

Aeris Environmental Ltd

ACN 093 977 336

Interim Report

Half Year Ended 31 December 2021



Appendix 4D

Half Year Report for the six months ended on 31 December 2021

Name of entity

AERIS ENVIRONMENTAL LTD ABN: 19 093 977 336

Half year report for the six months ended on 31 December 2021 (comparatives for the six months ended on 31 December 2020).

Results for announcement to the market

| | | | | |
|---|---------------------|-----------------------------|----|-------------|
| Revenue from ordinary activities | Down | 66.3% | to | 1,755,653 |
| (Loss) from ordinary activities after tax attributable to members | Up | 93.2% | to | (3,405,433) |
| Net (loss) for the period attributable to members | Up | 93.2% | to | (3,405,433) |
| Dividends (distributions) | Amount per security | Franked amount per security | | |
| Final and interim dividends | Nil ¢ | Nil ¢ | | |
| Previous corresponding period | Nil ¢ | Nil ¢ | | |

Brief Explanation of Figures

Refer to attached 31 December 2021 Half Year Financial Report.

The Group applies international accounting standards in compiling the financial reports of its subsidiary foreign entities.

Net tangible assets (NTA) per security with the comparative figure for the previous corresponding period:

Net Tangible Assets

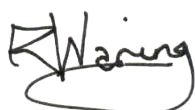
| | 31 Dec 2021 | 31 Dec 2020 |
|--|-------------|-------------|
| Net tangible assets per ordinary share | 4.18 cents | 7.20 cents |

Audit Qualification or Review

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

Other Comments

Refer to the attached 31 December 2021 Half Year Financial Report.



Robert J Waring
Company Secretary

28 February 2022

This Report was authorised by the Board of Directors.

28 February 2022

AERIS HALF-YEAR REPORT

Aeris Environmental Ltd (Aeris or the Company) reports its financial results for the half year ended 31 December 2021.

Finance

Revenue for the Company from activities for the first half of the 2021-22 financial year to 31 December 2021 was \$1,755,000 (2020 – \$5,206,000). Sales during the half year were materially-impacted by the rolling COVID-19 shutdowns in Australia, south-east Asia and the northern hemisphere, and Aeris' customers continue to face a number of significant issues in terms of supply chains, their customer demands and pricing pressures.

The Company's gross profit margin for the first half of the financial year was 50%, which compares to 40% in the previous half year. The cash receipts from customers were \$2,349,000 for the half year (2020 – \$8,119,000). Aeris was cash flow negative for the half year, generating a net negative operating cash flow of \$2,737,000 (2020 – positive \$756,000).

Operations

During the half year the Company commenced a broad review to evaluate a spectrum of initiatives for Aeris' business, with a comprehensive strategic review of its commercial, marketing and technical activities.

The Company remains focused on growing revenue from the commercialisation of its core proprietary product platforms. Aeris' sales, marketing and channel management team, together with consultants engaged as required, are working to achieve improved customer satisfaction and sales growth, and to build long-term partnerships.

Recognising the significant unpredictability of markets, the Company is directing its efforts towards established customers and distributors, as well expanding into international markets and establishing broad activities in China. Aeris is well capitalised and net debt free, with a strong portfolio of differentiated products.

Environmental Hygiene

During the half year, the Company's 'Return to Work' initiative concentrated on the built environment, including office spaces, schools, public transport and aged care facilities. These initiatives were supported by expanded sales and marketing activity, and Aeris concentrated its efforts on both environmental hygiene, and heating, ventilation and air-conditioning (HVAC) microbial safety and energy efficiency. These programmes incorporate the Company's new Aeris Defence product line, which is now being trialled or in use at high-profile sites, as well as Aeris Active, which continues to be the preferred product for high-volume, high-risk applications.

Cleaning schedules, hygiene policies and good practices can play significant roles in protecting against COVID-19, and target the three key transmission routes – surface, hand and air – which Aeris' integrated and compatible portfolio of products addresses in both an environmentally-friendly and workflow-effective manner. The Company is further investing in education, technical and marketing support for its network of dealers and customers, both domestically and internationally, who are dealing with multi-faceted issues arising from the COVID-19 pandemic.

China

Aeris' Wholly Foreign-Owned Enterprise (WFOE) in China, Shanghai Aeris Environmental Technology Co., Ltd, has now been registered and is operational, and, with the establishment of the WFOE, has a path to Government tenders.

The Company's focus is on re-establishing revenue generation in China through the sale of its products with a range of partnerships and distributors, with growing customer interest. The initial focus is on Aeris Active, Aeris Defence, anti-microbial paper and the HVAC hygiene platform. The required regulatory testing for these products in China is underway.

Aeris is evaluating material opportunities for the incorporation of its novel anti-microbial polymers in a range of applications in collaboration with leading Chinese manufacturers. Potential advantages for the Company are improved supply chains, lower raw material costs, specialised value-added manufacturing and, of equal importance, a large market for Aeris' broad range of novel technologies.

It is anticipated that, with the recommencement of international travel, the Company will be better positioned to support its dealers and leverage its forthcoming opportunities. China remains an important part of Aeris' international dealings, with the advancement of environmental hygiene as a priority product category in the private and public sectors.

North America

The Company remains focused on rebuilding its North American business after the COVID-19 interruptions, along with adapting to the changing market position and Aeris' priorities. The Company is managing its costs in the USA in recognition of these disruptions. Aeris continues to pursue Environment Protection Authority regulatory filings. The US regulatory environment has been complex and rapidly changing, requiring both Federal and State approvals. The Company believes its latest hard surface formulations can now address these challenging standards.

Emerging opportunities for corrosion protection with multiple original equipment manufacturers (OEM) are under discussion. Aeris directly supports specialist platinum partner applicators in multiple locations within the USA. The Company is focusing on identifying distribution partners to make its already-approved Bioactive Filter and Surface treatments available in the North American market.

Mould Remediation

Aeris' mould remediation portfolio represents a strong opportunity with a range of novel and differentiated products that are highly effective, and provide long-term protection against surfaces becoming re-contaminated with mould. The Company is prioritising the advancement of its mould remediation range, with a focus on ready-to-use products, beyond its core market of water damage and disaster recovery. Aeris' mould technical support programme will be made available to distributors in the Company's international markets, initially in countries where there are relatively modest regulatory requirements for the application of mould remediation.

Corrosion Protection

Aeris' corrosion protection portfolio has been the subject of a number of important technical developments and the business is progressively re-opening as economic activity expands, particularly in the southern hemisphere. When the Company's team is able to travel again more freely, it will be able to conduct plant trials. Aeris is targeting the full spectrum of users from private individuals and tradesmen to OEM.

The upcoming launch of the AerisGuard corrosion protection product in aerosol form will address a large market opportunity for sales through trade stores and wholesale groups. The launch is currently being held up by the unavailability in Australia of a required component.

Annual General Meeting (AGM)

A comprehensive review of the Company's operations was provided to Aeris' shareholders at its AGM held on 27 January 2022. The Chairman's and Chief Executive Officer's presentations were released to the market, and are available via the Investor section of the Company's website and on the ASX website.

Summary

Aeris will remain focused on revenue growth and a number of evolving opportunities in the coming quarters. The Company enjoys a solid balance sheet, is net debt free and is now investing in its key international markets, in particular the re-launch in China. Aeris is concentrating its efforts on forming long-term partnerships with companies that have substantial and recurrent demand for the product categories in the Company's existing portfolio.

Aeris believes that its positioning as a trusted partner in HVAC efficiency and safety, together with its comprehensive portfolio of environmental hygiene technologies, enables the Company to effectively support the needs of its distributors and customers in returning to work, and successfully coping in the new reality of a world where COVID-19 is endemic.

Aeris now has an integrated portfolio of products addressing HVAC efficiency and safety, together with environmental hygiene and corrosion protection in the built environment.

Recently, considerable investments have been made in both the Company's anti-microbial polymers and its paper technologies. Both these platforms have international commercialisation potential and represent scalable revenue opportunities in 2022.

Aeris Environmental Ltd

Maurie Stang
Chairman

Peter Bush
Chief Executive Officer

The Company's Half-Year Report was authorised by the Board of Directors.

About Aeris Environmental Ltd

The Company develops, manufactures and markets proprietary, environmentally-friendly technology that drives measurable improvements in asset performance and sustainability. Aeris' whole-of-system approach ensures that systems perform better, are safer, last longer and cost less to run.

The Company's products solve real world problems more effectively than conventional toxic chemicals. Uniquely based on validated, green formulations, Aeris' enzymes and treatments, with residual protection, provide long-term remediation and prevention of mould, bacteria growth and corrosion, and achieve improved hygiene.



Aeris Environmental Ltd

ABN 19 093 977 336

Half Year Financial Report

For the Half Year Ended

31 December 2021

Aeris Environmental Ltd

ABN 19 093 977 336



CORPORATE DIRECTORY

ABN 19 093 977 336

| | |
|--------------------------------|--|
| DIRECTORS | Maurie Stang, Non-Executive Director and Chairman Steven Kritzler, Non-Executive Director Abbie Widin, Non-Executive Director Jenny Harry, Non-Executive Director |
| CHIEF EXECUTIVE OFFICER | Peter Bush |
| COMPANY SECRETARY | Robert Waring |
| REGISTERED OFFICE | Level 1, 5/26-34 Dunning Avenue Rosebery, NSW 2018 |
| SHARE REGISTER | Computershare Investor Services Pty Ltd |
| STOCK EXCHANGE LISTING | Aeris Environmental Ltd shares are listed on the Australian Securities Exchange ASX code: AEI |
| BANKERS | ANZ Banking Group |

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DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Aeris Environmental Ltd (the Company) and its controlled entities together with the consolidated financial report for the half year ended 31 December 2021.

DIRECTORS AND CHIEF EXECUTIVE OFFICER

The names and details of the Company's Directors in office during the half year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Maurie Stang (Non-Executive Director and Chairman)

Steven Kritzler (Non-Executive Director)

Michael Ford, (Non-Executive Director)

Until 14 December 2021

Abbie Widin, (Non-Executive Director)

Since 2 March 2021

Jenny Harry (Non-Executive Director)

Since 21 April 2021

Peter Bush (Chief Executive Officer)

PRINCIPAL ACTIVITIES

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

- 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.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In the opinion of the Directors, no matters or circumstances have arisen since 31 December 2021 that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

REVIEW OF OPERATIONS

The total ordinary revenue for the half-year to 31 December 2021 was \$1,755,653 (31 December 2020: \$5,205,908). The net loss before tax for the half-year to 31 December 2021 was \$3,405,433 (31 December 2020: \$1,603,370).

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The Auditor's Independence Declaration is set out in the attached statement from UHY Haines Norton and forms part of the Directors' Report for the half year ended 31 December 2021.

DIVIDENDS

No dividends were proposed, declared or paid during the half year period and up to the date of this report (2020: Nil).

This report is made in accordance with a resolution of the Directors pursuant to section 306(3)(a) of the *Corporations Act 2001*.



Maurie Stang

Non-Executive Director and Chairman

Sydney, 28 February 2022

Aeris Environmental Ltd

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2021

| | Notes | December 2021 \$ | December 2020 \$ |
|--|-------|------------------------|------------------------|
| Ordinary revenue | 2 | 1,755,653 | 5,205,908 |
| Cost of sales | | (878,725) | (3,152,971) |
| Employee benefits expense | | (1,455,630) | (1,323,594) |
| Occupancy expense | 3 | (196,613) | (149,627) |
| Depreciation and amortisation expense | 3 | (72,626) | (64,866) |
| Other general and administration | 3 | (1,706,882) | (990,363) |
| Sales, marketing and travel | | (287,892) | (272,610) |
| Distribution expense | | (302,580) | (297,732) |
| Product registration, patents, trade marks and R&D expenditure | 3 | (241,432) | (522,682) |
| Financial expense | | (18,706) | (34,833) |
| Loss before income tax expense | | (3,405,433) | (1,603,370) |
| Income tax expense relating to ordinary activities | | - | (158,853) |
| Loss after income tax expense for the half-year | | (3,405,433) | (1,762,223) |
| Other Comprehensive Income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation loss | | 29,264 | (109,502) |
| TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR | | (3,376,169) | (1,871,725) |
| Loss for the half-year attributable to: | | | |
| Owners of Aeris Environmental Ltd | | (3,405,433) | (1,762,223) |
| Non-controlling interest | | - | - |
| | | (3,405,433) | (1,762,223) |
| Total comprehensive loss for the half-year attributable to: | | | |
| Owners of Aeris Environmental Ltd | | (3,376,169) | (1,871,725) |
| Non-controlling interest | | - | - |
| | | (3,376,169) | (1,871,725) |
| EARNINGS PER SHARE | 7 | Cents | Cents |
| Basic loss per share | | (1.40) | (0.73) |
| Diluted loss per share | | (1.40) | (0.73) |

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

Aeris Environmental Ltd

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

| | Notes | December 2021 \$ | June 2021 \$ |
|--------------------------------------|-------|------------------------|--------------------|
| Cash and cash equivalents | 4 | 8,742,637 | 11,485,616 |
| Trade and other receivables | | 907,620 | 1,485,009 |
| Inventories | | 2,182,875 | 2,811,899 |
| Other current assets | | 193,383 | 367,022 |
| TOTAL CURRENT ASSETS | | 12,026,515 | 16,149,546 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | | 108,944 | 106,017 |
| Right-of-use assets | | 13,660 | 295,036 |
| Trade and other receivables | | - | - |
| TOTAL NON-CURRENT ASSETS | | 122,604 | 401,053 |
| TOTAL ASSETS | | 12,149,119 | 16,550,599 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 1,532,048 | 2,337,692 |
| Lease liabilities | 5 | 13,660 | 91,225 |
| Provisions | | 355,708 | 388,669 |
| TOTAL CURRENT LIABILITIES | | 1,901,416 | 2,817,586 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | 5 | - | 227,113 |
| Provisions | | 34,533 | 34,533 |
| TOTAL NON-CURRENT LIABILITIES | | 34,533 | 261,646 |
| TOTAL LIABILITIES | | 1,935,949 | 3,079,232 |
| NET ASSETS | | 10,213,170 | 13,471,368 |
| EQUITY | | | |
| Equity | | 62,430,276 | 62,430,276 |
| Reserves | | 1,847,667 | 1,700,432 |
| Accumulated losses | | (54,068,458) | (50,663,025) |
| Non-controlling interest | | 3,685 | 3,685 |
| TOTAL EQUITY | | 10,213,170 | 13,471,368 |

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

Aeris Environmental Ltd

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2021

| | Issued Capital \$ | Accumulated Losses \$ | Other Reserves \$ | Non- controlling interest \$ | Total Equity \$ |
|--|-------------------------|-----------------------------|-------------------------|---------------------------------------|-----------------------|
| At 1 July 2021 | 62,430,276 | (50,663,025) | 1,700,432 | 3,685 | 13,471,368 |
| Loss for the half year | - | (3,405,433) | - | - | (3,405,433) |
| <i>Other comprehensive income for the half year</i> | | | | | |
| Foreign currency translation differences | - | - | 29,264 | - | 29,264 |
| Total comprehensive loss for the half-year | - | (3,405,433) | 29,264 | - | (3,376,169) |
| <i>Transaction with owners in their capacity as owners</i> | | | | | |
| Shares issued to consultants | - | - | - | - | - |
| Exercise of performance rights | - | - | - | - | - |
| Director's fees paid by issue of ordinary shares | - | - | - | - | - |
| Share based payments | - | - | 117,971 | - | 117,971 |
| At 31 December 2021 | 62,430,276 | (54,068,458) | 1,847,667 | 3,685 | 10,213,170 |
| At 1 July 2020 | 62,195,687 | (44,795,847) | 1,904,803 | 3,685 | 19,308,328 |
| Loss for the half year | - | (1,762,223) | - | - | (1,762,223) |
| <i>Other comprehensive income for the half year</i> | | | | | |
| Foreign currency translation differences | - | - | (109,502) | - | (109,502) |
| Total comprehensive loss for the half-year | - | (1,762,223) | (109,502) | - | (1,871,725) |
| <i>Transaction with owners in their capacity as owners</i> | | | | | |
| Shares issued to consultants | - | - | - | - | - |
| Exercise of performance rights | - | - | - | - | - |
| Director's fees paid by issue of ordinary shares | - | - | - | - | - |
| Share based payments | - | - | 15,079 | - | 15,079 |
| At 31 December 2020 | 62,195,687 | (46,558,070) | 1,810,380 | 3,685 | 17,451,682 |

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

Aeris Environmental Ltd

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2021

| | December 2021 \$ | December 2020 \$ |
|---|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers (inclusive of GST) | 2,348,802 | 8,118,589 |
| Payments to suppliers and employees (inclusive of GST) | (5,098,346) | (7,869,953) |
| R&D tax offset | - | 410,718 |
| Interest received | 2,456 | 7,619 |
| Other income | 10,000 | 88,557 |
| Net cash provided by / (used in) operating activities | (2,737,088) | 755,530 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (35,155) | (7,943) |
| Net cash used in investing activities | (35,155) | (7,943) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net cash provided by financing activities | - | - |
| Net increase / (decrease) in cash held | (2,772,243) | 747,587 |
| Cash at the beginning of the half-year | 11,485,616 | 12,949,339 |
| Effects of exchange rate changes on cash and cash equivalents | 29,264 | (109,502) |
| Cash at the end of the half-year | 8,742,637 | 13,587,424 |

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

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2021

1 Statement of Accounting Policies

(a) Financial Reporting Framework

This Half Year Financial Report is a general purpose financial report that has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, Australian Accounting Interpretations and authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

The Half Year Financial Report should be read in conjunction with the annual financial report of Aeris Environmental Ltd as at 30 June 2021. It is also recommended that the Half Year Financial Report be considered together with any public announcements made by the Company during the half year ended 31 December 2021 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The Half Year Financial Report does not include all notes of the type normally included within the annual financial report, and therefore cannot be expected to provide as full an understanding of the financial performance, financial position, and financing and investing activities of the Group as the full Financial Report.

The Half Year Financial Report has been prepared on the basis of historical costs and does not take into account changing money values or fair values of assets.

Going Concern

The Group made operating losses of \$3,405,433 before tax for the half-year to 31 December 2021 (2020: \$1,603,370). The net assets position has moved from \$13,471,368 as at 30 June 2021 to \$10,213,170 on 31 December 2021. Net cash burn from operating activities for the half year ended 31 December 2021 was \$2,737,088 (31 December 2020: net cash provided of \$755,530).

The cash balance as at 31 December 2021 was \$8,742,637 (30 June 2021: \$11,485,616).

The Directors are of the opinion that the Group will have adequate resources to continue to be able to meet its obligations as and when they fall due. For this reason they continue to adopt the going concern basis in preparing the Half Year Financial Report.

(b) Changes in Accounting Policies

The accounting policies that have been adopted in the preparation of this Financial Report have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2021 Financial Report.

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half year.

An assessment has been performed and determined that during the half year ended 31 December 2021, no significant adjustments were required in relation to the adoption of these new standards.

The adoption of all other new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2021

| | December 2021 | December 2020 |
|---------------------------------|------------------|------------------|
| 2 Revenue | \$ | \$ |
| Revenue from sales and services | 1,693,299 | 5,109,732 |
| Financial revenue | 2,456 | 7,619 |
| Other revenue | 59,898 | 88,557 |
| Total revenue | <u>1,755,653</u> | <u>5,205,908</u> |

3 Expenses

Loss from ordinary activities before income tax expense includes:

| | | |
|---|---------|---------|
| Depreciation and amortisation | 72,626 | 64,866 |
| Product registration, patents, trade marks and R&D expenditure | 241,432 | 522,682 |
| Rental and occupancy expenses | 196,613 | 149,627 |
| Impairment loss (included in other general and administration expenses) | 746,246 | 83,238 |

| | |
|------------------|--------------|
| December 2021 | June 2021 |
| \$ | \$ |

4 Cash and Other Financial Assets

Cash and Cash Equivalents

| | | |
|--------------------------|------------------|-------------------|
| Cash at bank and on hand | 461,203 | 906,653 |
| Deposits on call | 8,281,434 | 10,578,963 |
| | <u>8,742,637</u> | <u>11,485,616</u> |

5 Current and non-current lease assets and liabilities

The Group had recognised 'Right-of-Use Asset' and associated 'Lease Liability' in the 2020 financial year for the office space leased in Brisbane following AASB 16 for accounting of leases. During the half year ended 31 December 2021, it was decided not to take up the renewal option upon expiry of lease on 12 February 2022. Following this decision, the Group has adjusted the carrying amount of 'Right-of-Use Asset' and 'Lease Liability' to that effect and as result the values have significantly decreased as at 31 December 2021.

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2021

6 Segment Reporting

The Group has identified its reporting segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The reportable segments are based on aggregated operating segments determined by the similarity of the revenue stream and products sold, and/or the services provided in Australia and internationally, as these are the sources of the Group's major risks, and have the most effect on the rates of return.

The executive management reviews revenue, cost of goods sold, operating expenses, profit before tax, assets and liabilities for the following segments:

- (a) Australian Operations - sale of Aeris products and services from Australia; and
- (b) International Operations - sales and services on account of international operations.

Intersegment Transactions

Intersegment transactions are made at arm's length and are eliminated on consolidation.

Intersegment Receivables, Payables and Loans

Intersegment loans are initially recognised at the consideration received and are eliminated on consolidation.

Operating Segment Information of the Consolidated Entity:

| For half year ended 31 December 2021 | Australia | International | Inter-segment eliminations | Consolidated |
|--------------------------------------|-------------|---------------|-------------------------------|--------------|
| | \$ | \$ | \$ | \$ |
| Revenue | | | | |
| Sales | 1,638,069 | 124,701 | (69,471) | 1,693,299 |
| Other income | 51,291 | 11,063 | - | 62,354 |
| Total revenue | 1,689,360 | 135,764 | (69,471) | 1,755,653 |
| Expenses | | | | |
| Cost of goods sold | 863,253 | 84,943 | (69,471) | 878,725 |
| Operating expenses | 3,953,799 | 222,103 | 106,459 | 4,282,361 |
| Total expenses | 4,817,052 | 307,046 | 36,988 | 5,161,086 |
| Loss before tax | (3,127,692) | (171,282) | (106,459) | (3,405,433) |
| | | | | |
| For half year ended 31 December 2020 | Australia | International | Inter-segment eliminations | Consolidated |
| | \$ | \$ | \$ | \$ |
| Revenue | | | | |
| Sales | 4,649,048 | 522,396 | (61,712) | 5,109,732 |
| Other income | 96,174 | 2 | - | 96,176 |
| Total revenue | 4,745,222 | 522,398 | (61,712) | 5,205,908 |
| Expenses | | | | |
| Cost of goods sold | 2,749,319 | 465,364 | (61,712) | 3,152,971 |
| Operating expenses | 3,509,119 | 502,869 | (355,681) | 3,656,307 |
| Total expenses | 6,258,438 | 968,233 | (417,393) | 6,809,278 |
| Loss before tax | (1,513,216) | (445,835) | 355,681 | (1,603,370) |

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2021

6 Segment Reporting (continued)

Segment Assets and Liabilities

| | Assets | Assets | Liabilities | Liabilities |
|--------------------------|-------------|------------|-------------|-------------|
| | 31/12/2021 | 30/06/2021 | 31/12/2021 | 30/06/2021 |
| | \$ | \$ | \$ | \$ |
| Australia | 12,488,362 | 16,548,826 | 3,726,779 | 4,777,701 |
| International | 1,947,337 | 964,955 | 4,340,989 | 4,083,079 |
| Total | 14,435,699 | 17,513,781 | 8,067,768 | 8,860,780 |
| Intersegment elimination | (2,286,580) | (963,181) | (6,131,819) | (5,781,548) |
| Consolidated | 12,149,119 | 16,550,600 | 1,935,949 | 3,079,232 |

7 Earnings Per Share

| | December 2021 \$ | December 2020 \$ |
|---|------------------------|------------------------|
| Basic loss per share (cents) | (1.40) | (0.73) |
| Diluted loss per share (cents) | (1.40) | (0.73) |
| Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS | 243,827,837 | 242,545,479 |
| Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS | 243,827,837 | 242,545,479 |
| Options and rights eligible for conversion into ordinary shares in future | | |
| Options | 550,000 | 495,000 |
| Rights | 1,011,600 | 2,195,674 |
| | 1,561,600 | 2,690,674 |

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

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2021

8 Related Party Transactions

A number of specified Directors, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arms-length basis. Details of these transactions are shown below:

| | | | |
|---|--|--------------------------|--------------------------|
| (a) Regional Healthcare Group Pty Ltd | | December 2021 | December 2020 |
| The company and its controlled entities incurred cost for services provided by Regional Healthcare Group Pty Ltd. | | \$ | \$ |
| Office and administration expenses | | 89,563 | 57,695 |
| Rent | | 28,567 | 24,453 |
| Distribution expenses | | 15,419 | 29,444 |
| Corporate services | | 41,750 | 43,974 |
| | | <u>175,299</u> | <u>155,566</u> |
| The company and its controlled entities provided services and sold products to Regional Healthcare Group Pty Ltd. | | <u>26,398</u> | <u>25,166</u> |
| | | December 2021 | June 2021 |
| | | \$ | \$ |
| Balance receivable at the end of the reporting period * | | 14,649 | 17,877 |
| Balance payable at the end of the reporting period * | | 33,841 | 114,547 |
| Mr M Stang is director and shareholder of Regional Healthcare Group Pty Ltd. | | | |
| (b) Novapharm Research (Australia) Pty Ltd and its Controlled Entities | | December 2021 | December 2020 |
| The Company and its controlled entities incurred cost for services provided by Novapharm Research (Australia) Pty Ltd for research and development and other operational expenses | | \$ | \$ |
| | | 91,430 | 178,278 |
| | | <u>91,430</u> | <u>178,278</u> |
| The Company and its controlled entities provided supply chain services to Novapharm Research (Australia) Pty Ltd | | <u>17,200</u> | <u>-</u> |
| | | December 2021 | June 2021 |
| | | \$ | \$ |
| Balance receivable at the end of the reporting period * | | 18,920 | - |
| Balance payable at the end of the reporting period * | | 90,470 | 19,181 |
| Mr M Stang and Mr S Kritzler are directors and shareholders of Novapharm Research (Australia) Pty Ltd. | | | |
| (c) Ensol Systems Pty Ltd | | December 2021 | December 2020 |
| The Company and its controlled entities incurred cost for operational services provided by Ensol Systems Pty Ltd. | | \$ | \$ |
| | | 10,489 | 97,077 |
| | | <u>10,489</u> | <u>97,077</u> |
| The Company and its controlled entities provided administrative services to Ensol Systems Pty Ltd. | | <u>12,388</u> | <u>-</u> |
| | | December 2021 | June 2021 |
| | | \$ | \$ |
| Balance receivable at the end of the reporting period * | | 13,604 | 30,735 |
| Balance payable at the end of the reporting period * | | 2,055 | 20,606 |
| Mr M Stang is the shareholder of Ensol Systems Pty Ltd. | | | |

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2021

8 Related Party Transactions (continued)

| | | |
|---|--------------------------------------|--------------------------|
| (d) Teknik Lighting Solutions Pty Ltd | December 2021 | December 2020 |
| The Company and its controlled entities incurred marketing and operational cost through Teknik Lighting Solutions Pty Ltd | \$ 2,720 2,720 | \$ - - |
| The Company and its controlled entities provided administrative services to Teknik Lighting Solutions Pty Ltd | 1,656 | 448 |
| | December 2021 | June 2021 |
| | \$ | \$ |
| Balance receivable at the end of the reporting period * | - | 1,239 |
| Balance payable at the end of the reporting period * | 105 | 165 |
| Mr M Stang is the shareholder of Teknik Lighting Solutions Pty Ltd | | |
| (e) Ramlist Pty Ltd | December 2021 | December 2020 |
| The Company and its controlled entities incur expenses for rent and utility outgoings through Ramlist Pty Ltd. | \$ 7,137 7,137 | \$ 19,979 19,979 |
| | December 2021 | June 2021 |
| | \$ | \$ |
| Outstanding balance at the end of the reporting period * | 2,468 | 6,849 |
| Mr M Stang and Mr B Stang are directors and shareholders of Ramlist Pty Ltd | | |
| (f) Vectus Biosystems Limited | December 2021 | December 2020 |
| The Company and its controlled entities provided accounting services to Vectus Biosystems Limited | \$ 12,810 12,810 | \$ - - |
| | December 2021 | June 2021 |
| | \$ | \$ |
| Outstanding receivable at the end of the reporting period * | 14,090 | 28,181 |
| Messrs M Stang and P Bush are Non-Executive Directors and shareholders of the Company. | | |
| (g) Oakhill Hamilton Pty Ltd | December 2021 | December 2020 |
| The Company and its controlled entities incur expenses for company secretarial services from Oakhill Hamilton Pty Ltd | \$ 97,985 97,985 | \$ 58,704 58,704 |
| | December 2021 | June 2021 |
| | \$ | \$ |
| Outstanding balance payable at the end of the reporting period * | 16,657 | 9,186 |
| Mr R Waring is director and shareholder of Oakhill Hamilton Pty Ltd | | |

* Outstanding balances at the end of the reporting period (31 December 2021 and 30 June 2021) are unsecured, interest-free and settlement occurs in cash.

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2021

9 Events Subsequent to the Reporting Date

There have been no matters or circumstances, which have arisen since 31 December 2021 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2021, of the consolidated entity;
- (b) the results of those operations; or
- (c) the state of affairs, in the financial years subsequent to 31 December 2021, of the consolidated entity.

Aeris Environmental Ltd

DIRECTORS' DECLARATION

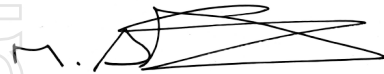
Directors' Declaration

In the Directors' opinion:

- 1 the attached financial statements and notes thereto comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- 2 the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- 3 there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Maurie Stang

Non-Executive Director and Chairman

Sydney, 28 February 2022

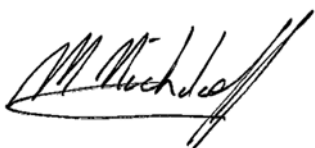
**Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001**

To the Directors of Aeris Environmental Ltd

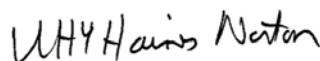
I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2021, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

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



Mark Nicholaeff
Partner
Sydney
28 February 2022



UHY Haines Norton
Chartered Accountants

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Aeris Environmental Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Aeris Environmental Ltd ("the company"), and the entities it controlled during the half-year (together "the Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes, and the directors' declaration.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Aeris Environmental Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

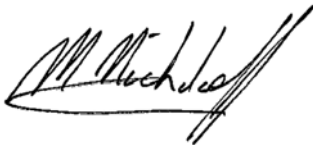
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Aeris Environmental Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

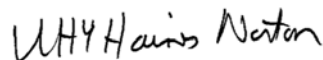


Mark Nicholaeff

Partner

Sydney

Dated: 28 February 2022



UHY Haines Norton

Chartered Accountants

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