

Aeris Environmental Ltd

ACN 093 977 336

Interim Report

Half Year Ended 31 December 2020



WORKING DRAFT
MKT0017-02

Appendix 4D

Half Year Report for the six months ended on 31 December 2020

Name of entity

AERIS ENVIRONMENTAL LTD ABN: 19 093 977 336

Half year report for the six months ended on 31 December 2020 (comparatives for the six months ended on 31 December 2019).

Results for announcement to the market

Revenue from ordinary activities	up	59.3%	to	5,205,908
(Loss) from ordinary activities after tax attributable to members	up	34.7%	to	(1,762,223)
Net (loss) for the period attributable to members	up	34.7%	to	(1,762,223)
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 2020 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 2020	31 Dec 2019
Net tangible assets per ordinary share	7.20 cents	2.03 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 2020 Half Year Financial Report.

Robert J Waring
Company Secretary

26 February 2021

This Report was authorised by the Board of Directors.

26 February 2021

AERIS HALF-YEAR REPORT

Aeris Environmental Ltd (Aeris or the Company) reports its financial results for the half year ended 31 December 2020.

Finance

Revenue for the Company from ordinary activities for the first half of the financial year to 31 December 2020 was \$5,206,000 (2019 – \$3,269,000). As foreshadowed, sales during the half year were materially-impacted by the rolling COVID-19 shutdowns in the Northern Hemisphere, together with the northern winter season, where HVAC products are primarily purchased in the spring / summer period.

Aeris has previously announced that it directed material production, at low margin, to produce infection prevention products for 'essential services', such as public hospitals. The Company responded to the priority needs of NSW Health and Aeris is pleased to report that the conventional supply chain from other vendors has now been largely re-established.

The Gross Profit Margin for the first half of the 2020-21 financial year was 43% and included a number of lower-margin products, and this compares to the Company's target Gross Profit Margin of in excess of 50% (which excludes the emergency supply). Margins are expected to improve going forward.

The cash receipts from customers were \$8,119,000 for the half year (2019 – \$4,765,000). Aeris was cash flow positive for the half year, generating positive operating cash flow of \$756,000 (2019 – negative \$1,523,000).

Operations

The global environmental hygiene market, particularly as it relates to COVID-19 and associated residual protection claims, has undertaken significant change during the half year. The Company has now made a significant investment in independent clinical and regulatory trials to demonstrate the key differentiators of its hygiene products, and is now gaining market approval in an increasing number of international markets.

Whilst the procedures for accelerated USA EPA approval have recently changed significantly, Aeris is now undertaking additional regulatory focused studies on several of its products with a view to meeting the revised requirements.

The Company has recently received independent test reports on its novel bioactive filter treatment, demonstrating both improved filtration on new filters (in relation to their MERV rating) and an ability to inhibit the growth of bacteria, fungi and key viruses (including COVID-19) in the filter media.

Aeris' two products with existing EPA approvals (including in Australia, the USA, parts of Europe, the UK and various Asian markets), for use in HVAC and refrigeration, being AerisGuard Bioactive Filter Treatment and AerisGuard Bioactive Surface treatment, now have considerable interest from schools, public transport, hospitality, facility managers, wholesalers and other building managers as they look to reopen in the Northern Hemisphere summer.

The Company is working on a broad publicity and awareness campaign with multiple Federal, State and Local authorities in the USA to expand the knowledge of Aeris' products.

The Company has recently launched its '*Safe Environments – Clean Green Hygienic*' programme, which helps building owners, occupants and facility managers make informed, evidence-based purchasing decisions for hard surfaces, air-conditioning and social skin applications. Buildings that participate in the programme will be accredited as official Aeris *Safe Environments* partners.

The certification of *Safe Environments* leverages the Company's proprietary efficacy, validated extended residual performance and, importantly, the chemical compatibility achieved with a single vendor supply.

Aeris' HVAC consumables have a positive impact on indoor environmental quality without the need for complex or expensive capital equipment. The Company has existing relationships with large global players in the air-conditioning industry, with Goodman, Daikin, Carrier, Mitsubishi and many leading distributors stocking and using the AerisGuard range. As economies re-open and buildings begin to be re-occupied, Aeris believes there is a large opportunity for validated microbial control alongside existing maintenance practices.

The Company's relationship with Motily continues to grow, with a new three-year contract signed with the US Army for the use of Aeris' products in over 45,000 individual HVAC assets. The initial launch phase exceeded the expectations of both parties, despite access issues to facilities due to the COVID-19 pandemic. Motily has requested additional products to now be included in the offering to this marquee client.

The Company has been developing several new products and presentations in response to customer demand, and to support the momentum of the *Safe Environments* programme. Recent validations of the performance of Aeris' treated polymers and biocidal paper technologies have been pleasing, and the Company is targeting production with a number of international partners into a range of industrial, commercial and healthcare applications for the 2021 calendar year.

Aeris continues to pursue a direct presence in China, targeting distribution relationships with companies that have existing customer bases, market leverage and domain expertise. In parallel, the Company is considering new sourcing, manufacturing and supply chain opportunities in China to enhance Aeris' margins and competitive position. Vertical market opportunities, such as smart polymers, cold chain and food distribution, agriculture, and healthcare, are priorities to leverage potential opportunities for the Company's current and new product pipeline.

Aeris is in the process of launching the Aeris Defence product range, including wipes and disinfectant liquids, which significantly addresses unmet needs for highly-effective products, with proven residual protection, in the consumer market and in high-volume general applications for the commercial and industrial sectors.

The Company's ActiSan hand sanitiser is now USA FDA-approved and will launch into the US market in the March 2021 quarter.

Summary

Aeris is well positioned as an emerging leader in environmental hygiene. During the 2020 calendar year, due to the pandemic, many customers stocked up on the high-volume disinfectant and sanitiser products. The 2021 calendar year should see improved demand from customers that have worked through their high stocks of legacy products.

With the northern summer approaching and a strong desire to reopen economies around the world, the Company is well positioned with its partners, such as Daikin Goodman, BUNZL and Carrier, to grow its HVAC portfolio as economic activity accelerates associated with increased COVID-19 vaccinations. During the last half year, Aeris' progress in North America was slowed down by the US election and related turbulence, which impacted on Federal and State Government agencies, including the EPA.

Most of the Company's HVAC products are now approved for sale in the USA (and hopefully soon in Canada), and Aeris anticipates adoption by a number of US State and Federal-funded customers that have expressed a desire to align with the Company's HVAC hygiene programmes.

Timing of a number of Aeris' material sales and distributor agreements are dependent on specific regulatory approvals in various jurisdictions, and may occur over a variable timeframe. The Company has shipped its first consignment of products to the UK, where it has regulatory approval.

Aeris is looking to expand its production capability, and to significantly lower the cost of key raw materials in collaboration with a number of speciality chemical manufacturers that have found the Company's technology compelling and wish to align themselves with Aeris' projected growth, with a view to building a global annuity business across environmental hygiene, HVAC, corrosion, mould and polymer portfolios.

The Company anticipates, in the short term, that it will expand its Board with additional Non-Executive Directors who have relevant expertise, and has invested in a new global marketing capability and public relations programmes across two continents.

Aeris is well capitalised, debt free and rolling out important strategic initiatives that support its growth potential through the 2021 calendar year and beyond.

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, corrosion, and improved hygiene.

For more information, please contact:

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Aeris Environmental Ltd

ABN 19 093 977 336



CORPORATE DIRECTORY

ABN 19 093 977 336

DIRECTORS	Maurie Stang, Non-Executive Chairman Steven Kritzler, Non-Executive Director Michael Ford, 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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Aeris Environmental Ltd

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Aeris Environmental Ltd (the Company) and its controlled entities together with the consolidated financial report for the half year ended 31 December 2020.

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 Chairman)

Steven Kritzler (Non-Executive Director)

Michael Ford, (Non-Executive Director)

Bernard Stang (Non-Executive Director)

Until 26 November 2020

Peter Bush (Chief Executive Officer)

PRINCIPAL ACTIVITIES

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

- provision of energy efficiency solutions across all air-conditioning and refrigeration systems;
- provision of environmental maintenance services and products for application to air-conditioning and commercial refrigeration systems;
- provision of site-specific water treatment remediation to industrial customers; and
- further development and enhancement of the proprietary suite of technologies for application to the global anti-microbial markets.

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 2020 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 2020 was \$5,205,908 (31 December 2019: \$3,268,811). The net loss before tax for the half-year to 31 December 2020 was \$1,603,370 (31 December 2019: \$1,308,327).

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 2020.

DIVIDENDS

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

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



Maurie Stang

Chairman and Director

Sydney, 26 February 2021

Aeris Environmental Ltd

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2020

	Notes	December 2020 \$	December 2019 \$
Ordinary revenue	2	5,205,908	3,268,811
Cost of sales		(3,152,971)	(1,667,625)
Employee benefits expense		(1,323,594)	(1,360,737)
Occupancy expense	3	(149,627)	(151,729)
Depreciation and amortisation expense	3	(64,866)	(24,542)
Other general and administration		(990,363)	(567,467)
Sales, marketing and travel		(272,610)	(355,805)
Distribution expense		(297,732)	(151,800)
Product registration, patents, trade marks and R&D expenditure	3	(522,682)	(288,775)
Financial expense		(34,833)	(8,658)
Loss before income tax expense		(1,603,370)	(1,308,327)
Income tax expense relating to ordinary activities		(158,853)	-
Loss after income tax expense for the half-year		(1,762,223)	(1,308,327)
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation loss		(109,502)	(7,669)
TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR		(1,871,725)	(1,315,996)
Loss for the half-year attributable to:			
Owners of Aeris Environmental Ltd		(1,762,223)	(1,308,327)
Non-controlling interest		-	-
		(1,762,223)	(1,308,327)
Total comprehensive loss for the half-year attributable to:			
Owners of Aeris Environmental Ltd		(1,871,725)	(1,315,996)
Non-controlling interest		-	-
		(1,871,725)	(1,315,996)
EARNINGS PER SHARE	7	Cents	Cents
Basic loss per share		(0.77)	(0.62)
Diluted loss per share		(0.77)	(0.61)

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 2020

	Notes	December 2020 \$	June 2020 \$
Cash and cash equivalents	4	13,587,424	12,949,339
Trade and other receivables		2,591,204	5,535,881
Inventories		3,609,618	3,486,862
Other current assets		202,318	262,034
TOTAL CURRENT ASSETS		19,990,564	22,234,116
NON-CURRENT ASSETS			
Plant and equipment		47,927	65,359
Right-of-use assets		335,269	375,501
Trade and other receivables		-	3,945
TOTAL NON-CURRENT ASSETS		383,196	444,805
TOTAL ASSETS		20,373,760	22,678,921
CURRENT LIABILITIES			
Trade and other payables		2,218,118	2,656,871
Lease liabilities		89,884	88,568
Provisions		317,203	291,964
TOTAL CURRENT LIABILITIES		2,625,205	3,037,403
NON-CURRENT LIABILITIES			
Lease liabilities		265,171	301,488
Provisions		31,702	31,702
TOTAL NON-CURRENT LIABILITIES		296,873	333,190
TOTAL LIABILITIES		2,922,078	3,370,593
NET ASSETS		17,451,682	19,308,328
EQUITY			
Capital		62,195,687	62,195,687
Reserves		1,810,380	1,904,803
Accumulated losses		(46,558,070)	(44,795,847)
Non-controlling interest		3,685	3,685
TOTAL EQUITY		17,451,682	19,308,328

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 2020

	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	Non- controlling interest \$	Total Equity \$
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
At 1 July 2019	50,195,854	(46,778,788)	2,144,073	3,685	5,564,824
Loss for the half year	-	(1,308,327)	-	-	(1,308,327)
<i>Other comprehensive income for the half year</i>					
Foreign currency translation differences	-	-	(7,669)	-	(7,669)
Total comprehensive loss for the half-year	-	(1,308,327)	(7,669)	-	(1,315,996)
<i>Transaction with owners in their capacity as owners</i>					
Shares issued to consultants	265,200	-	-	-	265,200
Exercise of performance rights	23,581	-	-	-	23,581
Director's fees paid by issue of ordinary shares	-	-	-	-	-
Share based payments	-	-	(198,906)	-	(198,906)
At 31 December 2019	50,484,635	(48,087,115)	1,937,498	3,685	4,338,703

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 2020

	December 2020 \$	December 2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	8,118,589	4,765,096
Payments to suppliers and employees (inclusive of GST)	(7,869,953)	(6,331,957)
R&D tax offset	410,718	-
Interest received	7,619	6,683
Other income	88,557	37,070
Net cash provided by / (used in) operating activities	755,530	(1,523,108)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(7,943)	(18,971)
Net cash used in investing activities	(7,943)	(18,971)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash provided by financing activities	-	-
Net increase / (decrease) in cash held	747,587	(1,542,079)
Cash at the beginning of the half-year	12,949,339	3,467,877
Effects of exchange rate changes on cash and cash equivalents	(109,502)	(7,669)
Cash at the end of the half-year	13,587,424	1,918,129

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 2020

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 2020. 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 2020 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 \$1,603,370 before tax for the half-year to 31 December 2020 (2019: \$1,308,327). The net assets position has gone down from \$19,308,328 as at 30 June 2020 to \$17,451,682 on 31 December 2020. Net cash flows from operating activities for the half year ended 31 December 2020 was \$755,530 (31 December 2019: cash burn of \$1,523,108).

The cash balance as at 31 December 2020 was \$13,587,424 (30 June 2020: \$12,949,339).

The Directors 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 2020 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 2020, 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 2020

2 Revenue

	December 2020	December 2019
	\$	\$
Revenue from sales and services	5,109,732	3,225,058
Financial revenue	7,619	6,683
Other revenue	88,557	37,070
Total revenue	<u>5,205,908</u>	<u>3,268,811</u>

3 Expenses

Loss from ordinary activities before income tax expense includes:

Depreciation and amortisation	64,866	24,542
Product registration, patents, trade marks and R&D expenditure	522,682	288,775
Rental and occupancy expenses	149,627	151,729
	December 2020	June 2020
	\$	\$

4 Cash and Other Financial Assets

Cash and Cash Equivalents

Cash at bank and on hand	3,010,951	2,375,477
Deposits on call	10,576,473	10,573,862
	<u>13,587,424</u>	<u>12,949,339</u>

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

5 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 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)
For half year ended 31 December 2019	Australia	International	Inter-segment eliminations	Consolidated
	\$	\$	\$	\$
Revenue				
Sales	2,786,724	483,531	(45,197)	3,225,058
Other income	43,651	102	-	43,753
Total revenue	2,830,375	483,633	(45,197)	3,268,811
Expenses				
Cost of goods sold	1,384,296	328,527	(45,198)	1,667,625
Operating expenses	2,469,461	452,000	(11,948)	2,909,513
Total expenses	3,853,757	780,527	(57,146)	4,577,138
Loss before tax	(1,023,382)	(296,894)	11,949	(1,308,327)

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

5 Segment Reporting (continued)

Segment Assets and Liabilities

	Assets	Assets	Liabilities	Liabilities
	31/12/2020	30/06/2020	31/12/2020	30/06/2020
	\$	\$	\$	\$
Australia	20,451,744	22,570,313	4,659,626	5,064,275
International	865,866	1,316,076	3,765,428	4,156,956
Total	21,317,610	23,886,389	8,425,054	9,221,231
Intersegment elimination	(943,850)	(1,207,468)	(5,502,976)	(5,850,638)
Consolidated	20,373,760	22,678,921	2,922,078	3,370,593

6 Issues of Equity Securities and Share Applications

Ordinary Shares Issued During the Half Year Reporting Period

1,560,000 shares issued to consultants	-	265,200
142,914 shares issued on conversion of performance shares	-	23,581

7 Earnings Per Share

	December 2020 \$	December 2019 \$
Basic loss per share (cents)	(0.77)	(0.62)
Diluted loss per share (cents)	(0.77)	(0.61)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	242,545,479	212,792,321
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	242,545,479	214,707,523

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

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	December
	2020	2019
The company and its controlled entities incurred cost for services provided by Regional Healthcare Group Pty Ltd.	\$	\$
Office and administration expenses	57,695	55,994
Rent	24,453	27,747
Distribution expenses	29,444	24,726
Corporate services	43,974	41,750
	<u>155,566</u>	<u>150,217</u>
	December	June
	2020	2020
	\$	\$
Outstanding balance at the end of the reporting period *	55,681	74,479
Mr M Stang and Mr B Stang are directors and shareholders of Regional Healthcare Group Pty Ltd.		
(b) Novapharm Research (Australia) Pty Ltd and its Controlled Entities	December	December
	2020	2019
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	\$	\$
	<u>178,278</u>	<u>174,007</u>
	<u>178,278</u>	<u>174,007</u>
	December	June
	2020	2020
	\$	\$
Outstanding balance at the end of the reporting period *	1,479	30,891
Mr M Stang, Mr S Kritzler and Mr B Stang are directors and shareholders of Novapharm Research (Australia) Pty Ltd.		
(c) Ensol Systems Pty Ltd	December	December
	2020	2019
The Company and its controlled entities incurred cost for operational services provided by Ensol Systems Pty Ltd.	\$	\$
	97,077	26,299
	<u>97,077</u>	<u>26,299</u>
	December	June
	2020	2020
	\$	\$
Outstanding balance at the end of the reporting period *	55,695	41,531
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 2020

8 Related Party Transactions (continued)

(d) Teknik Lighting Solutions Pty Ltd	December 2020	December 2019
The Company and its controlled entities incurred marketing and operational cost through Teknik Lighting Solutions Pty Ltd	\$ -	\$ 2,227
	<u>-</u>	<u>2,227</u>
	December 2020	June 2020
	\$	\$
Outstanding balance at the end of the reporting period *	-	216

Mr M Stang is the shareholder of Teknik Lighting Solutions Pty Ltd

(e) Ramlist Pty Ltd	December 2020	December 2019
The Company and its controlled entities incur expenses for rent and utility outgoings through Ramlist Pty Ltd.	\$ 19,979	\$ 9,968
	<u>19,979</u>	<u>9,968</u>
	December 2020	June 2020
	\$	\$
Outstanding balance at the end of the reporting period *	3,903	3,332

Mr M Stang and Mr B Stang are directors and shareholders of Ramlist Pty Ltd

(f) Vectus Biosystems Limited	December 2020	December 2019
The Company and its controlled entities provided accounting services to Vectus Biosystems Limited	\$ -	\$ 10,685
	<u>-</u>	<u>10,685</u>
	December 2020	June 2020
	\$	\$
Outstanding receivable at the end of the reporting period *	13,373	10,664

Messrs M Stang and P Bush are Non-Executive Directors and shareholders of the Company.

* Outstanding balances at the end of the reporting period (31 December 2020 and 30 June 2020) are unsecured, interest-free and settlement occurs in cash.

9 Events Subsequent to the Reporting Date

There have been no matters or circumstances, which have arisen since 31 December 2020 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2020, of the consolidated entity;
- the results of those operations; or
- the state of affairs, in the financial years subsequent to 31 December 2020, of the consolidated entity.

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

10 Litigation with Aus Made Express International Group Pty Ltd

Aeris had a number of concerns in relation to the performance and conduct of Aus Made Express International Group Pty Ltd ACN 604 566 065 (Aus Made) and Mr Huifeng Lui (a director of Aus Made), in relation to the distribution agreement that was announced to ASX on 11 April 2019.

The Company engaged Dentons Lawyers to review the matters underlying those concerns and, on 11 September 2020, Dentons issued a letter to Aus Made's lawyers which outlined those concerns and demanded certain action. Aus Made did not comply with these demands, but in-turn, on 25 September 2020, provided notification of the commencement of proceedings against Aeris, and two other parties, in the Supreme Court of NSW.

In each case, Aeris does not accept liability and disputes basis for the claims alleged by Aus Made in the Court documents.

Whilst the subject of the dispute is contractual and commercial in confidence, Aeris is vigorously defending these claims and is considering its position as to a number of potential counterclaims. Aeris believes that the value of the counterclaims significantly exceeds the amount claimed by Aus Made, and in any event, the Company is of the view that these claims by Aus Made are without merit.

Aeris believes that disclosure of the estimated financial effect of these matters can be expected to seriously prejudice its legal position, and consequently, has not made disclosures of these amounts.

As previously announced to the ASX, Aeris is actively pursuing a programme of direct engagement in China and believes the potential in China for Aeris remains significant.

Aeris Environmental Ltd

DIRECTORS' DECLARATION

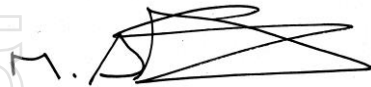
Directors' Declaration

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 2020 and of its performance for the financial half-year ended on that date; and
- 3 there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Maurie Stang
Chairman and Director

Sydney, 26 February 2021

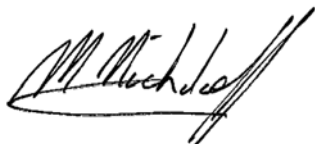
**Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001**

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 2020, 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.

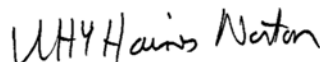


Mark Nicholaeff

Partner

Sydney

Dated: 26 February 2021



UHY Haines Norton

Chartered Accountants

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Aeris Environmental Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Aeris Environmental Ltd ("the Company") and its subsidiaries ("the Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, 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, notes comprising a summary of significant accounting policies, other selected explanatory information, and the directors' declaration.

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 2020 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 2020 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*.

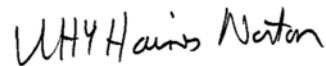


Mark Nicholaeff

Partner

Sydney

Dated: 26 February 2021



UHY Haines Norton

Chartered Accountants

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