aeris™ ENVIRONMENTAL

ANNUAL REPORT 2023

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CHAIRMAN & CEO **REPORT**

The past 12 months have seen a very focused effort to align Aeris with the growing market opportunity for energy efficiency and carbon neutrality.

Dear Shareholders

The past 12 months have seen a very focused effort to align Aeris with the growing market opportunity for energy efficiency and carbon neutrality. There is a rapidly-changing landscape, both domestically and internationally, which will focus on 'real world' outcomes driven by the measurement, verification and reporting requirements of both the enterprise and SME markets.

Each product and technology in the Aeris portfolio have been reviewed and, where necessary, adapted to meet both the commercial and technical parameters that customers and distributors have outlined. In parallel, the Company has acquired certain distribution rights for products that are strongly aligned with delivering energy efficiency, improved indoor air quality and an ability to offer a more comprehensive solution in line with market demand.

Aeris is driving an initiative called the 'Energy Alliance' to work closely with companies that have specific capabilities to assist the broader community for companies looking to define their metrics, which is targeted ahead of the new IFRS reporting standards S1 and S2. It is expected that the Energy Alliance will be suited to assist companies looking to deliver Scope 2 improvements (sustainability climate-related disclosures), and each of these Alliance members has both a track record and a capability that strongly supports the overall value proposition that Aeris is focused on delivering. Specifically, many customers and partners will require a better understanding of energy certificate trading, and the measurement and verification that will drive these rebates. HVAC and lighting are two key areas that will make an ongoing contribution to increased energy efficiency, and Aeris is participating in an effort to bring a hardware agnostic software solution to our customers that will underpin not only the improved outcomes, but, importantly, the real time reporting capability going forward.

Aeris continues to make investments in China and, as previously announced, a number of well-regarded Chinese companies have been engaged, both in terms of local manufacturing in China and distribution into a number of verticals. The companies that we have engaged with are well established, and have both scale and resources to take our value-added products and technologies into the domestic Chinese market. Early shipments of products have already occurred.

A similar opportunity exists in the farm-to-fork value chain, where the core competencies of energy efficiency and environmental hygiene offer high value to customers. Operating system efficiencies, and food hygiene for enhanced shelf life and quality are significant R&D drivers to complement our existing product suite.

We have acted on customer and distributor feedback to adapt our products, packaging and pricing to improve our competitive positioning both domestically and internationally. This renewed customer-centric focus is expected to facilitate stronger and more successful relationships with our customers and distributors. Key to our plans going forward is the focus on profitable recurring revenue to create a viable scaling and attractive business model. Of critical importance is Aeris' investment in improving the workflow and profitability of our customers globally, whilst in parallel achieving their environmental and OH&S goals.

Going forward, the Company is now positioned to deliver cost-efficient solutions for enterprise Scope 2 requirements, both domestically and internationally. We are growing our mould remediation business with several new products and technologies, and our team in Australia has a record forward pipeline of qualified projects.

Aeris remains focused on controlling costs, while targeting increased revenues and margins. The 2023 financial year has seen an increase in sales and a reduction in operating losses, whilst the Company has invested in a range of activities, as outlined in this Annual Report.

I take this opportunity to thank both the Aeris team and our investors for supporting this important ESG focus of the Company. We look forward to increasing our customer base and revenues whilst we deliver industry leading technologies, services and software. Your Company is now positioned to meet the demand of a marketplace impacted by energy costs and, indeed, requiring a measurable move towards sustainability.

REVIEW OF OPERATIONS

Consistent with the Company's focus on energy efficiency and air quality in the built environment, its product portfolio is now broader and deeper than prior years, and being actively designed to address the needs of this market.

Sector Outlook

The Company is focusing its business to cater for the growing environmental, social and governance (ESG) requirements of its enterprise clients, both in Australia and internationally. Awareness and action on ESG issues are growing in the business community, with organisations recognising the social and economic costs of inaction. The built sector comprises over a third of global energy consumption, and there is now focused investment into meeting the challenges of global warming, and energy and carbon reduction.

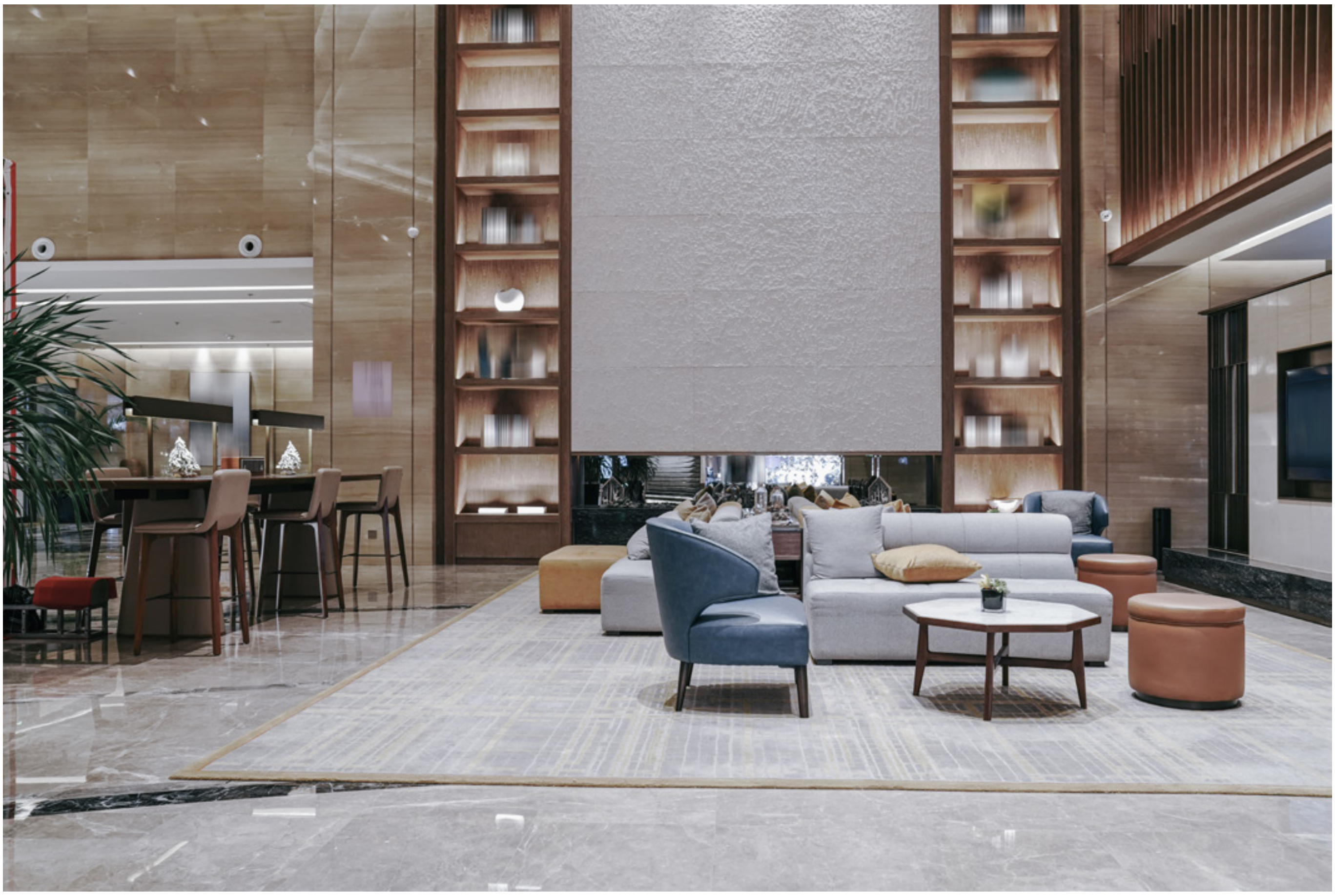
Fundamental to enterprise compliance for ESG performance is the ability to report satisfactorily on the IFRS S1 and S2 requirements issued in June 2023, which apply initially to large entities and will be required in the 2024-25 financial year. These requirements include mandated reporting for metrics and targets relating to energy efficiency, and present an opportunity for Aeris that is uniquely suited to help enterprises respond to the proposed changes. In China, the government has released new standards for indoor air quality (IAQ), which Aeris is working to address as a priority.

Consistent with the Company's focus on energy efficiency and air quality in the built environment, its product portfolio is now broader and deeper than prior years, and being actively designed to address the needs of this market.

Finance Performance

Annual revenue for the 2022-23 financial year (FY23) was $2,110,315 (2022: annual revenue $2,806,835). The Company made a loss before income tax of $4,028,470 compared to a loss before income tax of $7,423,212 in the prior year. The loss primarily results from a further reduction in demand for pandemic-related items. Gross margins were steady at 53% (improved from 48% in the June 2022 year), reflecting the proportional revenue shift away from lower margin products.

The Company's cash receipts from customers for the year were $2,721,188 compared to the previous year of $3,240,986. As at 30 June 2023 Aeris has net assets of $2,951,081 compared to $6,592,865 on 30 June 2022. Cash



at 30 June 2023 was $2,599,996 compared to $5,303,142 at 30 June 2022. The net cash used in operating activities decreased by $3,524,769. Balance sheet movements included a decrease in trade debtors (net of expected credit losses) of $403,475.

Heating, Ventilation, Air-Conditioning and Refrigeration (HVAC&R)

Aeris is delivering on a twin value proposition of energy efficiency and IAQ, driven by its HVAC&R range of products and services. FY23 has been a steady year of progress for the programs relating to these deliverables, with numerous funded pilot studies generating positive outcomes at enterprise client sites. There are clear and present needs in the built environment sector for site-based programs that deliver higher operating efficiencies from current assets and real improvements to air quality. As the Company's portfolio of solutions to address these pressing issues develops, there is a broader scope of opportunities to serve this market. During FY23 the Company acquired certain distribution rights for two key IAQ technologies (AtmosAir and EnviroGuard) and continues to research further technology additions.

Enterprise customers in this segment face mounting reporting requirements with respect to ESG, specifically the recently issued IFRS S1 and S2 standards. The changing nature of energy rebate schemes on a state-by-state basis, along with the forward pricing outlook for energy, creates the need for a comprehensive solution provider that can address this evolving landscape.

The S2 standard is being prioritised by the government and is focused on increasing energy efficiencies, which aligns with Aeris' value proposition and the body of evidence from its site-based studies. Aeris is investing resources into developing an integrated Energy Alliance that brings several industry leaders together to provide a comprehensive solution, including participation in the development of an innovative software platform.

Although the clarity of Scope 3 targets lags that for Scope 1 and 2, with the disclosures required for the

2024-25 reporting period, it is obvious that organisations should be working with their supply chain partners on the environmental profile of manufactured products. Environmental Profile Disclosures (EPDs) are a future requirement of supply chains that seek to comply with Scope 3 targets and will affect most enterprise clients. This is another strength of the Aeris portfolio, as the Company's products have a more environmentally-friendly profile than many of its competitors.

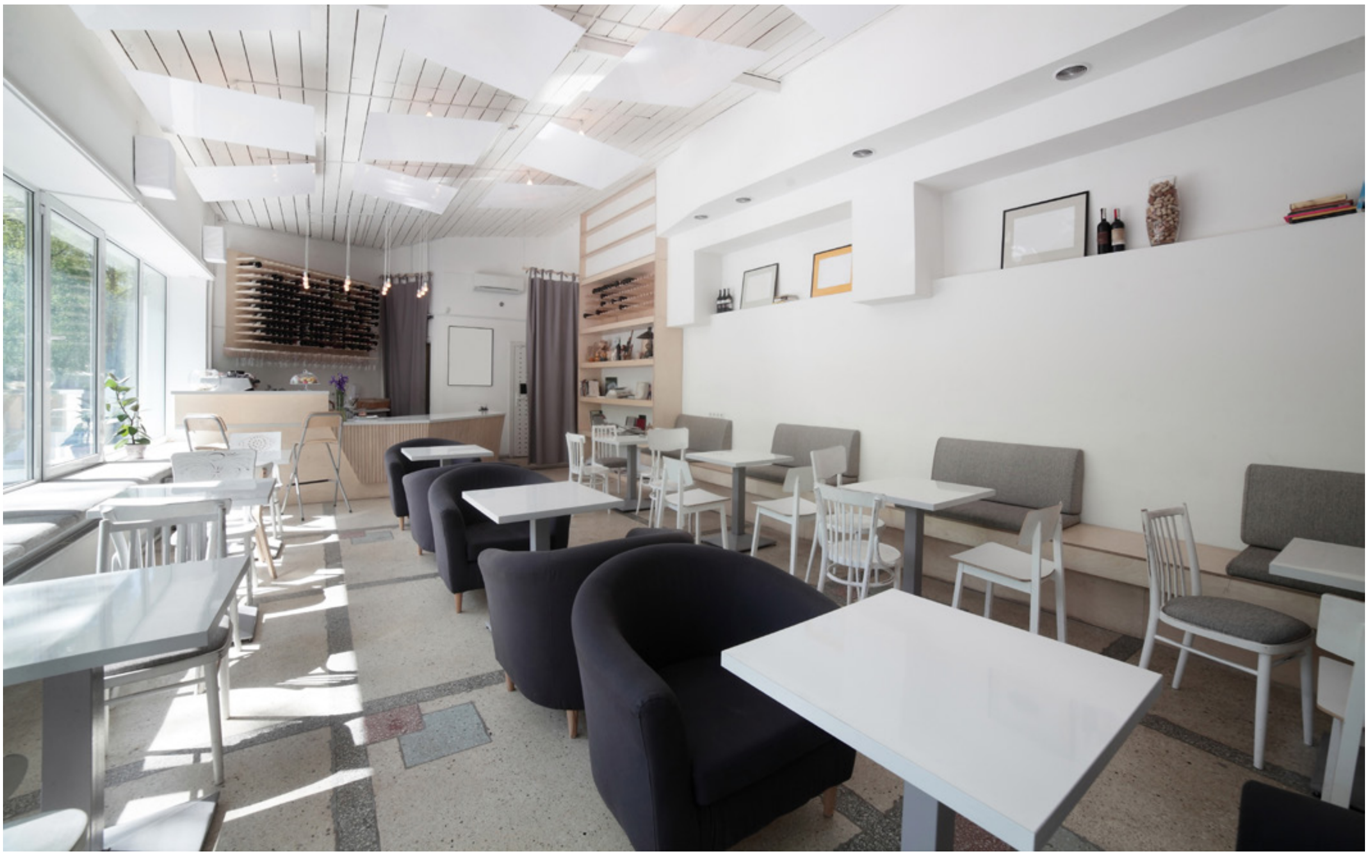
Aeris is now able to assess a commercial building or enterprise from the perspective of its overall energy and IAQ profile, provide recommendations on how to reduce overall energy consumption and improve air quality, and implement product and service programs to drive a consistent and sustainable improved ESG performance. The Aeris HVAC&R portfolio is now broader in scope and able to deliver on the needs of the built environment sector as it develops its sustainability programs.

Environmental Hygiene

The Company's fiscal year was impacted with the overstocking by customers, particularly in relation to PPE and hygiene products, which led to limited demand for some of Aeris' hygiene products. As the Company progresses its ESG mandate, some of its hygiene products are being repositioned to address mould in the built environment. The products and services that are valuable for ESG-related activities are now the focal point for the Aeris portfolio. The Company has updated its market-leading hard surface disinfectant, Aeris Defence, which continues to have a unique TGA registration of 24 hours of residual kill protection against viruses, mould and bacteria, including COVID-19. This latest formulation of Aeris Defence will soon be available in a range of presentations, such as disinfectant wipes, which show increasing demand by customers.

Specialty Products and Services

The Company has a highly-regarded team of specialists based in Queensland who have built a very solid reputation in the mould remediation sector. The core capability of site assessment and remediation protocol design is now relied upon by multiple leading companies, such as Grosvenor Engineering Group and the Queensland Government. This service offering has grown steadily over the past year, and unlocks the adjacent product markets related to IAQ and mould remediation.



Arising from Aeris' proactive investment in research and development (R&D), the Company now has an increasing range of proprietary products, such as Corrosion Protection Plus, which are highly focused on meeting customer needs, and which Aeris believes to be commercially attractive. This improved range of specialty products addresses an attractive market opportunity for the Company, with a focus on developing the original equipment manufacturer (OEM) market in the United States of America (USA).

International Markets

Through the course of the year, Aeris has applied increasing resources to developing its international markets, including China and the USA. These international markets have a differing focus for near-term product opportunities.

The Company has now secured contract manufacturing agreements with three Chinese entities (two of which are publicly-listed companies), to better access the markets available for Aeris technologies. Strong partnerships are essential for successful market development in China, in order to gain the promotional and logistical resources to access the domestic Chinese market. The partner entities Aeris is working with are substantial companies with experienced management teams and strong track records of growth, covering multiple market segments.

It has been recognised by these groups that Aeris can provide higher value and a point of differentiation to its competitors. The Company's distribution partners provide important access across multiple verticals and diversification in its China supply chain. Aeris proprietary paper treatment technology is a key area where the Company is collaborating with partners on products specifically targeted at the local market. Strategically, Aeris technology will provide a value-add component to existing products manufactured by these entities, and elsewhere, the Company and its partners are combining R&D expertise to develop novel products with Aeris and partner branding. This development of premium products in the Chinese market is driven by demand from the Company's partner entities that are seeking to invest in higher margin products as part of their growth planning.

To support the Aeris brand in China, the Company's wholly foreign-owned enterprise (WFOE) has successfully registered multiple products in its own name (Aeris Defence®, Actisan®, Aeris Protect®, Purox®) with China's National Health Commission. This allows the Company the ability to work with a variety of partners to cover promotion more effectively for different provinces. Aeris' contract manufacturing partners have provided assistance with the registration process and are actively engaged in the market development activities. These partners also enable the Company to compete more effectively in a market that has speed and cost of supply as critical sales factors.

China, in the near term, provides opportunities for a range of consumable products, such as Aeris' paper technologies, where a competitive advantage can be gained in the premium segment. In parallel, the Company is developing its HVAC&R solutions in the Chinese market, which offer energy efficiencies and ESG-driven outcomes that appear to be increasingly aligned to domestic policy in China. Two product registrations have been completed (Bioactive Surface Treatment® and Bioactive Filter Treatment®), and early market development work is underway.

In the USA Aeris continues to focus on the HVAC&R OEM corrosion protection market. This market has a complex sales cycle due to the rigorous process of introducing changes to production processes. Key customers are now working to trial and implement the Aeris Corrosion Protection solutions, and, once adopted, the Company believes this could result in ongoing annuity revenues. Trials are progressing according to plan at installations in Texas, California and New Jersey with several OEMs. Aeris' corrosion protection products retain their market-leading performance attributes of world-leading salt test performance, and excellent heat transfer and thermal properties.

Australia

In Australia the Company's focus is on customers' ESG needs, specifically on aiming for carbon neutrality and meeting the growing reporting requirements of its enterprise customers. Aeris has invested considerable time and resources in understanding the "pain points" and challenges that its enterprise customers have. This activity is further supported by the initiative of the Energy Alliance, which offers highly-regarded expertise in energy trading certificates, measurement and verification, and a range of technologies that seek to improve both energy efficiency and environmental hygiene.

The strengthening of the Company's expanded product range has been driven by its R&D focus, together with developing strategic distribution agreements for products that complement its proprietary HVAC&R range. Two current examples are EnviroGuard and AtmosAir, active air quality protection technologies that can be deployed into small and large indoor environments. Now businesses and organisations can implement world-class levels of improved energy efficiency, air quality and environmental hygiene to support employers' duty of care requirements in providing sustainable and healthy workplaces. The Company's IAQ solutions also offer real time air quality monitoring, which will become one of the environmental measures for healthy buildings.

In 2024 many Australian companies will commence ESG reporting per the recent IFRS S2 requirements (issued in June 2023), with energy efficiency metrics and targets forming a large component of this reporting activity. Aeris has an energy renovation program that delivers efficiencies from in-situ assets, providing customers with a solution to assess, plan and deliver energy efficiencies with their current asset base. As the enterprise ESG requirements grow, the Company's broad set of solutions will continue to be developed through both local and global partnerships.

Summary

Aeris has been addressing the operational and strategic changes required by the Company arising from the landscape post the COVID-19 pandemic. The Company has addressed its cost base and priorities together with a substantial investment in the acquisition of new, complementary technologies, and updated existing products in line with distributor and customer feedback.

It is widely accepted that not only enterprise customers, but a wide range of SMEs will be required to provide measurement and verification of their efforts to demonstrate improvements in energy efficiency and carbon neutrality. Environmental hygiene has also taken a position of increased focus, as companies are required to meet their obligations in terms of duty of care to their staff, customers and visitors.

Aeris has moved in a highly-focused way to assemble solutions that will address these various needs of the built environment. It is anticipated that an increasing number of customers will find challenges in meeting both their reporting and improvements to baseline energy goals, and Aeris is clearly positioning itself as a comprehensive and integrated solutions provider.

DIRECTORS' REPORT

The Directors of Aeris Environmental Ltd submit herewith the Annual Report for the financial year ended 30 June 2023. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is as follows:

Directors

The Directors of Aeris Environmental Ltd at the date of this report are:

Maurie Stang	**Non-Executive Chairman**
Steven Kritzler	**Non-Executive Director**
Abbie Widin	**Non-Executive Director**
Jenny Harry	**Non-Executive Director**

All Directors served on the Board for the period 1 July 2022 to 30 June 2023.

Aeris has moved in a highly-focused way to assemble solutions that will address these various needs of the built environment.

The names and details of the Directors, Chief Executive Officer and Company Secretary of Aeris Environmental Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Maurie Stang

NON-EXECUTIVE CHAIRMAN

Mr Maurie Stang has more than three decades of experience building and managing companies in the healthcare and biotechnology industry in Australia and internationally. His strong business development and marketing skills have resulted in the successful commercialisation of intellectual property across global markets.

Director since: 24 July 2002

Directorship of other listed companies held in the last three years: Non-Executive Chairman of Nanosonics Limited (ASX:NAN) until 1 July 2022 (Deputy Chairman from 1 July 2022 until 18 November 2022).

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 (Australia) Pty Ltd. Mr Kritzler has over 40 years of experience in commercial R&D in the areas of pharmaceutical, medical, cosmetic and speciality industrial products. Under his technical direction, Novapharm Research has become a world-leader in infection control science.

Director since: 24 July 2002

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

Abbie Widin

NON-EXECUTIVE DIRECTOR

Dr Widin, PhD (Physiology, Univ. Sydney), Diploma of Business Administration (AGSM), GAICD, is a Non-Executive Director of Aeris Environmental Ltd (ASX:AEI). She has over 20 years' experience in global consumer goods, consulting and proptech. Dr Widin has held various marketing, commercial and international management roles in both private and public companies, such as Procter & Gamble (Australia and Europe) and Kellogg (Asia Pac). She is an owner of companies supplying facade management and soft services to the commercial real estate market. Dr Widin has strengths in go-to-market strategy, innovation pipelines and leading cross-functional teams.

Director since: 2 March 2021

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

Jenny Harry

NON-EXECUTIVE DIRECTOR

Dr Harry (PhD GAICD) was appointed as a Director in April 2021. She is a graduate of the Harvard Business School General Manager Program and the Australian Institute of Company Directors. Dr Harry has 25 years' experience in executive management of companies in the biotechnology, diagnostic and pharmaceutical sectors. She is an accomplished CEO with experience in growing companies from start-up to commercialisation, and has demonstrated expertise in building high-performing teams, establishing global partnerships, capital raising, investor relations, together with corporate governance and compliance.

Dr Harry is an experienced Non-Executive Director on the Boards of listed and unlisted companies. She is currently a Non-Executive Director of Neuren Pharmaceuticals Limited (ASX: NEU) and ACM Biolabs Pty Ltd and a member of the Board's IP sub-Committee of the Children's Medical Research Institute.

Director since: 21 April 2021

Directorship of other listed companies held in the last three years: Non-Executive Director of Neuren Pharmaceuticals Limited (ASX: NEU) since 2018.

Andrew Just

CHIEF EXECUTIVE OFFICER

Mr Just (Bec., Hec , MBA, GAICD) was formerly the Regional Director Asia Pacific for Radiometer; a Danaher Company. He has 30 years' global experience in delivering growth and scale competencies with leading Fortune 500 companies, including GE Healthcare, Danaher, Stryker, and Cochlear. Andrew has held a variety of senior leadership roles across diverse business functions, with expertise in sales and marketing, performance management, commercial transactions, and operations in both turnaround and growth environments.

Appointed: 28 March 2022

Directorship of listed companies held in the last three years: Non-Executive Director of Singular Health Group (ASX: SHG) since March 2021.

Robert Waring

COMPANY SECRETARY

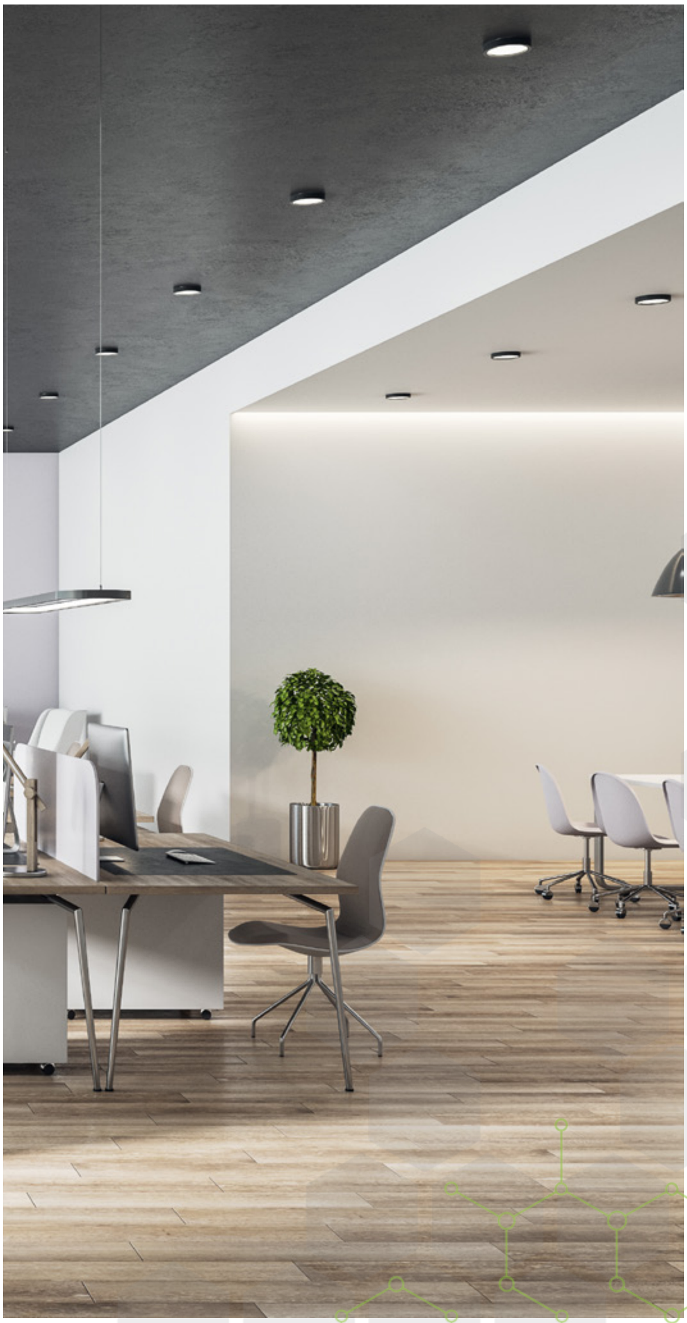
Mr Robert J Waring (B.Ec, CA, FCIS, FFin, FAICD) was appointed to the position of Company Secretary of the Company in 2002. He has over 40 years of experience in financial and corporate roles, including over 30 years in company secretarial roles for ASX-listed companies and over 19 years as a Director 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 Vectus Biosystems Limited (ASX: VBS) and Xref Limited (ASX:XF1).

Appointed: 25 July 2002

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



DIRECTORS'

MEETINGS

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.

	Board of Directors	Audit and Risk Committee	Corporate Governance Committee	Remuneration and Nomination Committee
NUMBER OF MEETINGS HELD	**8**	**4**	**1**	**2**
Directors and their attendance				
Maurie Stang	8	4	1	2
Steven Kritzler	3	-	-	-
Abbie Widin	7	-	-	-
Jenny Harry	8	4	1	2

In addition, the Board has a Disclosure Committee and a Related Parties Committee, to meet as and when required. Both the Disclosure Committee and the Related Parties Committee met a number of times during the 2022-23 financial year. Update, sales and strategy meetings were also attended by some or all Directors during the financial year.

Committee Membership

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

Audit and Risk Committee
Jenny Harry (Chair) and Maurie Stang

Corporate Governance Committee
Jenny Harry (Chair) and Maurie Stang

Remuneration and Nomination Committee
Jenny Harry (Chair) and Maurie Stang

Related Parties Committee
Abbie Widin (Chair) and Jenny Harry

The Disclosure Committee is composed of not less than three members, one of whom is a Non-Executive Director, and normally also includes the Chairman. The Chair of the Committee is elected by the members at each meeting.

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 HVAC/R Hygiene, anti-corrosion and disinfectant products;
- provision of HVAC/R Hygiene and Remediation Technology, Indoor Air Quality and Corrosion Protection services.

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:

	2023 $	2022 $	Change $	Change %
Income	2,110,315	2,806,835	(696,520)	(24.82)
Expenses - net of income tax benefit	(5,764,058)	(9,937,262)	4,173,204	42.00
Loss after income tax	(3,653,743)	(7,130,427)	3,476,684	48.76

The Company's Review of Operations commences on page 6 of this report.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2023 (2022: Nil). No dividends have been paid or declared since the start of the financial year.

Significant changes in the state of affairs

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

Significant events after the balance date

There have been no matters or circumstances, which have arisen since 30 June 2023 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2023, of the consolidated entity; or

(b) the results of those operations;

(c) the state of affairs; in the financial years subsequent to 30 June 2023, of the consolidated entity.

Likely developments and expected results of operations

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 agreed to indemnify the Auditor UHY Haines Norton, to the extent permitted by law.

Insurance premiums

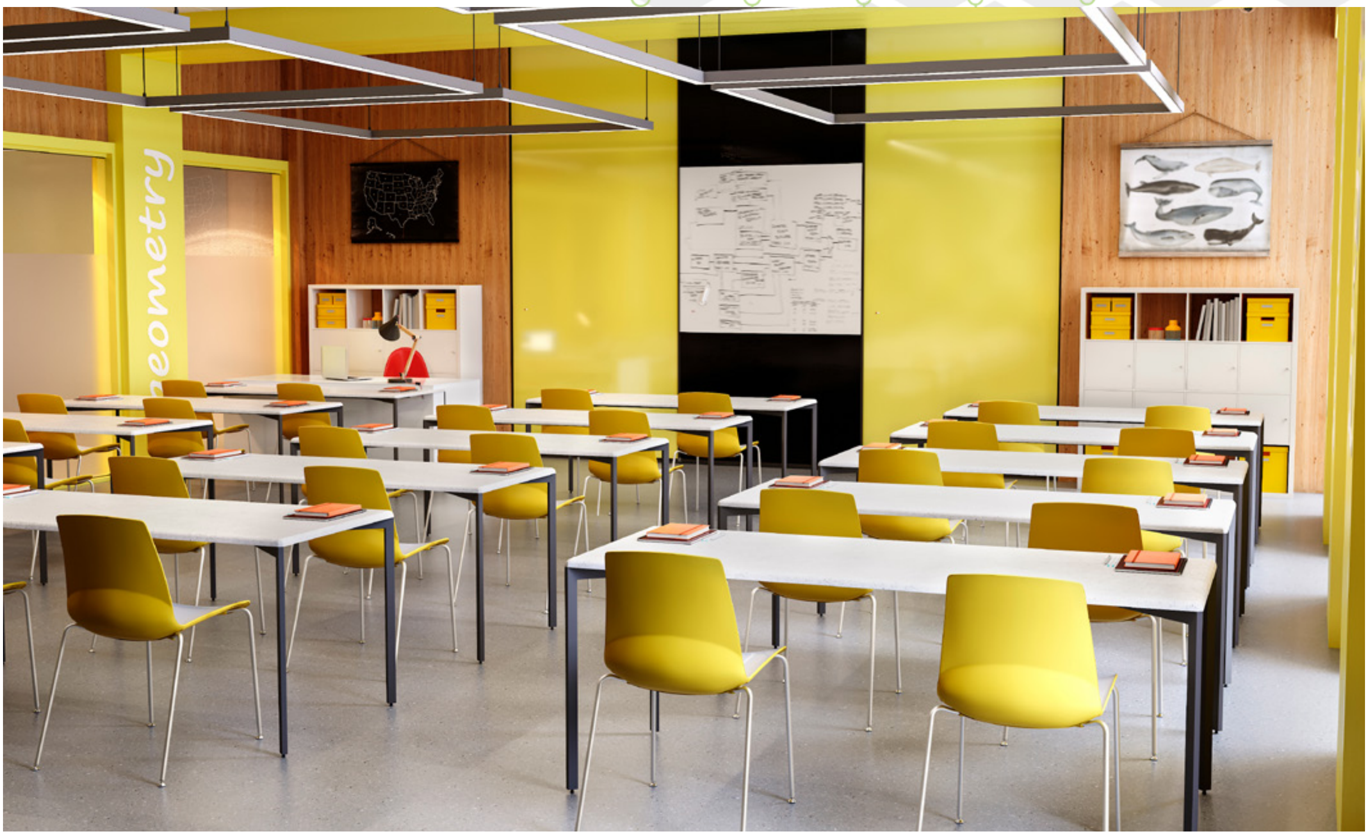
During the financial year, the Company paid a premium in respect of a contract to insure its Directors and executives against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

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

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

Equity holdings	Ordinary shares	Rights over ordinary shares
Maurie Stang	23,698,288	-
Steven Kritzler	11,252,785	-
	34,951,073	**-**

Particulars of options or rights granted over unissued shares	2023	2022
Number of options or rights on issue over unissued ordinary shares	700,000	150,000
Shares issued in the period as the result of the exercise of options or rights	1,218,531	548,183
Options or rights expired or forfeited during the period	-	708,417
	1,918,531	**1,406,600**

Full details of options or rights on issue are shown in note 24 and 25.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

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 2023 is on page 29.

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 found on the Company's website at:
https://www.aeris.com.au/investors

REMUNERATION REPORT (AUDITED)

Key Management Personnel (KMP)

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

Non-Executive Directors

The Directors of Aeris Environmental Ltd at the date of this report are:

- Maurie Stang
- Steven Kritzler
- Abbie Widin
- Jenny Harry

Executive

Andrew Just (Chief Executive Officer)

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

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, however no external report was received in the financial year.

b) Non-Executive Directors

Total compensation for all Non-Executive Directors was approved at the Company's 2014 Annual General Meeting (AGM) at $300,000 per annum. A Resolution was approved at the AGM held on 27 January 2022 to increase the limit of Directors' Fees by $150,000. The increase provides some headroom in the future for an increase in the rate of Directors' fees and to enable Aeris to appoint additional Directors as the Company grows. It is noted that Directors' Fees were paid for the first time in the 2020-21 financial year for two Directors who have not been compensated with Directors' Fees since the 2002 IPO. Amounts paid to Directors were determined in earlier years in conjunction with advice from external advisors in reference to fees paid to Non-Executive Directors of comparable companies. No external report was received in the 2023 financial year. The base fee for the Chairman is $90,000 per annum and, for other Non-Executive Directors $60,000 per annum. Directors' Fees will cover all main Board activities and membership of Committees of the Board. This may be re-assessed if Directors sit on more than one Committee. From 1st January 2023, in addition to the Non-Executive Director fee, Jenny Harry was remunerated $12,000 for duties performed as Chair of the following Committees: Audit and Risk Committee, Corporate Governance Committee and Remuneration and Nomination Committee. Abbie Widin was remunerated $4,000 for duties performed as Chair of the Related Parties Committee. While it is recognised that various organisations recommend that Non-Executive Directors do not receive performance-related compensation, in the case of Aeris Environmental Ltd, because it is at a relatively early stage of commercialising its technologies, and wishes to minimise its cash outgoings, it has in the past, and plans in the future to, partially remunerate its Non-Executive Directors with options, as detailed in the Remuneration Report. There are no retirement benefits provided to Non-Executive Directors, apart from statutory superannuation.

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.

d) Short-term incentives (STI)

During the financial year ended 30 June 2023 no amounts were paid to KMPs 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 2023 no amounts were paid as LTIs to KMPs.

f) Share-based compensation

In October 2014, the Board established an Employee Incentive Plan (EIP). The EIP was approved by shareholders at the Annual General Meeting (AGM) held on 27 November 2014 and was re-approved by shareholders at the AGM held on 29 November 2018 and 27 January 2022. The terms where options or shares issued under the EIP normally have the following conditions:

- Vesting
  33.3% vest on the first anniversary of grant of options or performance rights,
  33.3% vest on the second anniversary of grant of options or performance rights; and
  33.4% vest on the third anniversary of grant of options or performance rights.
- The contractual life of the options or performance rights issued ranges from three to five years.
- The exercise price determined in accordance with the Rules of the EIP is determined by the Board when the performance of staff and contractors is evaluated following a recommendation of the Remuneration and Nomination Committee, normally with external remuneration adviser assistance. The option exercise price will normally be based on the volume weighted average price (VWAP) of the Company's shares for the 20 trading days prior to the offer.
- Each option or performance right is convertible into one fully paid ordinary share.
- All options or performance rights expire on the earlier of their expiry date or 90 days after voluntary termination of the participant's employment, with a Board discretion in special circumstances.
- There are no voting or dividend rights attached to options or performance rights. 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 or when the performance rights have been converted into fully paid ordinary shares.
- The options or performance rights 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:

2023 Ordinary shares	**Balance at the start of the year**	**Received as part of remuneration**	**Additions**	**Disposals/ other**	**Balance at the end of the year**
SPECIFIED DIRECTORS					
Maurie Stang	23,698,288	-	-	-	23,698,288
Steven Kritzler	11,252,785	-	-	-	11,252,785
Abbie Widin	-	-	-	-	-
Jenny Harry	-	-	-	-	-
	34,951,073	-	-	-	**34,951,073**
SPECIFIED EXECUTIVES					
Andrew Just	-	-	-	-	-
	-	**-**	**-**	**-**	**-**
	34,951,073	**-**	**-**	**-**	**34,951,073**

2022 Ordinary shares	**Balance at the start of the year**	**Received as part of remuneration**	**Additions**	**Disposals/ other**	**Balance at the end of the year**
SPECIFIED DIRECTORS					
Maurie Stang	23,698,288	-	-	-	23,698,288
Steven Kritzler	11,252,785	-	-	-	11,252,785
Michael Ford	75,000	-	-	-	75,000
Abbie Widin	-	-	-	-	-
Jenny Harry	-	-	-	-	-
	35,026,073	**-**	**-**	**-**	**35,026,073**
SPECIFIED EXECUTIVES					
Peter Bush (CEO until 28 March 2022)	1,632,358	-	441,179	-	2,073,537
Andrew Just (Joined 28 March 2022)	-	-	-	-	-
	1,632,358	**-**	**441,179**	**-**	**2,073,537**
	36,658,431	**-**	**441,179**	**-**	**37,099,610**

2023 Options and rights	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
SPECIFIED DIRECTORS					
Maurie Stang	-	-	-	-	-
Steven Kritzler	-	-	-	-	-
Abbie Widin	-	-	-	-	-
Jenny Harry	-	-	-	-	-
	-	-	-	-	-
SPECIFIED EXECUTIVES					
Andrew Just	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-

Other Equity Holdings Transactions

On 5 August 2022, former CEO Peter Bush was issued 1,068,531 performance rights, with no exercise price, in accordance with contractual commitments for prior years' service, which were due to expire (if not converted) at 5pm on after 1 July 2023 add (refer to Note 24).

On 2 September 2022, former CEO Peter Bush was issued 1,068,531 shares on the conversion of his 1,068,531 performance rights that were issued on after 5 August 2022 add (refer to Note 24).

2022 Options and rights	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
SPECIFIED DIRECTORS					
Maurie Stang	-	-	-	-	-
Steven Kritzler	-	-	-	-	-
Michael Ford	-	-	-	-	-
Abbie Widin	-	-	-	-	-
Jenny Harry	-	-	-	-	-
	-	-	-	-	-
SPECIFIED EXECUTIVES					
Peter Bush (CEO until 28 March 2022)	-	-	-	-	-
Andrew Just (Joined 28 March 22)	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-

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.

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding at 30 June 2023.

Regional Health Care Group Pty Ltd	**2023 $**	**2022 $**
The Company and its controlled entities incur expenses for services provided by Regional Health Care Group Pty Ltd		
Office and administration expenses	117,772	174,340
Insurance expenses	12,137	1,613
Rent	23,436	63,678
Distribution expenses	48,524	36,034
Corporate expenses	62,352	88,261
The Company and its controlled entities transacted with Regional Health Care Group Pty Ltd as customer for:		
Sale of goods and administrative charges	21,521	85,253
Sales returns	-	(152,398)
Mr M Stang is a Director and Shareholder of Regional Health Care Group Pty Ltd		

Regional Corporate Services Pty Ltd	**2023 $**	**2022 $**
The Company and its controlled entities incur expenses for services provided by Regional Corporate Services Pty Ltd		
Office and administration expenses	27,820	-
Insurance expenses	75,314	-
Rent	4,126	-
Distribution expenses	5,978	-
Mr M Stang is a Director and Shareholder of Regional Corporate Services Pty Ltd		

Novapharm Research (Australia) Pty Ltd

	2023 $	2022 $
The Company and its controlled entities incur expenses for services provided by Novapharm Research (Australia) Pty Ltd		
Research and development	190,356	353,137
Patent and other expenses	15,436	4,136
The Company and its controlled entities transacted with Novapharm Research (Australia) Pty Ltd and invoiced them for providing supply chain functions	26,001	54,071
Mr M Stang and S Kritzler are Directors and Shareholders of Novapharm Research (Australia) Pty Ltd		

Ramlist Pty Ltd

	2023 $	2022 $
The Company and its controlled entities incur expenses for rent and utility outgoings to Ramlist Pty Ltd.	25,311	24,113
Mr M Stang is a Director and Shareholder of Ramlist Pty Ltd		

Ensol Systems Pty Ltd

	2023 $	2022 $
The Company and its controlled entities incur expenses for marketing and other operational services to Ensol Systems Pty Ltd	5,150	17,317
The Company and its controlled entities transacted with Ensol systems Pty Ltd and invoiced them for administrative charges	450	18,982
Mr M Stang is a Shareholder of Ensol Systems Pty Ltd		

Teknik Lighting Solutions Pty Ltd

	2023 $	2022 $
The Company and its controlled entities incur expenses for marketing and other operational services to Teknik Lighting Solutions Pty Ltd	199	2,720
The Company and its controlled entities transacted with Teknik Lighting Solutions Pty Ltd	-	1,705
Mr M Stang is a Shareholder of Teknik Lighting Solutions Pty Ltd		

Vectus Biosystems Limited

	2023 $	2022 $
The Company and its controlled entities incur expenses for accounting services provided by Vectus Biosystems Limited	11,832	-
The Company and its controlled entities provided accounting services to Vectus Biosystems Limited	-	24,552
Mr M Stang is a Director and Shareholder of Vectus Biosystems Limited		

Gryphon Capital Pty Ltd

	2023 $	2022 $
The company and its controlled entities provided marketing services and sold products to Gryphon Capital Pty Ltd	9,479	-
M Stang is director and shareholder of Gryphon Capital Pty Ltd.		

Stangcorp Pty Ltd

	2023 $	2022 $
The company and its controlled entities sold products to Stangcorp Pty Ltd	363	174

Outstanding balances payable from purchase of services

	2023 $	2022 $
Regional Health Care Group Pty Ltd - for purchase of services	1,613	39,192
Regional Health Care Group Pty Ltd - for refund owing from credits due to sales returns	100,465	112,517
Regional Corporate Services Pty Ltd	23,148	-
Novapharm Research (Australia) Pty Ltd	28,050	98,352
Ramlist Pty Ltd	1,347	-
Ensol Systems Pty Ltd	-	1,761
Teknik Lighting Solutions Pty LTd	127	-
Vectus Biosystems Limited	2,442	-
Gryphon Capital Pty Ltd	-	-
Stangcorp Pty Ltd	-	-

Outstanding balances receivable for sales and services provided

	2023 $	2022 $
Regional Healthcare Group Pty Ltd	-	-
Novapharm Research (Australia) Pty Ltd	5,483	5,364
Ensol Systems Pty Ltd	-	-
Teknik Lighting Solutions Pty Ltd	-	54
Vectus Biosystems Limited	-	12,916
Gryphon Capital Pty Ltd	-	-
Stangcorp Pty Ltd	-	-

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:

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Termination payments	Equity based benefits		
2023	**Salary & Director's fees $**	**STI Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**$**	**Shares $**	**Options & rights (Note (ii)) $**	**Total $**
NON-EXECUTIVE DIRECTORS:								
Maurie Stang	81,448	-	-	8,552	-	-	-	90,000
Steven Kritzler	54,299	-	-	5,701	-	-	-	60,000
Abbie Widin	56,150	-	-	5,896	-	-	-	62,046
Jenny Harry	59,854	-	-	6,285	-	-	-	66,139
Executives (Note i) Andrew Just	283,461	-	-	26,403	-	-	-	309,864
	535,212	**-**	**-**	**52,837**	**-**	**-**	**-**	**588,049**

2022	Short-term benefits			Post-employment benefits	Termination payments	Equity based benefits		
	Salary & Director's fees $	STI Cash bonus $	Non-monetary benefits $	Super-annuation $	$	Shares $	Options & rights (Note (ii)) $	Total $
NON-EXECUTIVE DIRECTORS:								
Maurie Stang	81,818	-	-	8,182	-	-	-	90,000
Steven Kritzler	54,545	-	-	5,455	-	-	-	60,000
Michael Ford (Resigned 14 December 2021)	26,453	-	-	1,261	-	-	-	27,714
Abbie Widin	54,565	-	-	5,456	-	-	-	60,021
Jenny Harry	54,565	-	-	5,456	-	-	-	60,021
Executives (Note i) Peter Bush (Resigned 28 March 2022)*	223,724	-	-	22,346	140,045	-	59,838	445,953
Andrew Just (Joined 28 March 2022)	68,750	-	-	5,892	-	-	-	74,642
	564,420	**-**	**-**	**54,048**	**140,045**	**-**	**59,838**	**818,351**

*During the year ended 30 June 2022, Peter Bush received shares on exercise of old performance rights; these have been expensed by the Company and previously reported in other financial years.

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 data 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 restate as market conditions were already included in the valuation.

EXECUTIVE
EMPLOYMENT

Chief Executive Offer (CEO):

The following sets out the key terms of employment for the CEO, Andrew Just:

Term:	**Continuous employment until notice is given by either party**
Fixed remuneration:	$302,500 inclusive of superannuation. This fixed remuneration is reviewed annually. The remuneration for the 2023 financial year also includes an amount of $7,364 inclusive of superannuation which was an advance payment due to successful completion of probation period.
Notice period:	To terminate his employment, Mr Just 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 90 days following cessation of employment.
Statutory entitlements:	Annual leave applies in all cases of separation. Long Service applies unless Mr Just'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 Just 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 12 months or, if that period is unreasonable, 6 months after the termination of employment, Mr Just must not, in the area of New South Wales or, if that area is unreasonable, the half of New South Wales closest to the Company's place of business where the CEO last worked for the Company: (i) solicit, canvas, approach or accept any approach from any person who was at any time during his time 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) interefere 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 contracts to which a Director is a party under which a Director is entitled to benefit other than as disclosed above and note 31 to the financial statements.

Link between remuneration and performance

The table 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.

	2023 $	2022 $	2021 $	2020 $	2019 $
Profit (Loss) for the year attributable to owners of Aeris Environmental Ltd	(3,653,743)	(7,130,427)	(5,867,178)	1,982,941	(3,628,499)
Basic earnings (loss) per share (cents per share)	(1.49)	(2.92)	(2.41)	0.90	(1.98)
Increase/(decrease) in share price (%)	(47.92)%	(68.00)%	(71.42)%	70.97%	121.43%
Total KMP remuneration as percentage of profit (loss) for the year (%)	(16.09)%	(10.47)%	(10.99)%	23.07%	(13.51)%

Share options and performance rights

There are no options and performance rights to take up ordinary shares in Aeris Environmental Ltd that were issued to KMP that remain unexercised at 30 June 2023 (2022: nil options and performance rights).

On 5 August 2022, former CEO Peter Bush was issued 1,068,531 performance rights, with no exercise price, in accordance with contractual commitments for prior years' service, which were due to expire (if not converted) at 5pm on 1 July 2023.

On 2 September 2022, former CEO Peter Bush was issued 1,068,531 shares on the conversion of his 1,068,531 performance rights that were issued on 5 August 2022.

Peter Bush, who was considered to be a KMP in the previous financial year, ceased to be the CEO (and hence a KMP) on 28 March 2022.

No options issued to KMP expired or were forfeited during the years 2023 and 2022.

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.

This concludes the remuneration report, which has been audited.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Maurie Stang Sydney
28 September 2023
Non-Executive Chairman

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 lead auditor for the audit of Aeris Environmental Ltd for the year ended 30 June 2023, 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
28 September 2023

UHY Haines Norton
Chartered Accountants

FINANCIAL STATEMENTS

Contents

General information

The financial statements cover Aeris Environmental Ltd as a consolidated entity consisting of Aeris Environmental Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Aeris Environmental Ltd's functional and presentation currency.

Aeris Environmental Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Unit 5, Level 1, 26-34 Dunning Avenue
ROSEBERY
NSW 2018

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 28 September 2023. The Directors have the power to amend and reissue the financial statements.

STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
REVENUE	**5**	**2,110,315**	**2,806,835**
Expenses			
Research and development and patent expense	6	(442,206)	(636,100)
Employee benefits expense	6	(1,552,561)	(2,598,526)
Depreciation and amortisation expense	6	(117,387)	(99,851)
Impairment of assets	6	(426,517)	(1,594,891)
Finance costs	6	(47,936)	(12,457)
Cost of sales		(982,660)	(1,472,176)
Distribution		(450,751)	(571,255)
Sales, Marketing and Travel expenses	6	(329,364)	(699,275)
Occupancy		(263,862)	(432,497)
Administration	6	(1,525,541)	(2,113,019)
Loss before income tax benefit		**(4,028,470)**	**(7,423,212)**
Income tax benefit	7	374,727	292,785
Loss after income tax benefit for the year attributable to the owners of Aeris Environmental Ltd	20	**(3,653,743)**	**(7,130,427)**
OTHER COMPREHENSIVE INCOME Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		17,079	57,301
Other comprehensive income for the year, net of tax		17,079	57,301
Total comprehensive loss for the year attributable to the owners of Aeris Environmental Ltd		**(3,636,664)**	**(7,073,126)**

		Cents	Cents
Basic earnings per share	23	(1.49)	(2.92)
Diluted earnings per share	23	(1.49)	(2.92)

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

STATEMENT OF
FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	2023 $	2022 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	2,599,996	5,303,142
Trade and other receivables	9	688,761	1,092,236
Inventories	10	882,417	1,262,798
Other	11	300,174	310,401
Total current assets		4,471,348	7,968,577
Non-current assets			
Property, plant and equipment	12	92,306	109,255
Right-of-use assets	13	106,970	-
Total non-current assets		199,276	109,255
Total assets		**4,670,624**	**8,077,832**
LIABILITIES			
Current liabilities			
Trade and other payables	14	1,483,791	1,392,486
Lease liabilities	15	62,378	-
Provisions	16	120,999	92,481
Total current liabilities		1,667,168	1,484,967
Non-current liabilities			
Lease liabilities	17	52,375	-
Total non-current liabilities		52,375	-
Total liabilities		**1,719,543**	**1,484,967**
Net assets		**2,951,081**	**6,592,865**
EQUITY			
Issued capital	18	62,520,726	62,520,726
Reserves	19	1,883,769	1,861,906
Accumulated losses	20	(61,453,414)	(57,793,452)
Equity attributable to owners of Aeris Environmental Ltd		2,951,081	6,589,180
Non-controlling interest		-	3,685
Total equity		**2,951,081**	**6,592,865**

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

STATEMENT OF
CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Non-controlling interest $	Total equity $
Balance at 1 July 2021	62,430,276	1,700,432	(50,663,025)	3,685	13,471,368
Loss after income tax benefit for the year	-	-	(7,130,427)	-	(7,130,427)
Other comprehensive income for the year, net of tax	-	57,301	-	-	57,301
Total comprehensive income/(loss) for the year	-	57,301	(7,130,427)	-	(7,073,126)
Shares issued	90,450	-	-	-	90,450
Transactions with owners in their capacity as owners:					
Share-based payments (note 25)	-	104,173	-	-	104,173
Balance at 30 June 2022	**62,520,726**	**1,861,906**	**(57,793,452)**	**3,685**	**6,592,865**

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Non-controlling interest $	Total equity $
Balance at 1 July 2022	62,520,726	1,861,906	(57,793,452)	3,685	6,592,865
Loss after income tax benefit for the year	-	-	(3,653,743)	-	(3,653,743)
Other comprehensive income for the year, net of tax	-	17,079	-	-	17,079
Total comprehensive income/(loss) for the year	-	17,079	(3,653,743)	-	(3,636,664)
Transactions with owners in their capacity as owners:					
Disposal of Investment in Aeris Cleantech Pte Ltd (note 20 and 33)	-	-	(6,219)	(3,685)	(9,904)
Share-based payments (note 19 and 25)	-	4,784	-	-	4,784
	-	4,784	(6,219)	(3,685)	(5,120)
Balance at 30 June 2023	**62,520,726**	**1,883,769**	**(61,453,414)**	**-**	**2,951,081**

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

STATEMENT OF
CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,721,188	3,240,986
Payments to supplier (inclusive of GST)		(5,771,359)	(9,343,010)
R&D tax offset rebate received		441,774	-
		(2,608,397)	(6,102,024)
Interest received		32,624	-
Interest and other finance costs paid		(6,814)	(5,332)
Net cash used in operating activities	35	(2,582,587)	(6,107,356)
Cash flows from investing activities			
Payments for property, plant and equipment	12	(72,967)	(63,826)
Net cash used in investing activities		(72,967)	(63,826)
Cash flows from financing activities			
Repayment of lease liabilities		(64,671)	(68,595)
Net cash used in financing activities		(64,671)	(68,595)
Net decrease in cash and cash equivalents		(2,720,225)	(6,239,777)
Cash and cash equivalents at the beginning of the financial year		5,303,142	11,485,616
Effects of exchange rate changes on cash and cash equivalents		17,079	57,303
Cash and cash equivalents at the end of the financial year	8	**2,599,996**	**5,303,142**

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2023

Note 1. Significant accounting policies

Corporate information

The financial report of Aeris Environmental Ltd (the Group) for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Directors on 28 September 2023

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

New or amended Accounting Standards and Interpretations adopted

No new or amended Accounting Standards were applicable to the Group for the current financial year.

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. These standards are not expected to have a material impact on the Consolidated Entity in the current or future reporting periods and on foreseeable future transactions, however management will continue to assess closer to the application dates.

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.

Going concern

The Group made a loss before income tax for the financial year ended 30 June 2023 of $4,028,470 (2022 loss before income tax of $7,423,212). The Group's cash outflow for the financial year ended 30 June 2023 was $2,720,225 (2022 cash outflow of $6,239,777).

The Group held cash as at 30 June 2023 of $2,599,996 compared to $5,303,142 as at 30 June 2022.

The above matters may give rise to a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. Therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated in the financial report. However, the Directors believe that the Group will be able to continue as a going concern due to the following mitigating factors in relation to the material uncertainty.

The Directors have prepared detailed cash flow projections for the period of 12 months from the date of signing this Report. The sales outlook for the Company is markedly improved from previous year, with a conservative sales budget still yielding significant growth. Several new products are slated to be introduced. However, the Group is dependent on capital raisings to continue to operate. The Group has investigated the funding options including a capital raise in 2024. Further, in the event of the Group not raising sufficient funds to meet its current cash flow forecasts, the Group will need to further reduce its expenditure accordingly to be able to pay its debts as and when they are due.

Consequently, the Group's financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and satisfaction of liabilities and commitments in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities should the Group be unable to continue as a going concern.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

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.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Aeris Environmental Ltd ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Aeris Environmental Ltd 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.

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.

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.

Foreign currency translation

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.

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 statement of financial position presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of profit or loss 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.

Revenue recognition

The consolidated entity recognises revenue as follows:

Sale of goods and disposal of assets

The group manufactures and sells a range of products that enhances the performance, longevity, cost-effectiveness, and energy efficiency of systems which contributes to the creation of a more sustainable built environment via the wholesaler market. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the group has objective evidence that all criteria for acceptance have been satisfied.

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.

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.

<u>Tax consolidation</u>

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 33. The head entity recognises all of the current and deferred tax assets and liabilities of the tax consolidated group (after elimination of intragroup transactions).

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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.

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.

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.

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	4 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

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Research and development

Research and development costs are expensed in the period in which they are incurred. Development costs are capitalised as an intangible asset, only if the following criteria are met:

- when it is probable that the project will be a success considering its commercial and technical feasibility;
- the consolidated entity is able to use or sell the asset;
- the consolidated entity has sufficient resources; and
- intent to complete the development and its costs can be measured reliably.

Development expenditure that do not meet the criteria above are recognised as an expense as incurred. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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.

<u>These financial liabilities include the following items:</u>
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.

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.

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.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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.

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.

Employee benefits

<u>Short-term employee benefits</u>
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

<u>Other long-term employee benefits</u>
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at 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 high quality corporate 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.

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 principal 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 interests. 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 at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of 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.

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.

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.

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.

Comparative amounts

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

Earnings per share

<u>Basic earnings per share</u>
Basic earnings per share is calculated by dividing the profit attributable to the owners of Aeris Environmental Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

<u>Diluted earnings per share</u>
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.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements 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 judgements, 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 judgements have been made in respect of the following items:

Share-based payment transactions

The consolidated entity 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 by using either the Binomial or Black- Scholes model taking into account the terms and conditions upon which the instruments were granted. 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 profit or loss and equity.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 9, is calculated based on in-depth evaluation of customers expected to incur future credit losses. The actual credit losses in future years may be higher or lower.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

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.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency 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 program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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.

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.

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.

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.

Note 4. Operating segments

Identification of reportable operating 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:

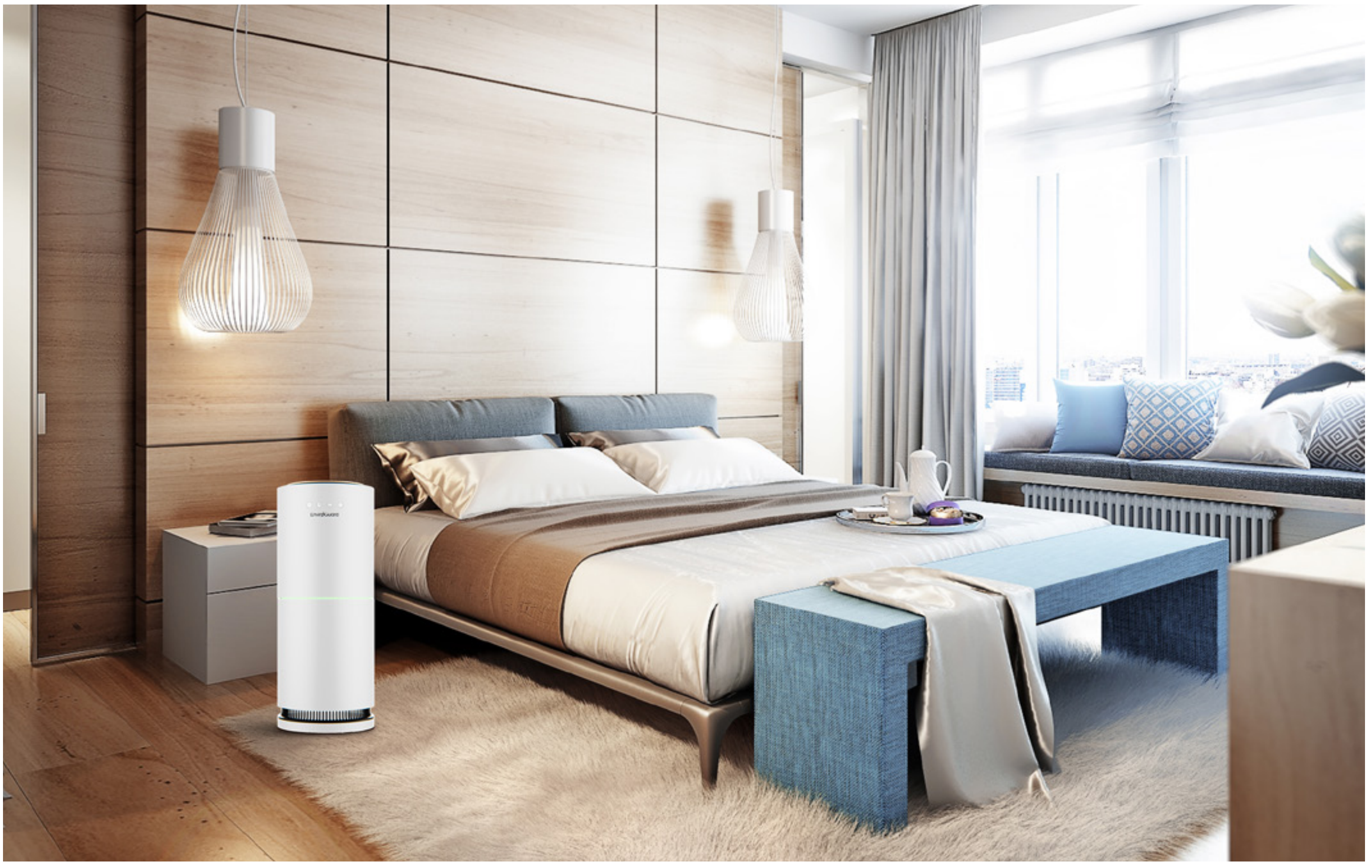
(a) Australia - Sales and service on account of Australian operations

(b) International - Sales and 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 and are eliminated on consolidation.

Major customer
During the year ended 30 June 2023 the most significant client accounts for approximately 9% (2022: 15%) of the consolidated entity's external revenue through Australian Sales and Services operating segment. There are no customers who individually amounted to more than 10% or more of the total revenue during 2023 and no other customers above 10% for 2022.



Operating segment information of the consolidated entity

	Australia $	International $	Intersegment eliminations $	Consolidated $
2023				
Revenue				
Sales	1,909,750	148,010	(127,615)	1,930,145
Other income	172,140	89,702	(81,672)	180,170
Total Revenue	2,081,890	237,712	(209,287)	2,110,315
Expenses				
Cost of goods sold	(1,016,870)	(93,405)	127,615	(982,660)
Operating expenses	(5,006,500)	(983,450)	833,825	(5,156,125)
Total Expenses	(6,023,370)	(1,076,855)	961,440	(6,138,785)
Profit (Loss) before tax	**(3,941,480)**	**(839,143)**	**752,153**	**(4,028,470)**

	Australia $	International $	Intersegment eliminations $	Consolidated $
2022				
Revenue				
Sales	2,520,769	188,776	(69,472)	2,640,073
Other income	155,699	11,063	-	166,762
Total Revenue	2,676,468	199,839	(69,472)	2,806,835
Expenses				
Cost of goods sold	(1,362,628)	(179,020)	69,472	(1,472,176)
Operating expenses	(9,029,213)	(962,112)	1,233,454	(8,757,871)
Total Expenses	(10,391,841)	(1,141,132)	1,302,926	(10,230,047)
Profit (Loss) before tax	**(7,715,373)**	**(941,293)**	**1,233,454**	**(7,423,212)**

Segment assets and liabilities

	Assets 2023	Assets 2022	Liabilities 2023	Liabilities 2022
Australia	5,730,308	9,082,505	4,491,270	2,436,327
International	1,310,039	1,866,865	5,155,667	6,454,193
Total	7,040,347	10,949,370	9,646,937	8,890,520
Intersegment elimination	(2,369,723)	(2,871,538)	(7,927,394)	(7,405,553)
Consolidated	**4,670,624**	**8,077,832**	**1,719,543**	**1,484,967**

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time for the following major geographical segments:

	Australia 2023	Australia 2022	International 2023	International 2022
Segment revenue	1,909,750	2,520,769	148,010	188,776
Intersegment elimination	(127,615)	(69,472)	-	-
Revenue from external customers	1,782,135	2,451,297	148,010	188,776
Timing of revenue recognition				
At a point in time	1,262,705	1,782,756	148,010	188,776
Over time	519,430	706,601	-	-
	1,782,135	2,489,357	148,010	188,776

Note 5. Revenue

	Consolidated 2023 $	2022 $
Revenue from contracts with customers		
Revenue from sales	1,410,715	1,933,472
Revenue from services	519, 430	706,601
	1,930,145	2,640,073
Other Revenue		
Financial income	35,699	4,445
Other income	144,471	162,317
	180,170	166,762
Revenue	**2,110,315**	**2,806,835**

Note 6. Expenses

Profit (loss) before income tax includes the following specific expenses:	Consolidated 2023 $	2022 $
Depreciation		
Leasehold improvements	-	981
Plant and equipment	63,902	59,607
Right-of-use assets	53,485	39,263
Total depreciation	117,387	99,851
Employment benefit expenses		
Base salary and fees	1,321,022	2,120,948
Superannuation & statutory costs	195,427	352,751
Share based payment	4,784	64,381
Other employment expenses	31,328	60,446
Total employment benefits expenses	1,552,561	2,598,526
Finance costs		
Interest, bank fees and other financial expenses	47,936	12,457
Administration		
Compliance cost	1,245,272	1,769,870
Corporate and Overheads	78,066	94,677
Insurance	139,183	147,332
IT and Maintenance	63,020	101,140
Total administration	1,525,541	2,113,019
Other expenses		
Impairment of receivables	121,004	145,646
Impairment of inventory	305,513	1,365,000
Rental & occupancy expenses	263,862	432,498
Research and development and patent expenses	442,206	636,100

Note 7. 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:

	Consolidated 2023 $	2022 $
Income tax benefit		
Current tax	(374,727)	(292,785)
Aggregate income tax benefit	**(374,727)**	**(292,785)**
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Profit (Loss) for year	(4,028,470)	(7,423,212)
Income tax expense (benefit) at the Australian tax rate of 25%	(1,007,118)	(1,855,803)
Impact of overseas tax rates	(38,422)	-
R&D tax offset receivable - Current year	(230,000)	(292,785)
R&D tax offset receivable - Prior year adjustment	(148,816)	-
Temporary differences and tax losses not recognised	918,015	1,653,436
Other permanent differences		
Share based payments	1,196	16,095
R&D Expenditure	130,418	186,273
Income tax expense (benefit) attributable to profit (loss)	**(374,727)**	**(292,785)**

The enacted corporate tax rates across all jurisdictions are as follows:

- Australia 25%
- UK 25%
- USA (Including state taxes) 29.99%

Deferred tax balances not recognised

Calculated at current tax rates and not brought to account assets or liabilities: which may be realised in future years:

Tax rate has been used for the calculation given the majority of the operations are in Australia. The tax rates that applied to the UK and Australian entities were 25% and the US entity was 29.99%.

	Consolidated	
	2023 $	2022 $
Deferred tax assets **Tax losses**		
Australian Tax Revenue Losses	34,724,034	31,382,188
Unused Australian tax losses for which no deferred tax asset has been recognised potential tax benefit @ 25%	8,681,008	7,845,547
US Tax Revenue Losses	4,121,808	3,891,833
Unused US tax losses for which no deferred tax asset has been recognised potential tax benefit @ 29.99%	1,236,130	1,167,161
UK Tax Revenue Losses	9,309	-
Unused UK tax losses for which no deferred tax asset has been recognised potential tax benefit @ 25%	2,327	-
Revenue tax losses available for offset against future taxable income (tax effected)	9,919,465	9,012,708
Temporary differences		
Provision for doubtful debts	81,158	53,589
Provision for inventory impairment	744,518	639,000
Provision for employee entitlements	30,250	40,260
Difference between book and tax values of fixed assets	8,494	(7,308)
Accruals	13,250	132,145
Future lease obligations	28,688	-
	906,358	857,686
Total deferred tax assets	**10,825,823**	**9,870,394**
Deferred tax liabilities		
Right of use assets	(26,743)	-
Total deferred tax liabilities	**(26,743)**	**-**
Net deferred tax asset not recognised	**10,799,080**	**9,870,394**

Tax consolidation

(i) <u>Relevance of tax consolidation to the consolidated entity</u>

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) <u>Method of measurement of tax amounts</u>

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

(iii) <u>Tax sharing agreements</u>

There are no tax sharing or funding agreements in place.

(iv) <u>Tax consolidation contributions</u>

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

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2023 **$**	**2022** **$**
Cash at bank and on hand	136,575	269,737
Cash on deposit	2,463,421	5,033,405
	2,599,996	**5,303,142**

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

Note 9. Current assets - trade and other receivables

	Consolidated	
	2023 **$**	**2022** **$**
Trade receivables	783,391	1,013,805
Less: Allowance for expected credit losses	(324,630)	(214,354)
	458,761	799,451
R&D tax offset rebate receivable	230,000	292,785
	688,761	**1,092,236**

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

Allowance for expected credit losses

For the 2023 and 2022 financial years, the Group has undertaken an in-depth evaluation of each individual customer which the entity considers to have a risk of incurring credit losses.

Based on the evaluation and considering average industry credit terms of 60 days, loss allowance provision was calculated and grouped as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	**2023 %**	**2022 %**	**2023 $**	**2022 $**	**2023 $**	**2022 $**
Current < 60 days	-	-	302,169	324,829	-	-
Past due > 60 days	-	-	35,314	148,855	-	-
Past due > 90 days	72.80	39.69	445,908	540,121	324,630	214,354
			783,391	**1,013,805**	**324,630**	**214,354**

	Consolidated	
	2023 $	**2022 $**
Less than 6 months overdue	-	-
More than 6 months overdue	324,630	214,354
Amounts recognised in profit or loss During the year, the following losses were recognised in profit or loss in relation to impaired receivables Individually impaired receivables	(10,728)	-
Previous provisions written back	-	195,646
Movement in provision for impairment	(110,276)	(50,000)
Movements in the allowance for expected credit losses are as follows:		
Opening balance	214,354	360,000
Additional provision recognised	110,276	50,000
Unused amounts reversed	-	(195,646)
Closing balance	**324,630**	**214,354**

Note 10. Current assets - Inventories

	Consolidated	
	2023 $	**2022 $**
Inventories - at cost	3,743,930	3,818,798
Less: Provision for impairment	(2,861,513)	(2,556,000)
	882,417	**1,262,798**

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

Note 11. Current assets - other

	Consolidated 2023 $	Consolidated 2022 $
Prepayments	285,985	288,402
Deposits, bonds and other receivables	14,189	21,999
	300,174	**310,401**

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

Note 12. Non-current assets - property, plant and equipment

	Consolidated 2023 $	Consolidated 2022 $
Leasehold improvements - at cost	138,093	130,228
Less: Accumulated depreciation	(131,461)	(130,228)
	6,632	-
Plant and equipment under lease	187,474	187,474
Less: Accumulated depreciation	(182,879)	(162,801)
	4,595	24,673
Computer equipment - at cost	325,983	347,393
Less: Accumulated depreciation	(318,283)	(318,736)
	7,700	28,657
Office equipment - at cost	139,709	133,595
Less: Accumulated depreciation	(132,882)	(130,789)
	6,827	2,806
Field equipment - at cost	51,647	51,647
Less: Accumulated depreciation	(51,647)	(51,647)
	-	-
R & D equipment - at cost	54,974	40,773
Less: Accumulated depreciation	(44,352)	(32,367)
	10,622	8,406
Software - at cost	72,351	50,762
Less: Accumulated depreciation	(16,421)	(6,049)
	55,930	44,713
	92,306	**109,255**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Computer equipment $	Leasehold improvements $	Office furniture $	Plant and equipment $	R&D equipment $	Software $	Total $
Balance at 1 July 2021	35,351	981	4,838	50,136	14,711	-	106,017
Additions	15,881	-	-	-	-	47,945	63,826
Depreciation expense	(22,575)	(981)	(2,032)	(25,463)	(6,305)	(3,232)	(60,588)
Balance at 30 June 2022	28,657	-	2,806	24,673	8,406	44,713	109,255
Exchange differences	(504)	-	-	-	-	-	(504)
Additions	1,012	7,865	6,114	-	14,201	21,589	50,781
Disposals	(3,324)	-	-	-	-	-	(3,324)
Depreciation expense	(18,141)	(1,233)	(2,093)	(20,078)	(11,985)	(10,372)	(63,902)
Balance at 30 June 2023	**7,700**	**6,632**	**6,827**	**4,595**	**10,622**	**55,930**	**92,306**

Note 13. Non-current assets - right-of-use assets

	Consolidated 2023 $	Consolidated 2022 $
Land and buildings - right-of-use	160,455	-
Less: Accumulated depreciation	(53,485)	-
	106,970	**-**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Right-of-use asset $	Total $
Balance at 1 July 2021	295,036	295,036
Disposals	(255,773)	(255,773)
Depreciation expense	(39,263)	(39,263)
Balance at 30 June 2022	-	-
Additions	160,455	160,455
Depreciation expense	(53,485)	(53,485)
Balance at 30 June 2023	**106,970**	**106,970**

Refer to note 17 for further information on lease liabilities.

Note 14. Current liabilities - trade and other payables

	Consolidated 2023 $	2022 $
Trade payables	687,515	524,577
GST and PAYG payable	6,043	35,288
Accrued expenses	790,233	832,621
	1,483,791	**1,392,486**

Refer to note 26 for further information on financial instruments.

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

Note 15. Current liabilities - lease liabilities

	Consolidated 2023 $	2022 $
Lease liabilities	**62,378**	**-**

Refer to note 17 for further information on non-current lease liabilities and note 26 for further information on financial instruments.

Note 16. Current liabilities - provisions

	Consolidated 2023 $	2022 $
Annual leave	109,997	83,016
Long service leave	11,002	9,465
	120,999	**92,481**

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

Note 17. Non-current liabilities - lease liabilities

	Consolidated 2023 $	2022 $
Lease liabilities	**52,375**	**-**

Refer to note 26 for further information on financial instruments.

Particulars relating to lease liabilities

The Group has recognised 'Right-of-Use Asset' and an associated 'Lease Liability' in the 2023 financial year for the office space leased in Townsville and Sydney following AASB 16 for accounting of leases. During the year ended 30 June 2023, a new lease was signed for an office space in Townsville and renewed its lease in Sydney. Following this decision, the 'Right-of-Use Asset' is disclosed in note 13 and the current lease liability is disclosed in note 15.

	2023 $	2022 $
The financial statements show the following amounts relating to leases:		
Depreciation	53,485	39,263
Interest expense (included in finance cost)	10,219	10,160
Value of Right-of-Use asset	106,970	-
Expense relating to short-term leases (included in occupancy expenses)	-	39,263
Total cash flows for leases	64,671	72,630

Note 18. Equity - issued capital

				Consolidated
	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares - fully paid	**245,644,551**	**244,376,020**	**62,520,726**	**62,520,726**

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

Movements in ordinary share capital of Aeris Environmental Ltd

	Date	Shares	Issue Price	$
Balance - no par value	1 July 2021	243,827,837		62,430,276
Shares issued on conversion of performance rights		441,179	0.08	37,500
Shares issued to consultants and advisors		107,004	0.49	52,950
Balance - no par value	30 June 2022	244,376,020		62,520,726
Shares issued on conversion of performance rights*		1,068,531	0.00	-
Shares issued to consultants and advisors**		200,000	0.00	-
Balance - no par value	**30 June 2023**	**245,644,551**		**62,520,726**

*On 5 August 2022, former CEO Peter Bush was issued 1,068,531 performance rights, with no exercise price, in accordance with contractual commitments for prior years' service, which were due to expire (if not converted) at 5pm on 1 July 2023.

On 2 September 2022, former CEO Peter Bush was issued 1,068,531 shares on the conversion of his 1,068,531 performance rights that were issued on 5 August 2022.

**On 2 September 2022, a contractor was issued 50,000 shares with no exercise price as the result of work completed. The number of shares to be issued were calculated using a deemed price of 0.05 per share. Two other consultants were also issued a total of 150,000 shares with no exercise price on the conversion of their performance rights that were issued on 9 September 2019.

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.

Share buy-back

There is no current on-market share buy-back.

Note 19. Equity - reserves

	Consolidated	
	2023 $	2022 $
Share-based payments reserve	1,965,645	1,960,861
Foreign currency translation reserve	(81,876)	(98,955)
	1,883,769	**1,861,906**

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share- based payments $	Foreign currency translation $	Total $
Balance at 1 July 2021	1,856,688	(156,256)	1,700,432
Foreign currency translation	-	57,301	57,301
Share based payments during the year allocated to:			
Employees and consultants	134,685	-	134,685
Key Management Personnel	59,938	-	59,938
Utilized for share issue	(90,450)	-	(90,450)
Balance at 30 June 2022	1,960,861	(98,955)	1,861,906
Foreign currency translation	-	17,079	17,079
Share based payments during the year allocated to:			
Employees and consultants	4,784	-	4,784
Balance at 30 June 2023	**1,965,645**	**(81,876)**	**1,883,769**

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.

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

Note 20. Equity - accumulated losses

	Consolidated	
	2023 $	2022 $
Accumulated losses at the beginning of the financial year	(57,793,452)	(50,663,025)
Loss after income tax benefit for the year	(3,653,743)	(7,130,427)
Disposal of investment in Aeris Cleantech Pte Ltd	(6,219)	-
Accumulated losses at the end of the financial year	**(61,453,414)**	**(57,793,452)**

Please refer to Singapore entity closure in note 33.

Note 21. Equity - non-controlling interest

	Consolidated	
	2023 $	2022 $
Retained profits (see Note 33)	**-**	**3,685**

Note 22. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 23. Earnings per share

	Consolidated	
	2023 $	2022 $
Loss after income tax attributable to the owners of Aeris Environmental Ltd	**(3,653,743)**	**(7,130,427)**

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	245,422,124	243,957,661
Weighted average number of ordinary shares used in calculating diluted earnings per share*	**245,422,124**	**243,957,661**

	Cents	Cents
Basic earnings per share	(1.49)	(2.92)
Diluted earnings per share	(1.49)	(2.92)

Options and performance rights eligible for conversion into ordinary shares in future

	Number	Number
Performance rights over ordinary shares to Consultants	150,000	150,000
Options over ordinary shares to Consultants	550,000	550,000
Performance rights over ordinary shares to KMP**	-	1,068,831
	700,000	**1,768,831**

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

**These performance rights were converted in 2023 financial year (see note 25).

There were no options over ordinary shares issued subsequent to year-end 2023.

Note 24. Options and performance rights

On 15 July 2022, 550,000 options with an exercise price of $0.01 were issued to consultant Tim Fortin for services performed from June 2021 to January 2022. The options vested on the date of issue and each option may be exercised from the date of issue at any time up until the expiry date of 15 July 2025.

On 5 August 2022, former CEO Peter Bush was issued 1,068,531 performance rights, with no exercise price, in accordance with contractual commitments for prior years' service, which were due to expire (if not converted) at 5pm on 1 July 2023.

On 2 September 2022, former CEO Peter Bush was issued 1,068,531 shares on the conversion of his 1,068,531 performance rights that were issued on 5 August 2022.

On 21 December 2022, 150,000 performance rights with a nil exercise price were issued to consultant Bruce Davison as partial payment for R&D services provided. 33% of the performance rights will vest on 10 October 2023, 33% on 10 October 2024 and the final 34% on 10 October 2025.

Note 25. Share-based payments

Recognised share-based payment expenses

The expense recognised for employee services and external consultants during the year is shown in the table below:

Employee Share Option Plan	Number	Number
Employees and consultant	4,784	104,173
	4,784	**104,173**

Details of share-based payment plan

The share-based payment plan is described in the remuneration report in the Directors' Report. There have been no cancellations or modifications to the plan during 2023 and 2022.

Fair value of options or performance rights granted

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.

Particulars of options or performance rights granted over unissued shares:

	Options		Rights	
	2023	**2022**	**2023**	**2022**
Options or rights on issue:				
Employees and consultants*	550,000	-	150,000	150,000
Key management personnel	-	-	-	-
	550,000	-	150,000	150,000
Options or rights granted during the year:				
Employees and consultants*	550,000	-	150,000	-
Key management personnel **	-	-	1,068,531	-
	550,000	-	1,218,531	-
Shares issued as a result of exercise of options or rights:				
Employees and consultants	-	-	150,000	107,004
Key management personnel **	-	-	1,068,531	441,179
	-	-	1,218,531	548,183
Options or rights expired or forfeited:				
Employees and consultants	-	345,000	-	313,417
Key management personnel	-	50,000	-	-
	-	395,000	-	313,417
Weighted average remaining contractual life	2.04 years	0 years	3.48 years	1.07 years
Weighted average range of exercise prices	$0.01	$0.42	-	-

*On 15 July 2022, 550,000 options with an exercise price of $0.01 were issued to consultant Tim Fortin for services performed from June 2021 to January 2022. The options vested on the date of issue and each option may be exercised from the date of issue at any time up until the expiry date of 15 July 2025.

These were issued in 2023 financial year however the service requirements were in prior years and the expense related to those has been recognised in prior years.

On 21 December 2022, 150,000 performance rights with a nil exercise price were issued to consultant Bruce Davison as partial payment for R&D services provided. 33% of the performance rights will vest on 10 October 2023, 33% on 10 October 2024 and the final 34% on 10 October 2025.

**Peter Bush, who was considered to be a KMP in the previous financial year, ceased to be the CEO (and hence a KMP) on 28 March 2022.

Note 26. Financial instruments

Financial risk management objectives

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.

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.

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

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.

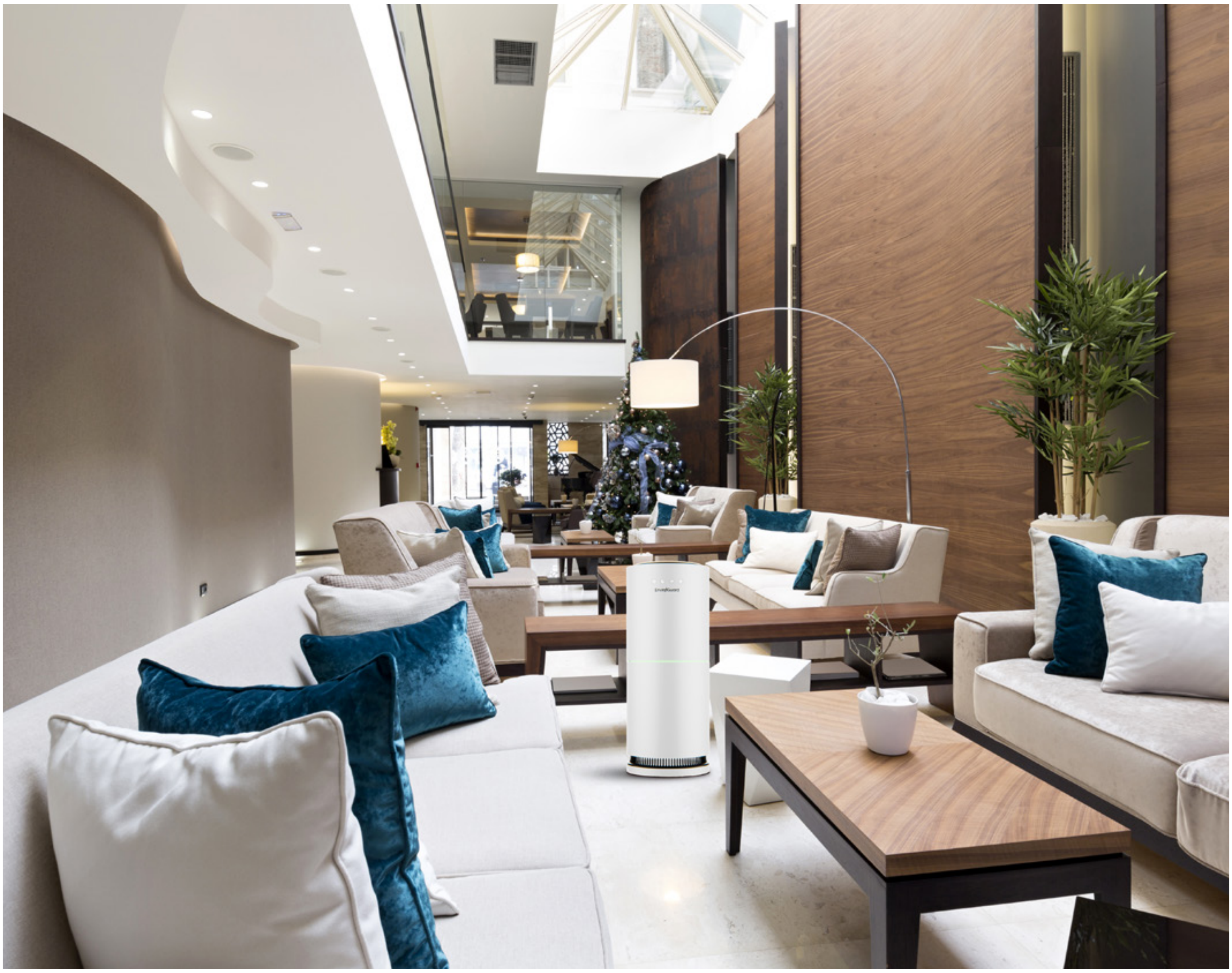
The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

(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:

	Consolidated	
	2023 $	2022 $
Trade receivables	458,761	799,451
R&D tax offset rebate receivable	230,000	292,785
Deposits and bonds	9,310	21,999
Deposits with BankWest	2,463,421	5,033,419
Deposits with Wise, USA	48,844	-
Deposits with Bank of America, USA	5,448	61,395
Deposits with ANZ Bank	67,413	208,328
Deposits with Bank of China, China	14,870	-
	3,298,067	**6,417,377**



(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.

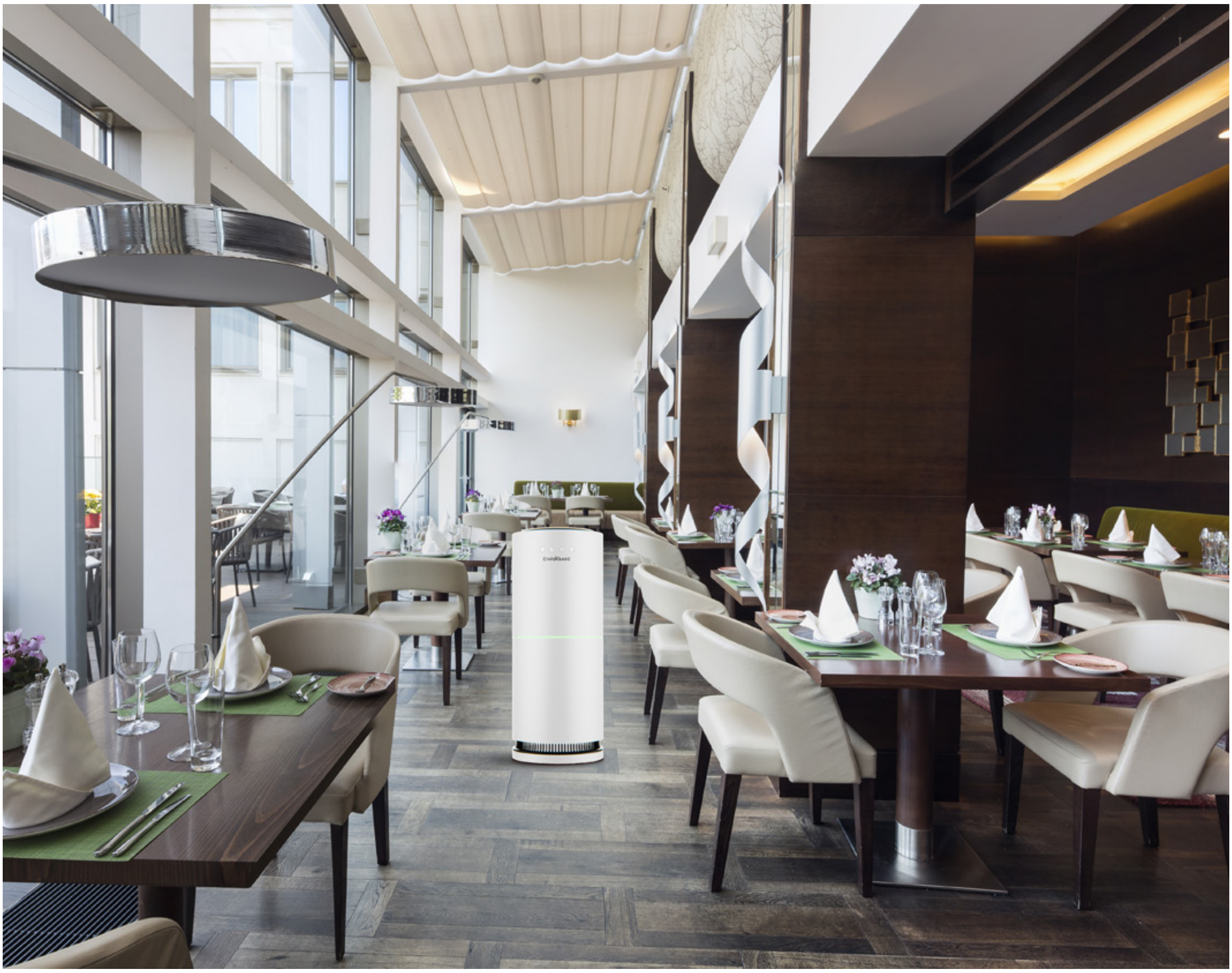
The Board receives cash flow projections on a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances, however see going concern section per note 1 for further comments.

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.

Maturity analysis - 2023	**Undiscounted Cash flows $**	**< 6 months $**	**6 - 12 months $**	**1-3 years $**	**>3 years $**	**Carrying values $**
Financial assets						
Cash and cash equivalents	2,599,996	2,599,996	-	-	-	2,599,996
Trade and other receivables	458,761	458,761	-	-	-	458,761
R&D tax offset rebate receivable	230,000	230,000	-	-	-	230,000
Security deposits	14,189	-	-	-	14,189	14,189
	3,302,946	3,288,757	-	-	14,189	3,302,946
Financial liabilities						
Trade payables	(687,519)	(687,519)	-	-	-	(687,519)
Other payables including GST and PAYG payable	(796,276)	(796,276)	-	-	-	(796,276)
Lease liabilities	(123,657)	(30,390)	(30,390)	(62,877)	-	(114,753)
	(1,607,452)	(1,514,185)	(30,390)	(62,877)	-	(1,598,548)
Net Maturity	**1,695,494**	**1,774,572**	**(30,390)**	**(62,877)**	**14,189**	**1,704,398**

Maturity analysis - 2022	Undiscounted Cash flows $	< 6 months $	6 - 12 months $	1-3 years $	>3 years $	Carrying values $
Financial assets						
Cash and cash equivalents	5,303,142	5,303,142	-	-	-	5,303,142
Trade and other receivables	799,451	799,451	-	-	-	799,451
R&D tax offset rebate receivable	292,785	292,785	-	-	-	292,785
Security deposits	21,999	-	-	-	21,999	21,999
	6,417,377	6,395,378	-	-	21,999	6,417,377
Financial liabilities						
Trade payables	(524,578)	(524,578)	-	-	-	(524,578)
Other payables including GST and PAYG payable	(867,908)	(867,908)	-	-	-	(867,908)
	(1,392,486)	(1,392,486)	-	-	-	(1,392,486)
Net Maturity	**5,024,891**	**5,002,892**	**-**	**-**	**21,999**	**5,024,891**



(iii) Market risk

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:

2023	Notes	Weighted Average Interest Rates	Floating Interest Rates	Fixed Interest Rates	Non-Interest Bearing	Total
Financial assets						
Cash and cash equivalents	8	1.25%	2,599,996	-	-	2,599,996
Deposits	11	0.00%	-	-	14,189	14,189
Trade and other receivables	9	0.00%	-	-	688,761	688,761
Total assets			2,599,996	-	702,950	3,302,946
Financial liabilities						
Trade and other payables	14	0.00%	-	-	(1,483,792)	(1,483,792)
Lease liabilities	13, 15	7.22%	-	(114,753)	-	(114,753)
Total liabilities			-	(114,753)	(1,483,792)	(1,598,545)
			2,599,996	**(114,753)**	**(780,842)**	**1,704,401**

2022	Notes	Weighted Average Interest Rates	Floating Interest Rates	Fixed Interest Rates	Non-Interest Bearing	Total
Financial assets						
Cash and cash equivalents	8	0.20%	5,033,405	-	269,737	5,303,142
Deposits	11	2.20%	-	-	21,999	21,999
Trade and other receivables	9	0.00%	-	-	1,092,236	1,092,236
Total assets			5,033,405	-	1,383,972	6,417,377
Financial liabilities						
Trade and other payables	14	0.00%	-	-	(1,392,486)	(1,392,486)
Total liabilities			-	-	(1,392,486)	(1,392,486)
			5,033,405	**-**	**(8,514)**	**5,024,891**

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	**Carrying Amount**	**+2% Interest rate Profit or Loss**	**-1% Interest rate Profit or Loss**
2023			
Deposits on call	2,463,421	49,268	(24,634)
Tax charge of 25%	-	(12,317)	6,159
Total assets	2,463,421	36,951	(18,475)
2022			
Deposits on call	5,033,405	100,668	(50,334)
Tax charge of 25%	-	(25,167)	12,584
Total assets	5,033,405	75,501	(37,750)

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 is exposed to currency risk in relation to the translation of the ultimate parent entity's net investments in foreign operations to its functional currency of Australian dollars. This translation is recognised directly in equity. The analysis below demonstrates the impact on equity of a 10% strengthening or weakening against the AUD dollar of the major currencies to which the Group is exposed through its net investments in foreign operations. The basis for the sensitivity calculation is the Group's actual residual exposure at the balance date of 7% plus movement in currency of 3%.

	2023				**2022**			
Exposure Currency	**Balance in denominated currency**	**Balance in functional currency**	**Sensitivity**	**Equity Change**	**Balance in denominated currency**	**Balance in functional currency**	**Sensitivity**	**Equity Change**
US Dollar	(3,108,291)	(4,682,056)	10%	425,641	(2,587,128)	(3,754,211)	10%	341,292
Chinese Yuan	4,737,589	983,749	10%	(89,432)	-	-	10%	-
Euro	(7,457)	(12,227)	10%	1,112	(7,457)	(11,308)	10%	1,028
GBP	(70,822)	(135,098)	10%	12,282	(12,490)	(22,017)	10%	2,002

There are no foreign currency balances held in the parent entity.

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.

Note 27. Key management personnel disclosures

Directors

The following persons were directors of Aeris Environmental Ltd during the financial year:

- Maurie Stang
- Steven Kritzler
- Abbie Widin
- Jenny Harry

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

- Andrew Just (CEO)
- Peter Bush, who was considered to be a KMP in the previous financial year, ceased to be the CEO (and hence a KMP) on 28 March 2022.

Compensation

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

	Consolidated	
	2023 **$**	**2022** **$**
Short-term employee benefits	535,212	704,465
Post-employment benefits	52,837	54,048
Share-based payments	-	59,838
	588,049	**818,351**

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

Note 28. Remuneration of auditors

	Consolidated	
	2023 $	2022 $
Remuneration of UHY Haines Norton for -		
Audit of the annual financial report	60,000	35,900
Review of the half yearly financial report	24,278	19,576
	84,278	**55,476**

Note 29. Contingent liabilities

There are no contingent liabilities identified as at balance date 30 June 2023 (2022 contingent liabilities nil).

Note 30. Commitments for expenditure

There are no commitments for expenditure identified as at balance date 30 June 2023 (2022 commitments for expenditure nil).

Note 31. Related party transactions

Parent entity

Aeris Environmental Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 33.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

Transactions with related parties

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

Receivable from and payable to related parties

There were trade receivables from and trade payables to related parties at the current and previous reporting date, which are set out in the remuneration report in the Directors' Report.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 32. Parent entity information

	Parent 2023 $	Parent 2022 $
Current assets	4,524,838	6,936,049
Total assets	**5,730,275**	**8,086,981**
Current liabilities	(2,622,336)	(1,441,009)
Total liabilities	**(2,674,712)**	**(1,441,009)**
Issued capital	62,520,725	62,520,725
Accumulated losses	(61,430,807)	(57,835,612)
Share-based payments reserve	1,965,645	1,960,861
	3,055,563	**6,645,974**
Net profit (loss) after tax for the period	(3,562,663)	(7,136,271)
Total comprehensive loss for the period	**(3,545,584)**	**(7,078,970)**

Note 33. Interests in subsidiaries - particulars relating to controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Principal place of business/Country of incorporation	2023 %	2022 %
Aeris Pty Ltd	Australia	100.00%	100.00%
Aeris Biological Systems Pty Ltd	Australia	100.00%	100.00%
Aeris Hygiene Services Pty Ltd	Australia	100.00%	100.00%
Aeris Environmental LLC	USA	100.00%	100.00%
Aeris Cleantech Pte Ltd	Singapore	0.00%	75.00%
Aeris Cleantech Europe Ltd	Malta	100.00%	100.00%
Aeris Environmental (UK) Ltd	UK	100.00%	100.00%
Shanghai Aeris Environmental Technology Co. Ltd	China	100.00%	100.00%

Aeris ceased operations in Aeris Cleantech Pte Ltd during the 2021-22 Financial year and the company was deregistered on 7/02/2022. Any remaining balances have been released through FY23 to remove from the consolidated group. See statement of changes in equity and note 21.

Note 34. Subsequent events

There have been no matters or circumstances, which have arisen since 30 June 2023 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2023, of the consolidated entity; or

(b) the results of those operations;

(c) the state of affairs, in the financial years subsequent to 30 June 2023, of the consolidated entity.

Note 35. Reconciliation of loss after income tax to net cash used in operating activities

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:

	Consolidated	
	2023 $	2022 $
Cash at bank and on hand	136,575	269,737
Deposits on call	2,463,421	5,033,405
	2,599,996	**5,303,142**

Loss after income tax benefit for the year	(3,653,743)	(7,130,427)
Adjustments for:		
Depreciation and amortisation	117,387	99,851
Impairment of current assets	426,517	1,594,891
Interest on lease liability	10,219	7,125
Share-based payments	4,784	104,172
Other adjustments	14,131	90,450
Change in operating assets and liabilities:		
Decrease in trade receivables and other receivables	293,199	156,154
Decrease/(Increase) in inventories	74,868	184,101
Decrease/(Increase) in other operating assets	10,227	63,349
Decrease/(Increase) in trade and other payables	91,306	(946,301)
Increase/(decrease) in employee benefits	28,518	(330,721)
Net cash used in operating activities	**(2,582,587)**	**(6,107,356)**

Note 36. Additional company information

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

Principal registered office and principal place of business

Unit 5, Level 1, 26-34 Dunning Avenue

Rosebery NSW 2018 Australia

DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Maurie Stang Sydney
28 September 2023
Non-Executive Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

AERIS ENVIRONMENTAL LTD

30 JUNE 2023

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 2023, 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, 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 2023 and of its financial performance for the year ended on that date; 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial report, which discloses that the Group's ability to continue as a going concern. The matters described in Note 1 of the Financial Report, indicate a material uncertainty that may cast doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

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.

We have determined the matters described below to be the key audit matters to be communicated in our report.

GOING CONCERN

Why a key audit matter	How our audit addressed the risk
The Group has had a history of making losses. The net loss after tax for the financial year ended 30 June 2023 was \$3.65 million (2022: loss of \$7.13 million). Therefore, there is a risk that the Group may not have the ability to continue as a going concern. As at 30 June 2023, the Group held \$2.60 million (2022: \$5.30 million) of cash in the bank. The net cash outflow from operating activities for the financial year ended 30 June 2023 was \$2.58 million (2022: outflow of \$6.11 million). A key audit matter is the Group's ability to continue as a going concern.	Our audit procedures included, amongst others: ► Assessed the cash flow projections for 15 months from the end of the financial year 30 June 2023. ► Assessed the significant forecast cash inflows and outflows. We used our knowledge of the Group, its industry and current status of these initiatives to assess the level of the associated uncertainty. ► Discussed with management the capital raising initiatives and whether they will be required, and the ability to reduce the monthly expenditures in the event of any difficulty with the capital raising. ► Evaluated 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.

PROVISION FOR INVENTORY OBSOLESCENCE

Why a key audit matter	How our audit addressed the risk
As disclosed in Note 10 of the financial report, the Group recorded an inventory balance of $0.88 million as at 30 June 2023, net of a provision for obsolescence. An impairment expense of $0.30 million for FY2023 is disclosed in Note 6 of the financial report. Inventory obsolescence has been identified as a major risk due to the fact that the Group holds significant amounts of inventory that is obsolete, as most of the inventory has use by dates and the sales for these line items are not sufficient to clear the number of stock items held by the use by date.	Our procedures included, amongst others: ► We discussed with management the accounting policies for impairment of inventory, their procedures for estimating the provision for impairment and assessed the appropriateness of these policies in accordance with the requirements of Australian Accounting Standards. ► Performed substantive testing on management's assessment of stock obsolescence as at 30 June 2023, including the testing of ageing and the use by date. ► Estimated the inventory provision, compared this to management's calculation and discussed with management the differences including the required adjustment.

RECOVERABILITY OF TRADE RECEIVABLES

Why a key audit matter	How our audit addressed the risk
As disclosed in Note 9 of the financial report, the Group recorded a trade receivable balance of $0.46 million as at 30 June 2023 (2022: $0.80 million), net of expected credit losses. For 30 June 2023 this included gross receivables of $0.78 million and an allowance for expected credit losses of $0.32 million. Recoverability of trade receivables is a key audit matter due to the size of the trade receivable balance and the high level of judgement used in determining the expected credit loss provision.	Our procedures included, amongst others: ► Reviewed the aged debtor listing including long outstanding receivables and assessed the recoverability of these through inquiry with management and by obtaining sufficient corroborative evidence such as subsequent receipts etc. to support the conclusions. ► Reviewed management's allowance for expected credit loss calculations and independently assessed the reasonable of the amounts provided for. ► Reviewed subsequent credit notes issued to check for reversal of revenue/receivable.

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 2023, 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, with the exception of the Remuneration Report and our related assurance opinion.

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 Group 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 Group or to cease operations, or have 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 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, actions taken to eliminate threats or safeguards applied.

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 year 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.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 28 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Aeris Environmental Ltd for the year ended 30 June 2023, 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
28 September 2023

UHY Haines Norton
Chartered Accountants

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 Options and Performance Rights Registers, ASX releases and the Company's Constitution.

Shareholding Information

Distribution of Shareholders

Analysis of the quoted fully paid ordinary shares by holding as at 7 September 2023:

Spread of Holdings	Number of Holders	Ordinary shares	% of Total Issued Capital
1 – 1,000	173	88,768	0.04
1,001 – 5,000	327	966,012	0.39
5,001 – 10,000	208	1,664,196	0.68
10,001 – 100,000	456	16,205,149	6.60
100,001 – 500,000	139	30,634,537	12.47
500,001 – 1,000,000	22	15,329,852	6.24
1,000,001 and over	45	180,756,037	73.58
Total	**1,370**	**245,644,551**	**100.00**

Based on the market price at 7 September 2023 there were 820 shareholders with **less than a marketable parcel** of $500 worth of shares at a share price of $0.029. There are 117,000 shares that are subject to Company-imposed voluntary escrow.

Statement of Shareholdings as at 7 September 2023

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

Rank	Shareholder	Number of Shares	% Holding
1	HSBC Custody Nominees (Australia) Limited	35,352,171	14.39
2	Bernard Stang	18,043,084	7.35
3	Maurie Stang	15,279,749	6.22
4	Steven Kritzler <S Kritzler Family A/C>	8,331,609	3.39
5	Girdis Superannuation Pty Ltd <Girdis Super Fund A/C>	6,922,828	2.82
6	Potski Pty Ltd <Potski Super Fund A/C>	6,917,604	2.82
7	Towns Corporation Pty Ltd <PAE Family A/C>	5,850,000	2.38
8	Energy Trading Systems Pty Ltd <MPF A/C>	5,529,411	2.25
9	Kefford Holdings Pty Ltd <The Kefford Family A/C>	4,738,610	1.93
10	Meditsuper Pty Ltd <Medi Consumables P/L S/F A/C>	4,272,281	1.74
11	Development Management & Constructions Pty Ltd	4,247,353	1.73
12	Seguro Super Pty Ltd <Seguro Super Fund A/C>	4,105,695	1.67
13	Bennelong Resources Pty Limited <John Egan Super Fund A/C>	3,500,000	1.42
14	Lotsa Nominees Pty Ltd	3,333,333	1.36
15	Benlee Company Pty Ltd <The Benlee A/C>	3,168,283	1.29
16	BNP Paribas Noms Pty Ltd <DRP>	3,018,706	1.23
17	Steven Kritzler <S&J Kritzler Super Fund>	2,921,176	1.19
18	Chiang Hao Wong	2,861,557	1.16
19	Uno Seguro Pty Ltd <Uno Seguro Super Fund A/C>	2,800,695	1.14
20	Roo County Pty Ltd	2,757,935	1.12
	Total of Top 20 Holdings	**143,952,080**	**58.60**
	Other Holdings	**101,692,471**	**41.40**
	Total Ordinary Shares	**245,644,551**	**100.00**

Unquoted Equity Securities as at 7 September 2023

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
550,000	Options issued to consultant Timothy Fortin on 15 July 2022, which vested on the date of issue, and which expire (if not exercised) on 15 July 2025, and have an exercise price of 1 cent.	1
550,000	**Total Options on Issue**	**1**

Number	Class – Performance Rights	Number of Holders
150,000	Performance Rights issued to consultant Bruce Davison on 21 December 2022, which expire (if not converted) on 20 December 2026 with no exercise price, with one third vesting each year for three years commencing on 10 October 2023.	1
150,000	**Total Performance Rights on Issue**	**1**

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. Options holders and performance rights holders have no voting rights until their options are exercised or their performance rights convert.

Substantial Shareholders as at 7 September 2023

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	9.86%
Perennial Value Management Limited	22,642,424	Ordinary fully paid shares	9.22%
Bernard Stang	20,253,664	Ordinary fully paid shares	8.36%

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
Abbie Widin	Non-Executive Director
Jenny Harry	Non-Executive Director

Chief Executive Officer

Andrew Just

Company Secretary

Robert Waring

Registered and Principal Office

Unit 5, Level 1, 26-34 Dunning Avenue
Rosebery NSW 2018 Australia

Telephone:	+61 2 8344 1315
Facsimile:	+61 2 9697 0944
Email:	info@aeris.com.au
Website:	www.aeris.com.au

Share Registry

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

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

Auditor

UHY Haines Norton Sydney
Level 9, 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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ENVIRONMENTAL