Director and Executive, including their personally-related entities, are as follows:

2019						
Shares		Number held on 30 June 2018	Acquired during year	Sold during year	Issued on exercise of options	Number held on 30 June 2019
Specified Directors						
	Maurie Stang	20,398,290	2,231,928	-	-	22,630,218
	Bernard Stang	17,227,196	2,231,928	-	-	19,459,124
	Steven Kritzler	8,331,609	2,921,176	-	-	11,252,785
	Alex Sava	68,025	597,060	-	-	665,085
Specified Executives						
	Peter Bush	750,000	-	-	-	750,000
	Robert Waring	240,857	751,469	-	-	992,326
		47,015,977	8,733,562	-	-	55,749,539

Options and rights		Number held on 30 June 2018	Granted during year	Lapsed during year	Exercised during year	Number held on 30 June 2019
Specified Directors						
	Maurie Stang	-	-	-	-	-
	Bernard Stang	-	-	-	-	-
	Steven Kritzler	-	-	-	-	-
	Alex Sava	100,000	-	-	-	100,000
Specified Executives						
	Peter Bush	1,323,537	-	-	-	1,323,537
	Robert Waring	50,000	-	-	-	50,000
		1,473,537	-	-	-	1,473,537

Remuneration Report (Continued)

2018

Shares		Number held on 30 June 2017	Acquired during year	Sold during year	Issued on exercise of options	Number held on 30 June 2018
Specified Directors						
	Maurie Stang	20,621,822	-	(223,532)	-	20,398,290
	Bernard Stang	17,003,664	223,532	-	-	17,227,196
	Steven Kritzler	8,331,609	-	-	-	8,331,609
	Alex Sava	68,025	-	-	-	68,025
Specified Executives						
	Peter Bush	750,000	-	-	-	750,000
	Robert Waring	173,000	67,857	-	-	240,857
		46,948,120	291,389	(223,532)	-	47,015,977

Options and rights		Number held on 30 June 2017	Granted during year	Lapsed during year	Exercised during year	Number held on 30 June 2018
Specified Directors						
	Maurie Stang	-	-	-	-	-
	Bernard Stang	-	-	-	-	-
	Steven Kritzler	-	-	-	-	-
	Alex Sava	100,000	-	-	-	100,000
Specified Executives						
	Peter Bush	-	1,323,537	-	-	1,323,537
	Robert Waring	50,000	-	-	-	50,000
		150,000	1,323,537	-	-	1,473,537

Transactions with Directors and Director related entities

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 as follows.

Regional Healthcare Group Pty Ltd	2019 $	2018 $
The Company and its controlled entities incur expenses for services provided by Regional Healthcare Group Pty Ltd.		
Office and administration expenses	154,841	168,378
Rent	54,753	53,645
Distribution expenses	51,767	56,650
Corporate services	88,520	83,500

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 incur expenses for services provided by Novapharm Research (Australia) Pty Ltd.		
Research and development	313,919	109,021
Patent and other expenses	64,696	68,476

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

Ramlist Pty Ltd		
The Company and its controlled entities incur expenses for rent and utility outgoings to Ramlist Pty Ltd.	45,396	50,556

Mr M Stang and Mr B Stang are Directors and shareholders of Ramlist Pty Ltd.

Ensol Systems Pty Ltd		
The Company and its controlled entities incur expenses for marketing and other operational services to Ensol Systems Pty Ltd.	7,570	5,633

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

Teknik Lighting Solutions Pty Ltd		
The Company and its controlled entities incur expenses for marketing and other operational services to Teknik Lighting Solutions Pty Ltd.	8,231	3,761

Mr M Stang is a shareholder of Teknik Lighting Solutions Pty Ltd.

Remuneration Report (Continued)

	2019	2018
	$	$
Bright Accountants		
The Company and its controlled entities incur expenses for accounting services to Bright Accountants.	61,840	56,884

Mr P Bush is a related party to Bright Accountants.

Loans from Directors (Messrs M Stang, B Stang and S Kritzler)		
Interest on loans	52,209	15,748
Loan borrowings	1,050,000	1,200,000
Loan repayments in cash	750,000	-
Loan repayments by issue of shares	1,500,000	-

Mr M Stang, S Kritzler and B Stang are Non-Executive Directors and shareholders of the Company.

These are unsecured loans with interest charged at ATO benchmark rates.

Outstanding balances payable from purchases of services		
Regional Healthcare Group Pty Ltd	24,259	171,352
Novapharm Research (Australia) Pty Ltd	14,892	179,439
Ramlist Pty Ltd	882	26,067
Bright Accountants	6,545	10,305
Ensol Systems Pty Ltd	82,387	84,136
Teknik Lighting Solutions Pty Ltd	3,520	-

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash.

Outstanding loan balances		
Directors' loans	-	1,200,000

Interest is charged on these loans at ATO benchmark rates

Details of Directors' and Executive officers' remuneration for the year ended 30 June 2019

	Short term benefits			Post employment benefits	Other long-term benefits	Equity based benefits		Total	Perfor-mance Related
	Salary & Director's Fees	STI Cash bonus	Non-monetary benefits	(Super-annuation)		Shares	Options & rights (Note (ii))		
Non-Executive Directors	$	$	$	$	$	$	$	$	%
Maurie Stang	-	-	-	-	-	-	-	-	0.0%
Bernard Stang	-	-	-	-	-	-	-	-	0.0%
Steven Kritzler	-	-	-	-	-	-	-	-	0.0%
Alex Sava	40,411	-	-	-	-	-	9,410	49,821	0.0%
Total Non-Executive Directors	40,411	-	-	-	-	-	9,410	49,821	
Executive Directors	-	-	-	-	-	-	-	-	0.0%
Total Directors	**40,411**	**-**	**-**	**-**	**-**	**-**	**9,410**	**49,821**	
Executives (Note (i))									
Peter Bush	238,816	-	-	22,647	-	-	73,708	335,171	0.0%
Robert Waring	100,493	-	-	-	-	-	4,713	105,206	0.0%
Total	**379,720**	**-**	**-**	**22,647**	**-**	**-**	**87,831**	**490,198**	

Notes to the tables of details of Directors' and Executive Officers' remuneration

i. "Executive Officers" are officers who are or were involved in, concerned in, or who take part in, the management of the affairs of Aeris and/or related bodies corporate."

ii. The fair value of the options is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account in both the current and prior periods. Comparative information was not restated as market conditions were already included in the valuation.

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Remuneration Report (Continued)

Details of Directors' and Executive officers' remuneration for the year ended 30 June 2018

	Short term benefits			Post employment benefits (Super-annuation)	Other long-term benefits	Equity based benefits		Total	Perfor-mance Related
	Salary & Director's Fees	STI Cash bonus	Non-monetary benefits			Shares	Options & rights (Note (ii))		
Non-Executive Directors	$	$	$	$	$	$	$	$	%
Maurie Stang	-	-	-	-	-	-	-	-	0.0%
Bernard Stang	-	-	-	-	-	-	-	-	0.0%
Steven Kritzler	-	-	-	-	-	-	-	-	0.0%
Alex Sava	69,589	-	-	-	-	-	9,410	78,999	0.0%
Total Non-Executive Directors	**69,589**	**-**	**-**	**-**	**-**	**-**	**9,410**	**78,999**	
Executive Directors	-	-	-	-	-	-	-	-	0.0%
Total Directors	69,589	-	-	-	-	-	9,410	78,999	
Executives (Note (i))									
Peter Bush	240,175	-	-	22,817	-	-	12,729	275,721	0.0%
Robert Waring	71,781	-	-	-	-	-	4,713	76,494	0.0%
Total	**381,545**	**-**	**-**	**22,817**	**-**	**-**	**26,852**	**431,214**	

The following factors and assumptions were used in determining the fair value of options on grant date.

Grant Date	Expiry Date	Fair value at grant date	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate
23-Dec-16	14-Oct-21	$0.2823	$0.42	$0.37	108.3%	2.34%
23-Dec-16	23-Oct-21	$0.2828	$0.42	$0.37	108.3%	2.34%

The following factors and assumptions were used in determining the fair value of performance shares on issue date.

Grant Date	Vesting date	Price of shares on grant date	Exercise price
30-May-18	11-Apr-19	$0.1650	Not applicable
30-May-18	11-Apr-20	$0.1650	Not applicable
30-May-18	11-Apr-21	$0.1650	Not applicable

Employment contracts

Chief Executive Officer (CEO):

The following sets out the key terms of the employment for the CEO, Peter Bush

Contract term	Continuous employment until notice is given by either party
Fixed remuneration	$261,463 This is reviewed annually.
Notice period	To terminate his employment, Mr Bush is required to provide Aeris with 3 months written notice. Aeris must provide 3 months written notice.
Resignation or termination	On resignation, unless the Board determines otherwise: • All unvested short term or long term benefits are forfeited. • All vested but unexercised benefits are forfeited after 90 days following cessation of employment.
Statutory entitlements	Annual leave applies in all cases of separation. Long Service applies unless Mr Bush's service is under 10 years and he is dismissed for misconduct.
Termination for serious misconduct	Aeris may immediately terminate employment at any time in the case of serious misconduct and Mr Bush will only be entitled to payment of fixed remuneration until the termination date. Such termination will result in all unvested benefits being forfeited. Treatment of any vested but unexercised benefits will be at the discretion of the Board.
Post-Termination Restraint of Trade	For a period of 6 months or, if that period is unenforceable, 3 months after the termination of employment, Mr Bush must not, in the area of Australia or, if that area is unenforceable, New South Wales: i. solicit, canvass, approach or accept any approach from any person who was at any time during his last 12 months with the Company a client of the Company in that part or parts of the business carried on by the Company in which he was employed with a view to obtaining the custom of that person in a business that is the same or similar to the business conducted by the Company; or ii. interfere with the relationship between the Company and its customers, employees or suppliers; or iii. induce or assist in the inducement of any employee of the Company to leave their employment.

There are no other contracts to which a Director is a party or under which a Director is entitled to a benefit other than as disclosed above and in note 26 to the financial statements.

Link between remuneration and performance and statutory performance indicators

The table below shows measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMP. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

Remuneration Report (Continued)

	2019	2018	2017	2016	2015
Loss for the year attributable to owners of Aeris Environmental Ltd	(3,628,499)	(3,590,176)	(3,747,555)	(2,062,727)	(2,016,912)
Basic loss per share (cents per share)	(1.98)	(2.28)	(2.40)	(1.35)	(1.55)
Dividend payments	-	-	-	-	-
Increase/(decrease) in share price (%)	121.43%	(50.00%)	(33.33%)	(6.67%)	309.09%
Total KMP remuneration as percentage of loss for the year (%)	**(13.51%)**	**(12.01%)**	**(10.20%)**	**(13.00%)**	**(5.01%)**

The Group's sales revenue in the 2019 financial year recorded an increase by 149%, complimented by an increase in share price by 121%.

The Company is also in discussions with management and remuneration consultants to structure and align KMP remuneration with strategic business objectives, with the aim of creating shareholder wealth.

Share options

1,423,537 options and rights to take up ordinary shares in Aeris Environmental Ltd that were issued to KMP remain unexercised at 30 June 2019 (2018: 1,473,537 options and rights).

The following options were issued to KMP during the financial year	2019	2018
Peter Bush	-	1,323,537

There were no options issued to KMP that expired or were forfeited during the years 2019 and 2018.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate, or in the interest of any other registered scheme.

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001.*

On behalf of the Directors

M STANG

Director

Sydney, 30 September 2019

AUDITOR'S INDEPENDENCE DECLARATION

UHY Haines Norton
Chartered Accountants

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Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

To the Directors of Aeris Environmental Ltd

As auditor for the audit of Aeris Environmental Ltd for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

UHY Haines Norton

Mark Nicholaeff
Partner
Sydney
30 September 2019

UHY Haines Norton
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 30 June 2019

	Note	2019	2018
		$	$
Continuing Operations			Re-stated Refer note 1
Revenue	4	6,851,258	2,751,960
Cost of sales		(4,403,415)	(1,091,758)
Gross profit		2,447,843	1,660,202
Other revenue	4	129,515	18,937
Administration expenses		(1,481,936)	(1,050,558)
Depreciation and amortisation expense	5	(67,170)	(67,190)
Distribution expense		(348,244)	(241,565)
Employee benefits expense	5	(2,504,114)	(2,272,698)
Financial expenses	5	(18,615)	(46,902)
Impairment expense	5	(72,198)	(468,437)
Research and development and patent expense	5	(861,090)	(503,876)
Occupancy expenses	5	(314,355)	(276,027)
Sales, Marketing and Travel expenses		(996,364)	(1,010,502)
Loss before income tax from continuing operations		(4,086,728)	(4,258,616)
Income tax benefit		458,229	667,578
Net loss for the year		(3,628,499)	(3,591,038)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		(3,249)	2,331
Total comprehensive loss for the year, net of tax		**(3,631,748)**	**(3,588,707)**
Loss for the year attributable to:			
Owners of Aeris Environmental Ltd		(3,628,499)	(3,590,176)
Non-controlling interest	21	-	(862)
		(3,628,499)	(3,591,038)
Total comprehensive loss for the year attributable to:			
Owners of Aeris Environmental Ltd		(3,631,748)	(3,587,845)
Non-controlling interest	21	-	(862)
		(3,631,748)	(3,588,707)
Earnings per share	7		
Basic loss per share (cents per share)			
Loss from continuing operations		(1.98)	(2.28)
Diluted loss per share (cents per share)			
Loss from continuing operations		(1.98)	(2.28)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2019

	Note	2019	2018
		$	$
Crrent Assets			Re-stated Refer note 1
Cash And Cash Equivalents	9	3,467,877	157,643
Trade And Other Receivables	10A	3,442,028	1,716,397
Inventories	11	770,073	318,196
Other Current Assets	12	194,435	139,933
Total Current Assets		**7,874,413**	**2,332,169**
Non-Current Assets			
Trade And Other Receivables	10B	31,632	54,487
Property, Plant And Equipment	13	91,498	115,324
Total Non-Current Assets		**123,130**	**169,811**
Total Assets		**7,997,543**	**2,501,980**
Current Liabilities			
Trade And Other Payables	14A	2,136,041	1,281,441
Provisions	14B	272,135	273,701
Total Current Liabilities		**2,408,176**	**1,555,142**
Non-Current Liabilities			
Borrowings	15	-	1,200,000
Provisions	16	24,543	25,770
Total Non-Current Liabilities		**24,543**	**1,225,770**
Total Liabilities		**2,432,719**	**2,780,912**
Net Assets / (Liabilities)		**5,564,824**	**(278,932)**
Equity			
Contributed Equity	17	50,195,854	41,313,362
Reserves	19	2,144,073	1,554,309
Accumulated Losses	20	(46,778,788)	(43,150,288)
Non-Controlling Interest	21	3,685	3,685
Total Equity / (Deficit)		**5,564,824**	**(278,932)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 30 June 2019

	Equity	Reserves	Accumulated losses	Non-controlling interest	Total attributable to equity holders of the entity
	$	$	$	$	$
Balance at 1 July 2017	41,312,862	1,354,514	(39,560,112)	4,547	3,111,811
Loss for the year	-	-	(3,230,023)	(862)	(3,230,885)
Other comprehensive income / (loss)	-	2,331	-	-	2,331
Total comprehensive loss for the year	-	2,331	(3,230,023)	(862)	(3,228,554)
Transactions with owners in their capacity as owners:					
Shares issued during year	500	-	-	-	500
Value of employee services under ESOP	-	197,464	-	-	197,464
Balance at 30 June 2018	41,313,362	1,554,309	(42,790,135)	3,685	81,221
Balance at 1 July 2018	41,313,362	1,554,309	(42,790,135)	3,685	81,221
(reported as at 30 June 2018)					
Prior period restatement (Note 1)	-	-	(360,153)	-	(360,153)
Re-stated as at 1 July 2018	41,313,362	1,554,309	(43,150,288)	3,685	(278,932)
Loss for the year	-	-	(3,628,499)	-	(3,628,499)
Other comprehensive income / (loss)	-	(3,249)	-	-	(3,249)
Total comprehensive loss for the year	-	(3,249)	(3,628,499)	-	(3,631,748)
Transactions with owners in their capacity as owners:					
Shares issued to Directors towards loan repayment	1,500,000	-	-	-	1,500,000
Shares issued to KMP	180,000	-	-	-	180,000
Share placement - Strategic Investors	7,208,692	-	-	-	7,208,692
Share Placement Plan	257,500	-	-	-	257,500
Shares issued to consultants on exercise of options	1,500	-	-	-	1,500
Share issue cost	(265,200)	-	-	-	(265,200)
Value of employee services under ESOP	-	593,013	-	-	593,013
Balance at 30 June 2019	**50,195,854**	**2,144,073**	**(46,778,788)**	**3,685**	**5,564,824**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Financial Year Ended 30 June 2019

	Note	2019	2018
		$	$
Cash flows from operating activities			
Receipts from customers (inclusive of gst)		5,008,876	2,723,493
Payments to suppliers and employees (inclusive of gst)		(10,583,314)	(5,644,375)
R&d tax offset rebate received		1,125,509	425,298
Interest and other income received		57,419	18,937
Emdg benefit		46,746	-
Interest paid		(67,956)	(61,656)
Net cash used in operating activities	33 (b)	(4,412,720)	(2,538,303)
Cash flows from investing activities			
Purchase of property, plant and equipment		(41,489)	(26,326)
Net cash used in investing activities		(41,489)	(26,326)
Cash flows from financing activities			
Proceeds from shares issue		7,467,692	-
Loan repayments		(750,000)	-
Loan borrowings		1,050,000	1,200,000
Net cash provided by financing activities		7,767,692	1,200,000
Net increase / (decrease) in cash and cash equivalents		3,313,483	(1,364,629)
Cash and cash equivalents at the beginning of the financial year		157,643	1,519,941
Effects of exchange rate changes on cash and cash equivalents		(3,249)	2,331
Cash and cash equivalents at the end of the financial year	**9**	**3,467,877**	**157,643**

**During the 2019 financial year Directors' loan amounting to $1,500,000 was repaid by issuing 8,823,528 company's ordinary shares.*

This transaction did not have any effect on the group's cash flow.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Financial Year Ended 30 June 2019

NOTE	Continuous employment until notice is given by either party
1	Summary of significant accounting policies
2	Financial risk management
3	Critical accounting estimates and judgments
4	Revenue
5	Expenses
6	Income tax
7	Loss per share attributable to the ordinary equity-holders of the Company
8	Auditors' remuneration
9	Cash and cash equivalents
10	Current trade and other receivables
11	Inventories
12	Other current assets
13	Non-current assets
14	Current trade and other payables and provisions
15	Non current borrowings
16	Non current provisions
17	Contributed equity
18	Options
19	Reserves
20	Accumulated losses
21	Non-controlling interests
22	Particulars relating to controlled entities
23	Commitments for expenditure
24	Key management personnel disclosures
25	Share based payments
26	Related party disclosures
27	Financial instruments disclosures
28	Contingent liabilities
29	Additional company information
30	Subsequent events
31	Operating Segments
32	Information relating to Parent Entity
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate information

The financial report of Aeris Environmental Ltd (the Group) for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 27 September 2019.

Aeris Environmental Ltd (the parent) is a company limited by shares incorporated in Australia whose shares are publicly listed on the Australian Stock Exchange (ASX code: AEI).

The nature of the operations and principal activities of the Group are described in the Directors' Report.

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.

Going Concern

The Group has incurred an operating loss (after tax) of $3,628,499 for the year ended 30 June 2019 (2018 re-stated: $3,591,038) and has net assets of $5,564,824 as at 30 June 2019 (2018 re-stated: $278,932 net liabilities). The operating cash burn rate for the financial year ended 30 June 2019 was $4,412,720 (2018: $2,538,303). The cash balance as at 30 June 2019 was $3,467,877 (2018: $157,643).

Implementation of strategic business develeopment 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 financial year ending 30 June 2020.

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.

Statement of Compliance

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below.

AASB 15 Revenue from contracts with customers

The AASB has issued a new standard for revenue recognition. This will replace AASB 118, which covers contracts for goods and services, and AASB 111, which covers construction contracts.
The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risk and rewards.

AASB Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration.

1. Summary of Significant Accounting Policies (Continued)

AASB 2017-1 Amendments to Australian Accounting Standards – Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

AASB 140 Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use.

AASB 128 Investments in Associates and Joint Ventures

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

AASB 1 First-time Adoption of International Financial Reporting Standards

Short-term exemptions in paragraphs E3–E7 of AASB 1 were deleted because they have now served their intended purpose.

AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions

The AASB issued amendments to AASB 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, AASB 9, before implementing AASB 17 Insurance Contracts, which replaces AASB 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

The adoption of the above standards did not have any material impact on the group.

Re-statement 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 Reported	Adjustment	June 2018 Restated
	$	$	$
Extract from the financial statements for the year ended 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)
Impairment of trade receivables	108,284	360,153	468,437
Loss after tax	(3,230,885)	(360,153)	(3,591,038)

Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events are reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report and have been consistently applied unless otherwise stated.

i. *Business Combinations*
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

ii. *Borrowing costs*
Borrowing costs include interest or finance charges in respect of finance leases. Interest payments in respect of financial instruments classified as liabilities are included in borrowing costs. Borrowing costs are expensed as incurred.

iii. *Cash and cash equivalents*
Cash and cash equivalents comprise cash on hand, cash in banks, investments in money market instruments and short-term deposits with a maturity of three months or less, net of outstanding bank overdrafts.

iv. *Comparative amounts*
Where necessary, comparative amounts have been changed to reflect changes in disclosures in the current year.

v. *Depreciation*
All assets have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives, taking into account residual values. Depreciation and amortisation rates and methods are reviewed annually for appropriateness. Depreciation and amortisation are expensed.

Depreciation and amortisation are calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life.

The following estimated useful lives are used in the calculation of depreciation.

Computer equipment	2-3 years
Computer software	3 years
Field equipment	2-3 years
Office furniture	5 years
Plant and equipment	2-3 years
Leasehold improvements	6 years
Field equipment under finance lease	2-3 years

vi. *Earnings per share*
Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

1. Summary of Significant Accounting Policies (Continued)

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

vii. *Employee benefits*

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payment
Share-based compensation benefits are provided to employees via the Aeris Environmental Ltd Employee Option Plan. Information relating to these schemes is set out in Note 25.

The fair value of options granted under the Employee Option Plan is recognised as an employee benefit expenses with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

viii. *Financial assets*
Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as

available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

ix. *Financial Instruments issued by the company*

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual agreement

Interest

Interest is classified as an expense consistent with the balance sheet classification of the related debt or equity instruments.

x. *Financial liabilities*

The Group classifies its financial liabilities as measured at amortised cost. The Group does not use derivative financial instruments in economic hedges of currency or interest rate risk.

These financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.
- Lease liabilities are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument and subsequently carried at amortised cost using the effective interest method.

xi. *Foreign currency*

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in statement of profit or loss and other comprehensive income in the period in which they arise.

Group companies

The results and financial positions of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange difference arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in the foreign currency translation reserve. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of profit or loss and other comprehensive income as part of the gain or loss on sale where applicable.

xii. *Functional and presentation currency*

The functional and presentation currency of Aeris Environmental Ltd and its Australian subsidiaries is Australian dollars (A$). Overseas subsidiaries use the currency of the primary economic environment in which the entity operates, which is translated to the presentation currency upon consolidation.

xiii. *Goods and services tax*

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

1. Summary of Significant Accounting Policies (Continued)

Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

xiv. *Impairment of assets*

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

xv. *Income tax*

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is accounted for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The company and all its wholly-owned Australian resident entities have entered into a tax consolidated group under Australian taxation law.

The company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries set out in Note 22. The head entity recognises all of the current and deferred tax assets and liabilities of the tax consolidated group (after elimination of intragroup transactions).

xvi. *Inventories*

Inventories and raw materials are carried at the lower of cost and net realisable value. Costs are assigned on first in first out basis.

xvii. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

xviii. *Principles of consolidation*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Aeris Environmental Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Aeris Environmental Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'. Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent. Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Subsidiaries are accounted for at cost in the separate financial statements of Aeris Environmental Ltd less any impairment charges.

1. Summary of Significant Accounting Policies (Continued)

xix. Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

xx. Research and development

Research and development expenditure is expensed as incurred except to the extent that development expenditure recoverability is assured beyond reasonable doubt, in which case it is capitalised. Deferred development expenditure is amortised on a straight line basis over the period during which the related benefits are expected to be realised once commercial production has commenced.

xxi. Recoverable amount of non-current assets

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets. In assessing recoverable amounts of non-current assets, the relevant cash flows have been discounted to their present value.

xxii. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods and disposal of assets

Revenue from the sale of goods and disposal of assets is recognised when the consolidated entity has passed the risks and rewards of the goods or assets to the buyer.

Revenue from services

Revenue from consultancy and engineering services is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Interest income

Interest income is recognised as it is accrued using the effective interest rate method.

Other income

Other income is recognised as it is earned.

xxiii. Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments. Any transaction costs associated with the issuing of shares are deducted from share capital.

The Group is not subject to any externally imposed capital requirements.

xxiv. *Borrowings and Convertible notes*

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method if the impact is material to the financial report.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Convertible notes are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

xxv. Trade and other payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. Trade accounts payable are normally settled within 30 days.

xxvi. Trade and other receivables

Trade and other receivables are recognised initially at fair value and generally due for settlement within 60 days. The collectability of debts is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the income statement as financial expenses.

xxvii. *Parent entity information*

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

xxviii. Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, credit risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk predominantly arising from currency exposures to the US dollar on its loans to its overseas subsidiaries. Currency protection measures may be deemed appropriate in specific commercial circumstances and are subject to strict limits laid down by the Board. The Group has not entered into any foreign currency hedging contracts during the year.

b) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. There is negligible credit risk on financial assets of the Group since there is limited exposure to individual customers and the economic entity's exposure is limited to the amount of cash, short term deposits and receivables which have been recognised in the balance sheet.

c) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets or liabilities, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding to enable the company to operate as a going concern. The Board monitors liquidity on a monthly basis and management monitors liquidity on a daily basis.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

The following critical estimates and judgments have been made in respect of the following items:

a) Recovery of deferred tax assets

Deferred tax assets are not recognised for deductible temporary differences until management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

b) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black & Scholes model, with the assumptions detailed in Note 25. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

c) Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. REVENUE

	2019	2018
	$	$
Revenue		
Revenue from sales	2,777,113	2,007,944
Revenue from services	4,074,145	744,016
	6,851,258	**2,751,960**

Other revenue		
Financial income	57,399	13,348
EMDG benefit	46,746	-
Miscellaneous	25,370	5,589
	129,515	**18,937**

5. EXPENSES

Loss before income tax includes the following items of expense:

	2019	2018
	$	$
Depreciation and amortisation expense		
Depreciation of leasehold assets	6,332	6,332
Depreciation of plant and equipment	60,838	60,858
Total depreciation and amortisation expense	67,170	67,190
Employee benefit expenses		
Base salary and fees	1,594,103	1,862,285
Superannuation & statutory oncosts	283,454	201,028
Share based payment expense (Note 25(a))	593,013	197,464
Other employee expenses	33,544	11,921
Total employee benefit expenses	2,504,114	2,272,698
Financial expenses		
Interest, bank fees and other financial expenses	18,615	46,902
	18,615	46,902
Other expenses		
Impairment of receivables	72,198	468,437
Rental & occupancy expenses	314,355	276,027
Research and development and patent expenses	861,090	503,876

6. INCOME TAX

	2019	2018
	$	$
a) Income tax benefit		
The prima facie income tax benefit on pre-tax accounting loss reconciles to the income tax benefit in the financial statements as follows:		
Loss for year	(4,086,728)	(4,258,616)
Income tax benefit calculated at 30%	(1,226,019)	(1,277,585)
Temporary differences and tax losses not recognised	589,884	550,766
- Non deductible expenses		
- Share based payments	177,905	59,240
Income tax benefit attributable to loss	(458,229)	(667,578)

b) Deferred tax balances not recognised	2019	2018
	$	$
Calculated at 30% not brought to account as assets:		
Deferred tax assets		
Tax losses		
Revenue tax losses available for offset against future tax income	7,951,360	7,305,778
Temporary differences		
Provision for doubtful debts	235,537	122,594
Provision for employee entitlements	89,003	89,841
Difference between book and tax values of fixed assets	29,540	60,356
Accruals	8,700	7,200
	362,780	279,991
Total deferred tax assets	8,314,140	7,585,769
Net deferred tax asset not recognised	8,314,140	7,585,769

6. Income Tax (Continued)

c) Tax consolidation

i) Relevance of tax consolidation to the consolidated entity

Legislation to allow groups comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes ('the tax consolidation system') was substantively enacted on 21 October 2002. The Company, its wholly-owned Australian resident entities and its sister entities within Australia are eligible to consolidate for tax purposes under this legislation and have elected to implement the tax consolidation system from 1 July 2005.

ii) Method of measurement of tax amounts

The tax consolidated group has adopted the "stand-alone" method of measuring current and deferred tax amounts applicable to each company.

iii) Tax sharing agreements

There are no tax sharing or funding agreements in place.

iv) Tax consolidation contributions

There were no amounts recognised for the period as tax consolidations contributions by (or distributions to) equity participants of the tax consolidated group.

7. LOSS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY-HOLDERS OF THE COMPANY

	2019	2018
	$	$
Basic loss per share (cents per share)	(1.98)	(2.28)
Diluted loss per share (cents per share)	(1.98)	(2.28)
Net loss used to calculate basic EPS	(3,628,499)	(3,590,176)
Net loss used to calculate diluted EPS	(3,628,499)	(3,590,176)
Weighted average number of ordinary shares used to calculate basic EPS	183,224,455	157,750,866
Weighted average number of ordinary shares used to calculate diluted EPS	183,224,455	157,750,866

Options and rights eligible for conversion into ordinary shares in future have an anti-dilutive effect, hence diluted EPS is reported same as basic EPS.

8. AUDITORS' REMUNERATION

	2019	2018
	$	$
Remuneration of UHY Haines Norton for:		
Audit of the annual financial report	26,000	26,000
Review of the half yearly financial report	17,050	17,000
Other services	8,500	4,550
Total auditors remuneration	**51,550**	**47,550**

9. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents		
Cash at bank and on hand	1,450,012	152,070
Deposits on call	2,017,865	5,573
	3,467,877	**157,643**

The carrying amounts of the Group's cash are a reasonable approximation of their fair values.

10. CURRENT TRADE AND OTHER RECEIVABLES

A) Current trade and other receivables		
Trade receivables	3,836,978	1,560,891
Less provision for doubtful debts	(394,950)	(511,774)
R&D tax offset rebate receivable	-	667,280
	3,442,028	**1,716,397**

B) Non-current trade and other receivables		
Trade Receivables	421,805	311,513
Less provision for doubtful debts	(390,173)	(257,026)
	31,632	**54,487**

The carrying amounts of non-current trade and other receivables represent amount due from customers for SmartENERGY® projects completed during 2017 financial year which are receivable over 60 months and accounted at fair values.

The fair values were calculated based on cash flows discounted using rate appropriate to credit rating of customers.

The carrying amounts of the Group's trade and other receivables are a reasonable approximation of their fair values.

10. Current Trade And Other Receivables (Continued)

	2019	2018
	$	$
C) Impairment of receivables		
Less than 6 months overdue	-	-
More than 6 months overdue	785,123	768,800

Movements in provision for impairment of receivables		
Opening balance	768,800	308,555
Additional provisions recognised	44,879	460,245
Foreign exchange difference and other adjustments	(28,555)	-
Closing balance	**785,123**	**768,800**

Amounts recognised in profit or loss		
During the year, the following losses were recognised in profit or loss in relation to impaired receivables.		
Impairment losses		
Individually impaired receivables	(27,319)	(8,192)
Movement in provision for impairment	(44,879)	(460,245)
	(72,198)	**(468,437)**

11. INVENTORIES

Inventories - at cost	770,073	318,196
	770,073	**318,196**

The carrying amounts of the Group's inventories are a reasonable approximation of their fair values.

12. OTHER CURRENT ASSETS

Prepayments	167,965	83,932
Advance payment to suppliers	-	39,578
Accrued income	12,306	4,606
Deposits and bonds	14,164	11,817
	194,435	**139,933**

The carrying amounts of the Group's other current assets are a reasonable approximation of their fair values.

13. NON-CURRENT ASSETS

Carrying Values

	Cost	Accumulated depreciation / impairment	Net carrying value
	$	$	$
2019			
Property, plant and equipment			
R & D equipment	25,011	(25,011)	-
Computer equipment	233,613	(206,421)	27,192
Field equipment	58,747	(58,747)	-
Leasehold improvements	130,228	(116,583)	13,645
Office furniture	176,456	(145,485)	30,971
Plant and equipment	129,210	(109,520)	19,690
	753,265	**(661,766)**	**91,498**

	Cost	Accumulated depreciation / impairment	Net carrying value
2018			
Property, plant and equipment			
R & D equipment	25,011	(25,011)	-
Computer equipment	208,784	(179,247)	29,537
Field equipment	58,747	(58,747)	-
Leasehold improvements	130,228	(110,251)	19,977
Office furniture	175,566	(123,411)	52,155
Plant and equipment	111,585	(97,930)	13,655
	709,921	**(594,597)**	**115,324**

Reconciliations

	Opening net carrying value	Additions	Disposals	Depreciation / Impairment	Exchange movements	Closing net carrying value
2019	$	$	$	$	$	$
R & D equipment	-	-	-	-	-	-
Computer equipment	29,537	24,829	-	(27,174)	-	27,192
Leasehold improvements	19,977	-	-	(6,332)	-	13,645
Office furniture	52,155	890	-	(22,074)	-	30,971
Plant and equipment	13,655	17,625	-	(11,590)	-	19,690
	115,325	**43,344**	**-**	**(67,170)**	**-**	**91,498**

	Opening net carrying value	Additions	Disposals	Depreciation / Impairment	Exchange movements	Closing net carrying value
2018						
R & D equipment	187	-	-	(187)	-	-
Computer equipment	36,624	20,820	-	(27,907)	-	29,537
Leasehold improvements	26,309	-	-	(6,332)	-	19,977
Office furniture	74,329	-	-	(22,174)	-	52,155
Plant and equipment	18,741	5,504	-	(10,590)	-	13,655
	156,190	**26,324**	**-**	**(67,190)**	**-**	**115,324**

14. CURRENT TRADE AND OTHER PAYABLES AND PROVISIONS

	2019	2018
	$	$
a) Unsecured trade and other payables		
Trade creditors	1,884,786	964,562
Other payables and accruals	223,884	281,065
GST and PAYG payable	27,371	35,814
	2,136,041	**1,281,441**
b) Provisions		
Annual leave	248,785	250,930
Long service leave	23,350	22,771
	272,135	**273,701**

The carrying amounts of the Group's current trade and other payables and provisions are a reasonable approximation of their fair values.

15. NON-CURRENT BORROWINGS

Unsecured loans from Directors	-	1,200,000
	-	**1,200,000**

The carrying amounts of the Group's non-current borrowings are a reasonable approximation of their fair values.

Interest on loans from Directors and related entities is charged at ATO benchmark rates

16. NON-CURRENT PROVISIONS

Long service leave	24,543	25,770
	24,543	**25,770**

The carrying amounts of the Group's non-current provisions are a reasonable approximation of their fair values.

17. CONTRIBUTED EQUITY

	2019	2018
	$	$
Share capital		
211,746,510 fully paid ordinary shares - no par value	50,090,978	41,208,486
(2018: 157,795,387)		

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Other contributed equity		
Consideration for issue of share options	104,876	104,876
	50,195,854	41,313,362

Movement in ordinary share capital of Aeris Environmental Ltd	2019 Number of shares	2019	2018 Number of shares	2018
		$		$
Balance at beginning of year	157,795,387	41,208,486	157,745,387	41,207,986
Shares issued during year				
Shares issued to Directors towards repayment of their loan	8,823,528	1,500,000	-	-
Shares issued to KMP	1,058,824	180,000	-	-
Share placement - Strategic Investors	42,404,073	7,208,692	-	-
Share Placement Plan	1,514,698	257,500	-	-
Shares issued to consultants on exercise of options	150,000	1,500	50,000	500
	211,746,510	50,356,178	157,795,387	41,208,486
Transaction costs relating to share issues	-	(265,200)	-	-
Balance at end of year	**211,746,510**	**50,090,978**	**157,795,387**	**41,208,486**

For the purposes of these disclosures, the Group considers its capital to comprise its ordinary share capital and accumulated losses. Neither the share based payments reserve nor the translation reserve is considered as capital.

18. OPTIONS

2019 Unlisted	Grant Date	Expiry Date	Exercise Price	Number on issue 30 June 2018	Granted during year	Expired or forfeited	Exercised during year	Number on issue 30 June 2019
**	31-Jul-14	31-Jul-19	0.20	500,000	-	(500,000)	-	-
*	23-Dec-16	14-Oct-21	0.42	100,000	-	-	-	100,000
*	23-Dec-16	23-Oct-21	0.42	745,000	-	(75,000)	-	670,000
*	23-Dec-16	01-Aug-20	0.01	250,000	-	-	-	250,000
*	30-May-18	01-Mar-21	0.01	100,000	-	-	-	100,000
Total options on issue				**1,695,000**	**-**	**(575,000)**	**-**	**1,120,000**

2018 Unlisted	Grant Date	Expiry Date	Exercise Price	Number on issue 30 June 2017	Granted during year	Expired or forfeited	Exercised during year	Number on issue 30 June 2018
**	31-Jul-14	31-Jul-19	0.20	500,000	-	-	-	500,000
*	23-Dec-16	14-Oct-21	0.42	100,000	-	-	-	100,000
*	23-Dec-16	23-Oct-21	0.42	945,000	-	(200,000)	-	745,000
*	23-Dec-16	01-Aug-20	0.01	300,000	-	-	(50,000)	250,000
*	30-May-18	01-Mar-21	0.01	-	100,000	-	-	100,000
Total options on issue				**1,845,000**	**100,000**	**(200,000)**	**(50,000)**	**1,695,000**

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate unless the options are exercised prior to the new share issue entitlement date.

**Share options issued as consideration for business combinations

*These options expire on the earlier of their expiry date or the date of termination of the employee's employment, or, in the case of voluntary termination, 90 days after voluntary termination of the employee's employment

19. RESERVES

	2019	2018
	$	$
Foreign currency translation reserve	(52,796)	(49,547)
Share based payments reserve	2,196,869	1,603,856
	2,144,073	**1,554,309**

Foreign currency translation reserve		
Balance at beginning of financial year	(49,547)	(51,878)
Foreign exchange translation difference	(3,249)	2,331
Balance at end of financial year	**(52,796)**	**(49,547)**

Nature and purpose of reserve

The foreign currency translation reserve records the impact of the movement of the exchange rate as it relates to the company's investment in overseas subsidiaries.

Share based payments reserve		
Balance at beginning of financial year	1,603,856	1,406,392
Share based payments during the year allocated to:		
Employees and consultants	505,182	170,612
Key Management Personnel	87,831	26,852
Balance at end of financial year	**2,196,869**	**1,603,856**

Nature and purpose of reserve

The share based payments reserve records the value of options issued to employees, consultants and Directors, as part of the remuneration for their services and issued in consideration for business combinations.

20. ACCUMULATED LOSSES

	2019	2018
	$	$
Balance at beginning of financial year	(43,150,288)	(39,560,112)
Net loss for year	(3,628,499)	(3,590,176)
Balance at end of financial year	**(46,778,788)**	**(43,150,288)**

21. NON-CONTROLLING INTERESTS

Balance at beginning of financial year	3,685	4,547
Net loss for year	-	(862)
Balance at end of financial year	**3,685**	**3,685**

22. PARTICULARS RELATING TO CONTROLLED ENTITIES

Name of entity	Country of incorporation	Ownership interest 2019	Ownership interest 2018
Controlled entities		%	%
Aeris Pty Ltd	Australia	100	100
Aeris Biological Systems Pty Ltd	Australia	100	100
Aeris Hygiene Services Pty Ltd	Australia	100	100
Aeris Environmental LLC	USA	100	100
Aeris Cleantech Pte Ltd	Singapore	75	75
Aeris Cleantech Europe Ltd	Malta	100	100

23. COMMITMENTS FOR EXPENDITURE

	2019	2018
	$	$
Lease commitments		
Operating leases		
Commitments on operating leases that relate to below office facilities:		
Thailand operations branch - up to 1 year	-	4,284
Registered office in Sydney - up to 1 year	55,495	-
- 1 to 3 years	55,495	-
Branch office in Brisbane - up to 1 year	109,559	107,076
- 1 to 3 years	178,033	214,152
- 3 to 5 years	-	71,384
Townsville lease - up to 1 year	14,300	-
	412,882	**396,896**

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) The Directors of Aeris Environmental Ltd during the year were:

Maurie Stang
Bernard Stang
Steven Kritzler
Alex Sava
Peter Bush (Alternate Director and Chief Executive Officer)

b) Other key management personnel

Robert Waring (Company Secretary)

c) Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2019	2018
	$	$
Short-term employee benefits	379,720	381,545
Post-employment benefits	22,647	22,817
Share-based payments	87,831	26,852
	490,198	**431,214**

Further, disclosures relating to key management personnel are set out in remuneration report in the Directors' Report.

25. SHARE BASED PAYMENTS

a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	2019	2018
	$	$
Employee Share Option Plan		
Employees and consultant	505,182	170,612
Key Management Personnel	87,831	26,852
Total amount arising from share-based payment transactions	593,013	197,464

b) Details of share-based payment plan

The share-based payment plan is described in the remuneration report in Directors' Report.
There have been no cancellations or modifications to the plan during 2019 and 2018.

Fair value of options issued

The fair value of the options granted under the plan is estimated using the Black & Scholes valuation methodology taking into account the terms and conditions under which the options are granted.
The fair value of performance rights granted is based on the market price of shares at the date of issue.

	Options		Rights	
	2019	2018	2019	2018
Weighted average remaining contractual life	1.98 years	2.44 years	1.28 years	1.78 years
Range of exercise prices	$0.01 to $0.42	$0.01 to $0.42	-	-

Following options or rights were issued during the year.				
To employees and consultants	-	100,000	-	515,500
To Key Management Personnel	-	-	-	1,323,537
	-	100,000	-	1,839,037

The following table shows the inputs to the valuation of options and rights granted during 2018 financial year.

	Options	Rights
Value of Underlying Stock	0.170	0.165
Exercise Price	0.010	0.000
Dividend Yield	0.00%	N/A
Volatility (per Year)	12.90%	N/A
Risk free rate	2.50%	N/A
Maturity	01/03/2021	11/04/2021
Pricing Date	30/05/2018	30/05/2018
Value of Option	0.1607	0.1650

26. RELATED PARTY DISCLOSURES

a) Parent Entity

Aeris Environmental Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 22.

b) Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report in the Directors' Report.

c) Transactions with Directors and Director related entities

Disclosures relating to transactions with Directors and Director related entities are set out in the remuneration report in the Directors' Report.

27. FINANCIAL INSTRUMENTS DISCLOSURES

a) Capital

The Group considers its capital to comprise its ordinary share capital and accumulated losses.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. In order to achieve this objective, the Group seeks to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

b) Financial instrument risk exposure and management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

c) Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risks arise, are as follows:
cash at bank;

trade and other receivables;

deposits and bonds; and

trade and other payables.

Borrowings

27. Financial Instruments Disclosures (Continued)

d) General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and has the responsibility for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) Credit risk

Credit risk arises principally from the Group's trade receivables, cash and term deposits. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument.

The maximum exposure to credit risk at balance sheet date is as follows :

	2019	2018
	$	$
Without external credit rating		
Trade receivables	3,473,660	1,103,604
R&D tax offset rebate receivable	-	667,280
Deposits and bonds	22,265	19,709
With external credit rating (Moody's)		
Deposits with Bankwest (credit rating Aa2)	2,017,519	1,070
Deposits with Wells Fargo, USA (credit rating Aa1)	76,081	20,973
Deposits with ANZ Bank (credit rating Aa2)	1,349,821	103,560
	6,939,346	**1,916,197**

(ii) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

The Board receives cash flow projections on a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Maturity analysis of financial assets and liability based on management's expectations

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital (e.g. trade receivables and inventories). These assets are considered in the Group's overall liquidity risk.

(ii) Liquidity risk (continued)

Maturity analysis of financial assets and liability based on management's expectations

	Cash flows	< 6 mths	6- 12 mths	1-3 years	> 3 years
	$	$	$	$	$
Maturity analysis - 2019					
Financial assets					
Cash and cash equivalents	3,467,877	3,467,877	-	-	-
Receivables	3,486,857	3,424,125	28,953	33,779	-
Security deposits	14,164	-	-	-	14,164
Total	**6,968,898**	**6,892,002**	**28,953**	**33,779**	**14,164**
Financial liabilities					
Trade Creditors	1,884,786	1,884,786	-	-	-
Other payables and accruals	251,256	251,256	-	-	-
Loans	-	-	-	-	-
Total	**2,136,042**	**2,136,042**	**-**	**-**	**-**
Net Maturity	**4,832,856**	**4,755,960**	**28,953**	**33,779**	**14,164**
Maturity analysis - 2018					
Financial assets					
Cash and cash equivalents	157,643	157,643	-	-	-
Receivables	1,844,587	1,436,670	61,721	246,883	99,313
Security deposits	11,817	-	-	-	11,817
Total	**2,014,047**	**1,594,313**	**61,721**	**246,883**	**111,130**
Financial liabilities					
Trade Creditors	964,562	964,562	-	-	-
Other payables and accruals	316,878	316,878	-	-	-
Loans	1,295,400	31,800	63,600	1,200,000	-
Total	**2,576,840**	**1,313,240**	**63,600**	**1,200,000**	**-**
Net Maturity	**(562,793)**	**281,073**	**(1,879)**	**(953,117)**	**111,130**

27. Financial Instruments Disclosures (Continued)

(iii) Market risk

a) Interest rate risk

The Group's exposure to fluctuations in interest rates that are inherent in financial markets arise predominantly from assets and liabilities bearing variable interest rates.

The company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

2019	Note	Weighted Average Interest Rates	Floating Interest Rates	Fixed Interest Rates	Non-Interest Bearing	Total
Financial assets						
Cash and cash equivalents	9	1.00%	2,017,865	-	1,450,012	3,467,877
Deposits	12	2.20%	-	-	14,164	14,164
Receivables	10	5.50%	-	65,578	3,408,083	3,473,660
Total Assets			**2,017,865**	**65,578**	**4,872,259**	**6,955,701**
Financial liabilities						
Trade and other payables	14	0.00%	-	-	2,136,041	2,136,041
Borrowings	15	5.30%	-	-	-	-
Total Liabilities			**-**	**-**	**2,136,041**	**2,136,041**
Net financial assets			**2,017,865**	**65,578**	**2,736,218**	**4,819,660**
2018						
Financial assets						
Cash and cash equivalents	9	1.00%	5,573	-	152,070	157,643
Deposits	12	2.20%	-	-	11,817	11,817
Receivables	10	5.50%	-	395,935	1,374,950	1,770,885
Total Assets			**5,573**	**395,935**	**1,538,837**	**1,940,345**
Financial liabilities						
Trade and other payables	14	0.00%	-	-	1,281,441	1,281,441
Borrowings	15	5.30%	-	1,200,000	-	1,200,000
Total Liabilities			**-**	**1,200,000**	**1,281,441**	**2,481,441**
Net financial assets			**5,573**	**(804,065)**	**257,396**	**(541,096)**

The following sensitivity analysis is based on the interest rate risk exposure in existence at the balance sheet date. The analysis assumes all other variables remain constant.

Sensitivity analysis

2019	Carrying amount	+3% interest rate Profit & Loss	-3% interest rate Profit & Loss
Deposits on call	2,017,865	60,536	(60,536)
	2,017,865	60,536	(60,536)
Tax charge of 30%		(18,161)	18,161
Post tax profit increase / (decrease)		42,375	(42,375)
2018			
Deposits on call	5,573	167	(167)
	5,573	167	(167)
Tax charge of 30%		(50)	50
Post tax profit increase / (decrease)		117	(117)

b) Currency risk

The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

The Group's exposure to foreign currency risk is as follows:

	2019 US$	2018 US$	2019 SGD	2018 SGD	2019 Euro	2018 Euro
Cash at bank	53,373	15,527	9,334	9,334	5,000	5,000
Trade and other receivables	385,893	18,056	12,500	12,500	-	-
Trade and other payables	(310,420)	(2,912)	-	-	-	-
Net Exposure	128,846	30,671	21,834	21,834	5,000	5,000

Sensitivity analysis on the foreign currency exposure risk is not disclosed as the foreign currency balances are not material and the impact of any change in exchange rates would be immaterial.

c) Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Therefore, table detailing the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement is not required.

28. CONTINGENT LIABILITIES

There are no contingent liabilities of the company or the Group other than commitments disclosed in note 23 (2018: NIL)

29. ADDITIONAL COMPANY INFORMATION

Aeris Environmental Ltd is a listed public company, incorporated in Australia.

Principal registered office and principal place of business
5/26-34 Dunning Avenue
ROSEBERY
NSW 2018

30. SUBSEQUENT EVENTS

There have been no matters or circumstances, which have arisen since 30 June 2019 that have significantly affected or may significantly affect:

a) the operations, in financial years subsequent to 30 June 2019, of the consolidated entity; or

b) the results of those operations;

c) the state of affairs, in the financial years subsequent to 30 June 2019, of the consolidated entity.

31. OPERATING SEGMENTS

Identification of reportable segments

From Board of Directors' (Chief Operating Decision Makers' - CODM) perspective, the Group is organised into business units based on its geographical area of operation. The Group has identified two reportable segments as mentioned below.

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 CODM reviews revenue, COGS, operating expenses, profit before tax, assets & liabilities for the following segments:
a) Australia - Sales and service on account of Australian operations
b) International - Sales & service 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 & are eliminated on consolidation.

Major Customer

The Group supplied to one of its major customers, through Australian sales and services segment, (who individually amount to 10% or more of its total revenue) that combined account for 40% of external revenue (2018: Two major customers combined account for 33%).

During the year ended 30 June 2019 the most significant client accounts for approximately 40% (2018: 17%) of the consolidated entity's external revenue through Australian Sales and Services operating segment.

Operating segment information of the consolidated entity

2019	Australia	International	Intersegment eliminations	Consolidated
Revenue	$	$	$	$
Sales	6,305,400	570,832	(24,975)	6,851,257
Other Income	129,515	-	-	129,515
Total Revenue	**6,434,915**	**570,832**	**(24,975)**	**6,980,772**
Expenses				
Cost of goods sold	4,139,133	289,257	(24,975)	4,403,415
Operating expenses	6,481,944	557,407	(375,266)	6,664,085
Total Expenses	**10,621,077**	**846,664**	**(400,241)**	**11,067,500**
Loss before tax	**(4,186,162)**	**(275,832)**	**375,266**	**(4,086,728)**
2018				
Revenue				
Sales	2,719,850	47,943	(15,833)	2,751,960
Other Income	18,937	-	-	18,937
Total Revenue	**2,738,787**	**47,943**	**(15,833)**	**2,770,897**
Expenses				
Cost of goods sold	1,089,663	17,930	(15,833)	1,091,760
Operating expenses	5,910,543	27,406	(196)	5,937,753
Total Expenses	**7,000,206**	**45,336**	**(16,029)**	**7,029,513**
Loss before tax	**(4,261,419)**	**2,607**	**196**	**(4,258,616)**

31. Operating Segments (Continued)

Segment assets and liabilities	Assets		Liabilities	
	2019	2018	2019	2018
	$	$	$	$
Australia	7,538,662	2,580,841	3,802,631	4,592,382
International	860,028	84,219	3,184,701	2,019,977
Total	**8,398,690**	**2,665,060**	**6,987,332**	**6,612,359**
Intersegment elimination	(401,146)	(163,080)	(4,554,613)	(3,831,447)
Consolidated	7,997,544	2,501,980	2,432,719	2,780,912

32. INFORMATION RELATING TO AERIS ENVIRONMENTAL LTD ("THE PARENT ENTITY")

	2019	2018
	$	$
Current Assets	7,375,870	2,425,961
Total Assets	7,538,240	2,537,685
Current Liabilities	1,961,530	1,507,476
Total Liabilities	1,986,073	2,733,246
Issued Capital (net of costs)	50,195,854	41,313,361
Accumulated losses	(46,840,555)	(43,112,777)
Share-based payment reserve	2,196,868	1,603,855
	5,552,166	(195,560)
Net loss after tax for the period	(3,727,778)	(3,593,641)
Total comprehensive loss for the period	**(3,731,027)**	**(3,951,463)**

Contractual Obligations / Commitments (Refer Note 23)

33. NOTES TO CASH FLOW STATEMENTS

a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled in the related items in the statement of financial position as follows:

	2019	2018
	$	$
Cash at bank and on hand	1,450,012	152,070
Deposits on call	2,017,865	5,573
	3,467,877	**157,643**

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

	2019	2018
	$	$
Operating loss after income tax	(3,628,499)	(3,591,038)
Non cash/non-operating items included in profit and loss		
Depreciation and amortisation	67,170	67,190
Impairment expense	72,198	468,437
Share based payments	412,287	197,964
Changes in assets and liabilities		
Increase in receivables	(1,774,973)	(441,087)
Increase in inventory	(451,877)	(61,472)
(Increase) / Decrease	(28,565)	15,704
Increase in trade creditors	918,367	545,478
Increase in other creditors and accruals	3,966	199,592
(Decrease) / Increase in employee entitlement expense	(2,793)	60,929
Net cash used in operating activities	**(4,412,720)**	**(2,538,303)**

DIRECTORS' DECLARATION

In accordance with a resolution of directors, I state that:

1. In the opinion of the Directors:

a) the financial statements and notes, as set out on pages 21 to 58, are in accordance with the *Corporations Act 2001* and
   i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and its performance for the year ended on that date; and
   ii) complying with Accounting Standards and the *Corporations Regulations 2001;*

b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1; and

c) There are reasonable grounds to believe that the company and the consolidated entity will be able to pay its debts as and when they become due and payable;

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2019.

On behalf of the Board of Directors

Maurie Stang
Director
Sydney, 30 September 2019

INDEPENDENT AUDITOR'S REPORT

UHY Haines Norton
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of Aeris Environmental Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Aeris Environmental Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the *Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Company, would be in the same terms given to the directors at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

GOING CONCERN

Why a key audit matter	How our audit addressed the risk
Risk pervasive to Financial Statements As disclosed in Note 1 in the financial report, the Group has prepared the financial report on a going concern basis. The Group's net asset position has changed from net liabilities of $0.28 million as at 30 June 2018 to net assets of $5.56 million as at 30 June 2019. The Group made a loss of $3.63 million for the year ended 30 June 2019 compared to a loss of $3.59 million in the corresponding previous year. For the year ended 30 June 2019, the Group had negative operating cash flow of $4.41 million. The cash balance as at 30 June 2018 was $3.47 million. The history of loss making operations and negative operating cash flows increases the risk that the company may not be able to continue as a going concern for the next 12 months.	Our audit procedures included, amongst others: ► Analysis of the cash flow projections. ► Review of the Board minutes and the ASX announcements for the issue of shares in December 2018 to raise $4 million and issue of shares in January 2019 to raise $3.21 million. ► Assessing significant non-routine forecast cash inflows and outflows for quantum and timing. We used our knowledge of the Group and its industry to assess the level of the associated uncertainty. ► Evaluating the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standards requirements. ► Discussions with the directors and management regarding their going concern assessment. ► Inquiry with the management regarding any large capital commitments in place.

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REVENUE RECOGNITION

Why a key audit matter	How our audit addressed the risk
Revenue was identified as a key audit matter as it is considered to be a key performance indicator to the users of the financial report and because of the extent of judgment involved in the recognition and measurement of revenue. Overall revenue has increased from $2.77 million for the year ended 30 June 2018 to $6.98 million for the year ended 30 June 2019. **Occurrence and Cut off** AASB 15 'Revenue from Contracts with Customers' establishes a framework for determining whether, how much and when revenue is recognised. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. 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. UHY Haines Norton note that $694k sales were made in June 2019 to various customers. Sales made at the end of the period are of higher risk of cut off error due to strict revenue recognition requirements of the accounting standards (i.e. when customer obtains control of goods and services). A key audit matter is revenue is not materially correct for year ended 30 June 2019.	**General procedures** ► Discussions were held with management regarding the accounting policies for recognising sales revenue and assessing the appropriateness of these policies in accordance with the requirements of the Australian Accounting Standards. We reviewed these policies to determine whether they have been consistently and appropriately applied. ► Agreeing the revenue per the trial balance to sales ledger listing. **Occurrence and Cut off** ► Reviewing contracts with customers to determine if the revenue was recognised in line with the requirements of Australian Accounting Standards. ► Performing analytical procedures on revenue recorded during the year by comparing the current year revenue with the prior year. We also compared gross margins with prior period. We obtained explanations of significant variations from management and corroborated those with our understanding of the business and other evidence obtained during the audit. ► For a high dollar and additional sales of goods samples, we have tested the sales recorded during the year to the documentation such as invoice, contract, purchase order, deliveries and acceptances from the customer and bank receipts.

	► For a high dollar and additional sales of services (remediation project) samples, we have tested the sales recorded during the year to the documentation such as invoice, contract, project reports and bank receipts. ► We inquired whether any sales transactions represent goods shipped on consignment and, if so, whether the appropriate adjustments have been made to reverse these transactions. ► We held discussions whether any large credits relating to recorded income have been issued after the balance sheet date and whether any provision has been made for such amounts. We assessed the reasonableness of any such provisions. ► For a sample of revenues recorded around year end, we have checked invoices, purchase orders and shipping documents to check whether proper cut-off has been implemented.

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RECOVERABILITY OF TRADE RECEIVABLES

Why a key audit matter	How our audit addressed the risk
We note that the aging profile of the debtors has deteriorated mainly because of the large outstanding balances have not been collected. Debtor balances beyond normal credit terms may indicate recoverability issues. The receivables balance as at 30 June 2019 has increased on account of an increase in the sales in FY2019. The receivables balance as at 30 June 2019 has increased from $1.77 million as at 30 June 2018 to $3.47 million as at 30 June 2019. We note that the company has made high dollar value sales to a few new customers during the year. Though the company has a trading history with majority of the customers, there is a credit risk as the monies have been outstanding for a long time. Further, under Asset Upgrade Plan contracts the revenue is collectible over a period of five years, hence the company is exposed to default risk from such customers over an extended period. A key audit matter is receivables are not recoverable and they are not disclosed appropriately in the financials.	Our procedures included, amongst others: ▸ During the 30 June 2018 audit, we had requested the management to take up an additional provision for doubtful debts for Fresh Freight Tasmania of $334k due to payments by the customer being on hold for an extended time. However, management disagreed with our conclusion and we issued a qualified opinion in relation to this matter. During the half-year ended 31 December 2018, Fresh Freight Tasmania provision for doubtful debts for $360k was again raised with management. Management agreed to take this provision as a prior period error and to adjust the opening balance of provision for doubtful debts and retained earnings. ▸ Agreeing a sample of receivables balances to supporting documentation. ▸ Reviewing and testing aging of trade and other receivables. ▸ Assessing the recoverability of a sample of large outstanding trade and other receivables to subsequent cash receipts. ▸ Discussions with management regarding their views of the recoverability of amounts outstanding. ▸ Challenging management's views of credit risk and noting the historical patterns for long outstanding trade receivables. Reviewing other evidence including customer correspondence, and discussions with management personnel to challenge their knowledge of future conditions that may impact expected customer receipts.

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- Assessing the adequacy of the Group's disclosures in respect of credit risk.

Other Information
The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report
The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud

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or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 19 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Aeris Environmental Ltd, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

UHY Haines Norton

Mark Nicholaeff
Partner
Sydney
30 September 2019

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AUSTRALIAN SECURITIES EXCHANGE (ASX) ADDITIONAL INFORMATION

Additional information required by ASX Listing Rule 4.10, and not disclosed elsewhere in this Annual Report, is detailed below. This information was prepared based on the Company's Share Registry information, its option register, ASX releases and the Company's Constitution.

Shareholding Information

Distribution of Shareholders

Analysis of the quoted fully paid ordinary shares by holding as at 26 September 2019:

Spread of Holdings	Number of Holders	Ordinary shares	% of Total Issue Capital
1 – 1,000	49	21,984	0.01
1,001 – 5,000	141	429,453	0.20
5,001 – 10,000	126	1,068,248	0.50
10,001 – 100,000	333	12,874,459	6.03
100,001 – 500,000	112	25,791,699	12.08
500,001 – 1,000,000	28	18,673,874	8.75
1,000,001 and over	37	154,589,707	72.43
Total	**826**	**213,449,424**	**100.00**

Based on the market price at 26 September 2019 there were 80 shareholders with less than a marketable parcel of $500 worth of shares at a share price of $0.25. There are 321,899 shares that are subject to Company-imposed voluntary escrow.

Statement of Shareholdings as at 26 September 2019

The names of the 20 largest holders of fully paid ordinary shares are listed below:

Rank	Shareholder	Number of Shares	% Holding
1	Maurie Stang	20,809,160	9.75
2	Bernard Stang	17,893,084	8.38
3	J P Morgan Nominees Australia Pty Limited	16,281,034	7.63
4	Link Traders (Aust) Pty Ltd	14,635,539	6.86
5	Steven Kritzler <S Kritzler Family A/C>	11,252,785	5.27
6	Netwealth Investments Limited <Wrap Services A/C>	11,150,573	5.22
7	Girdis Superannuation Pty Ltd <Girdis Super Fund A/C>	8,823,531	4.13
8	Development Management & Constructions Pty Ltd	5,882,353	2.76
9	Pulitano Family Superannuation Pty Ltd <Pulitano Family SF A/C>	5,405,018	2.53
10	Meditsuper Pty Ltd <Medi Consumables P/L S/F A/C>	4,272,281	2.00
11	Treplo Pty Limited <Stevanne Superannuation A/C>	3,186,000	1.49
12	Henderson International Pty Limited <Henderson Super Fund A/C>	2,822,714	1.32
13	Wakil Family Group Pty Ltd <Ron Ton Fashions P/L R/F A/C>	2,552,497	1.20
14	Bennelong Resources Pty Limited <John Egan Super Fund A/C>	2,275,000	1.07

Australian Securities Exchange (Asx) Additional Information (Continued)

15	Radley Investment Co Pty Ltd <John Dalley Super Fund A/C>	2,225,210	1.04
16	Hillridge Pty Ltd	2,063,650	0.97
17	Jamber Investments Pty Ltd <Amber Schwartz Family A/C>	1,782,988	0.84
18	Rosherville Pty Ltd <Ayton Super Fund A/C>	1,750,000	0.82
19	Joshua Aaron Ehrlich	1,700,000	0.80
20	Kefford Holdings Pty Ltd <The Kefford Family A/C> >	1,543,471	0.72
	Total of Top 20 Holdings	**138,306,888**	**64.80**
	Other Holdings	**75,142,536**	**35.20**
	Total Ordinary Shares	**213,449,424**	**100.00**

Unquoted Equity Securities

For details of the unissued ordinary shares of the Company, refer below and to the "Share Options" section of the Directors' Report.

Number	Class – Options	Number of Holders
100,000	Options held by Director Alex Sava, which expire on 14 October 2021 and have an exercise price of 42 cents, issued under the Company's Employee Incentive Plan (EIP)	1
450,000	Options held by six staff members, which expire on 23 October 2021 and have an exercise price of 42 cents, issued under the EIP	6
220,000	Options held by five key consultants, which expire on 23 October 2021 and have an exercise price of 42 cents, which includes 100,000 options held by Ian Braby, and 50,000 options held by each of Robert Waring and Ian Ernst.	5
100,000	Options held by consultant Carl Henin, which expire on 1 August 2020 and have an exercise price of 1 cent.	1
100,000	Options held by consultant Carl Henin, which expire on 1 March 2021 and have an exercise price of 1 cent.	1
970,000	**Total Options on Issue**	**14**

Number	Class – Performance Rights	Number of Holders
1,642,288	Performance Rights held by Aeris' CEO Peter Bush (1,323,537 or 81%), eight staff members and four consultants, which expire on 11 April 2022 with no exercise price, with one third vesting each year for three years commencing on 11 April 2019.	13
150,000	Performance Rights held by two consultants, which expire on 25 July 2023 with no exercise price, with one third vesting each year for three years commencing on 25 July 2020.	2
1,792,288	**Total Performance Rights on Issue**	**15**

Voting Rights

At general meetings of the Company, all fully paid ordinary shares carry one vote per share without restriction. On a show of hands, every member present at such meetings, or by proxy, shall have one vote and, upon a poll, each share shall have one vote. Option holders and Performance Rights holders have no voting rights until the options are exercised or the Performance Rights convert.

Substantial Shareholders

Substantial shareholders in Aeris Environmental Ltd, based on Substantial Shareholder Notices received by the ASX and the Company, are as follows:

Name	Number	Class	Voting Power
Maurie Stang	23,881,819	Ordinary fully paid shares	11.28%
Bernard Stang	15,928,109	Ordinary fully paid shares	10.30%
Link Traders (Aust) Pty Ltd Link Enterprises International Pty Ltd <Link Superannuation Fund A/C> Link Enterprises International Pty Ltd	14,751,539	Ordinary fully paid shares	6.97%
Steven Kritzler	8,331,609	Ordinary fully paid shares	5.40%

On-Market Buy-Back

There is no current on-market buy-back of shares in the Company.

CORPORATE DIRECTORY

Aeris Environmental Ltd
ACN: 093 977 336
ABN: 19 093 977 336

Directors

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

Chief Executive Officer

Peter Bush	Chief Executive Officer, Chief Financial Officer and Alternate Director

Company Secretary
Robert Waring

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Share Registry
Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067
GPO Box 2975, Melbourne VIC 3001 Australia

Telephone:	+61 3 9415 4000
Telephone:	1300 850 505 (within Australia)
Facsimile:	+61 3 9473 2500
Website:	www.computershare.com
Investor Link:	www.investorcentre.com

Auditor
UHY Haines Norton Sydney
Level 11, 1 York Street, Sydney NSW 2000
GPO Box 4137, Sydney NSW 2001

Telephone:	+ 61 2 9256 6600
Website:	www.uhyhnsydney.com.au

Stock Exchange
The Company's fully paid ordinary shares are quoted on the official list of the Australian Securities Exchange (ASX Limited).

ASX Code
AEI

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ANNUAL REPORT 2019

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