AERIS ENVIRONMENTAL LTD
ACN 093 977 336

Annual Financial Report

for the year ended 30 June 2020

Aeris Environmental Ltd

ABN 19 093 977 336

and its controlled entities

Financial Report

for the year ended 30 June 2020

Contents

DIRECTORS' REPORT

30 JUNE 2020

The Directors of Aeris Environmental Ltd submit herewith the Annual Financial Report for the financial year ended 30 June 2020. In order to comply with the provisions of the *Corporations Act 2001* , the Directors Report is as follows:

Directors

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

Maurie Stang
Non-Executive Chairman

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

Director since 2002 – appointed Chairman in 2002.

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

Steven Kritzler
Non-Executive Director

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

Director since 2002.

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

Bernard Stang
Non-Executive Director

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

Director since 2002.

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

Michael Ford
Non-Executive Director

Michael Ford (B.Com, MBA, FCA, FCPA, GAICD) was appointed as a Director in April 2020. He has over 30 years experience in Finance and Strategy roles in a wide range of industries including manufacturing, property and financial services. Michael is the Chief Financial Officer of News Corp Australia and a Director of Foxtel. He is a former Group CFO of QBE Insurance and Deputy CFO of Commonwealth Bank of Australia. Michael is an experienced Company Director and has completed the Advanced Management program at Harvard Business School.

Director since 23 April 2020.

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

Alex Sava *(Did not seek re-election at 2019 AGM)*
Non-Executive Director

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

Director from 3 October 2016 until 27 November 2019.

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

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

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

Alternate Director since 2011.

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

Robert Waring
Company Secretary

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

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 (while they were a Director).

	Board of Directors	Audit & Risk Committee	Corporate Governance Committee	Remuneration and Nomination Committee
Number of meetings held	**10**	**4**	**1**	**1**
Number of meetings attended				
Maurie Stang	10	4	1	1
Steven Kritzler	7	N/A	N/A	1
Bernard Stang	9	4	1	1
Michael Ford **	1	N/A	N/A	N/A
Alex Sava *	-	N/A	N/A	N/A

* Ceased to be a Director on 27 November 2019.
** Appointed as a Director on 23 April 2020, and appointed as a member of the Audit and Risk Committee on 31 July 2020.

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

Committee Membership

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

Audit and Risk Committee
Bernard Stang (Chairman)
Maurie Stang
Michael Ford - appointed as a member of the Audit and Risk Committee on 31 July 2020.

Corporate Governance Committee
Maurie Stang (Chairman)
Bernard Stang

Remuneration and Nomination Committee
Maurie Stang (Chairman)
Bernard Stang
Steven Kritzler

Principal Activities

The principal activities of the consolidated entity during the course of the financial year were:
- research, development, commercialisation of proprietary technologies and global distribution of the AerisGuard range of products;
- provision of HVAC/R Hygiene and Remediation Technology; and
- provision of Energy Efficiency solutions.

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

Review of Operations

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

	2020 $	2019 $
Income	**14,669,658**	**6,980,773**
Expenses	**(12,686,717)**	**(10,609,272)**
Profit (Loss) after income tax	**1,982,941**	**(3,628,499)**

Aeris Environmental Ltd

Review of Operations

Aeris has continued to achieve important milestones that were laid out at the Company's last AGM in terms of significant revenue growth, and geographical and product expansion. Today Aeris is successfully operating in North America, Europe, Asia Pacific and, of course, in its home market of Australia. The COVID-19 pandemic has created significant supply chain challenges whilst clearly driving unprecedented demand for trusted antiseptic and disinfection technologies. The Company now has key approvals for its leading products in a cross-section of international markets with near-term approval expected for Aeris Active in the USA. Fundamental to the ongoing growth prospects is the fact that Aeris has an entire portfolio of HVAC products together with a disruptive environmental hygiene range that will soon cover every vector of transmission, including skin, hard surface, air and the latest in robotic fogging technology. The AerisGuard brand is increasingly being recognised and specified by customers worldwide, including the US Army, Saudi Aramco, NSW Health, St John's Ambulance and many more.

The Company is well capitalised, is profitable and is cash flow positive, and is building its global leadership team, and successfully increasing its supply chain and production capacity internationally. To support its international expansion, Aeris has validated manufacturing in the USA with the capability to manufacture at substantial scale and in a variety of packaging formats required for the US market.

The Company has now expanded its supply chains of raw material and packaging, and has access to increasing capacity in the USA for its more specialised products, such as aerosols. Aeris' US team continues to develop a broadening range of HVAC wholesalers and distributors, and the Company's range is increasingly recognised as the emerging market leader, supported by the continuing partnership with Daikin-Goodman in the USA and elsewhere.

The North American market is demonstrating significant "pent-up demand" for Aeris' unique products and it is anticipated that upon EPA approval for Aeris Active, the USA will quickly become the lead market for the Company's products, leveraging Aeris' outstanding kill-time, extended residual activity and full hospital-grade efficacy in a single application. The Company's capability to deal with the full spectrum of vectors of contamination with environmentally-friendly product demonstration validated and approval residual properties provides a platform for growth well into the future.

Finance

Annual recorded revenue for the 2019-20 financial year was $14,632,000 and therefore exceeded guidance previously given to the market of $13,000,000. Aeris made a maiden annual pre-tax profit of $1,428,000. A sustained improvement was made in the gross margin (61% in the June 2020 quarter and 55% for the 2019-20 financial year) due to an increased mix of the Company's higher-margin branded products. It is anticipated that with greater production efficiency the margin will continue to increase.

The cash receipts for the June 2020 quarter were $5,800,000 and for the 2019-20 financial year were $14,600,000. The net cash used in operating activities decreased by $2,362,000. Balance sheet movements included an increase in inventory of $2,717,000 and an increase in trade debtors of $1,400,000. The significant growth in demand for Aeris' products has resulted in a substantial increase in both the level of inventory and in trade debtors.

The completion of the Company's $12,040,000 capital raising in the April 2020 quarter followed strong participation from leading institutional and sophisticated investors in the placement of 28 million new fully paid ordinary shares at $0.43 per share. The net proceeds of the fundraising are being used to support growth in Aeris' manufacturing and supply chain capability, together with expanding the Company's resources for the growing international distribution network. Aeris is debt free and presents a strong counter-party profile to its business partners both at the supply and distribution facets of its business. The Company continues to drive innovation with an attractive R&D pipeline, which will be well aligned to its anticipated growth in production and fulfilment.

North America

As a consequence of the COVID-19 pandemic in North America, Aeris is scaling up to meet levels of potential demand unprecedented in the Company's home markets. Aeris' regulatory submissions have been supported by high-profile individuals and organisations together with universities in America. The Company has commissioned significant additional production, raw materials and packaging supply, well in excess of its current Australian output.

In mid-May 2020 Aeris lodged a fast-track application for Aeris Active (proprietary residual hard surface disinfectant), with feedback from the EPA indicating that the Company's application is progressing through the review process. The fast-track, emergency approval with the EPA will be valid for 12 months in the USA. In parallel, Aeris is applying for permanent approval for both Aeris Active and a range of additional products. The Company continues to work on expanding the supply chain and logistic capabilities in North America in multiple high-capacity plants based in the USA.

Aeris has now manufactured multiple batches of product at a large volume facility contracted in Texas, which have been shipped to marquee customers across the USA for evaluation, and received positive feedback and indications of significant product demand, pending EPA approval.

Because of the ongoing focus on air-conditioning as an important vector of virus transmission, there has been a strong demand for products that address both environmental and ventilation hygiene. The Company is now well positioned to extend its line of environmentally-friendly, AerisGuard-branded cleaners, treatments and hygiene products through multiple quality partners and customers, including Goodman and Motili, which is a large, national service business (a division of Goodman Manufacturing). Motili is currently performing maintenance service on over 45,000 HVAC systems at more than 50 military bases around the USA using the Aeris Multi-Enzyme Coil Cleaner.

China

The market demand in China has varied considerably during the current pandemic, with significant supply chain disruptions experienced during the period.

Aeris continues to build its presence in the Chinese market, with an aim of accessing demand from multiple vertical sectors whilst refining its distribution arrangements and priorities in this vast market. The Company is currently evaluating options for certain domestic production, with the aim of expanding the market opportunity whilst enjoying potential savings in procurement of key raw materials in a more integrated manufacturing and supply chain.

Whilst material volumes of products were shipped into China during the financial year, it is anticipated that the restructuring of Aeris' arrangements in China could lead to a growing annuity business together with priority access to the key government sector.

Europe, the Middle East, India and Africa

Approvals for Aeris Active have been granted in Europe following relevant EN testing (European Standards). The key residual bactericidal and viricidal claims for COVID-19 have been confirmed, and this approval further demonstrates the Company's product differentiation. Aeris has in place a growing number of distributors in Europe, with an initial focus on the United Kingdom and France, together with a growing range of additional customers and distributors throughout Europe, the Middle East and Africa. The Company is examining European contract manufacturers to better service the European market.

Mould Remediation

Aeris has invested in a unique suite of detection, assessment, quality control, remediation of mould products and management of mould, and the Company is targeting the industrial, commercial and consumer markets.

The remediation of mould continues to be a significant unmet need worldwide, with the USA EPA equating the risk from mould contamination to be comparable to that of asbestos in respect of human health. Aeris is receiving endorsements from global insurance loss adjusters, and its platinum and wholesale partners.

The Company's mould remediation system is being taken up by distributors and customers internationally because it provides not only a rapid mould kill, but also uniquely long-term residual protection on a full spectrum of hard and soft surfaces.

Review of Operations

Significant efforts continued during the year on the successful delivery of large-scale mould remediation projects in Townsville, Queensland, with Aeris as the master contractor. Recent successfully-completed large mould remediation projects include a leading not-for-profit group in Sydney, a large university and a Government health service.

Corrosion Protection

The Company's water-based, long-lasting anti-corrosion products continue to grow in market share with high-profile customers in Australia, the USA, the Middle East and Asia. Notable sales in the second half of the financial year include Carrier, one of the largest air-conditioner brands in the world, and the supply of products to a leading customer in the oil and gas market. Aeris believes that the potential to apply its novel coatings to multiple industrial and HVAC applications provides a significant growth opportunity for business activity and production levels to increase over time.

Environmental Hygiene

Aeris Active and its associated products have demonstrated real world differentiation and superiority in both regulatory and marketing studies. In terms of ongoing COVID-19 compliance, Aeris Active uniquely has a dual active, rapid COVID-19 kill and extended residual protection across the full spectrum of surfaces, from high risk to social. Key to the Company's competitive position is a 'one step, single application' in dirty conditions providing the highest levels of compliance, a new 'gold standard' in terms of performance.

Outlook

The opportunities for Aeris continue to strengthen, with each of its product portfolios demonstrating growth and market acceptance. Through the COVID-19 pandemic, the Company has prioritised support of front-line first responders and health care institutions, together with providing a full range of environmental hygiene and HVAC technologies to support the growing needs of Aeris' domestic and global customers. The Company is in material discussions with potentially large-scale market opportunities covering a variety of geographies, and accessing both business-to-business and business-to-consumer high-volume channels. Aeris believes that its objective of becoming the emerging leader in environmental hygiene is on track, and the Company remains committed to being the trusted partner to its customers and distributors based on Aeris' proprietary portfolio of disruptive products delivering the promise of clean-green-protect.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2020 (2019: Nil). No dividends have been paid or declared since the start of the financial year.

Significant changes in state of affairs

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

Significant events after the balance date

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

Likely developments and expected results

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

Environmental regulations

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

Indemnification of Officers and Auditors

Indemnification

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

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

Insurance premiums

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

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

Proceedings on behalf of the Company

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

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

Directors' interests

Equity holdings		Ordinary shares	Rights over ordinary shares
Maurie Stang		23,698,288	-
Bernard Stang		20,527,194	-
Steven Kritzler		11,252,785	-
Michael Ford		75,000	-
Alex Sava	*Director until 26 November 2019*	518,737	-
Peter Bush		750,000	1,323,537

Options or rights granted to Directors and Officers of the Company

During or since the end of the 2020 financial year, the Company has not granted any options or rights for no consideration over unissued ordinary shares in Aeris Environmental Ltd to the Directors and Officers (2019: NIL)

Particulars of options or rights granted over unissued shares	**2020**	**2019**
Number of options or rights on issue over unissued ordinary shares	2,207,291	2,899,037
Shares issued in the period as the result of the exercise of options or rights	536,411	150,000
Options or rights expired or forfieted during the period	305,335	585,000
Options or rights granted during the period	150,000	-

Full details of options or rights on issue are shown in Note 17 and 24.

Non-audit services

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

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

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

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

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

Auditors

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

Auditor's Independence Declaration

The Auditor's Declaration of Independence for the year ended 30 June 2020 is attached to this Directors' Report on page 14.

Corporate Governance

Aeris Environmental Ltd's Corporate Governance Statement and ASX Appendix 4G are released to ASX on the same day the Annual Report is released. The Company's Corporate Governance Statement, and its Corporate Governance Compliance Manual, can be all found on the Company's website at: https://www.aeris.com.au/investor

REMUNERATION REPORT (AUDITED)

Key Management Personnel (KMP)

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

Non-Executive Directors
Maurie Stang
Bernard Stang
Steven Kritzler
Michael Ford *Appointed 23 April 2020*
Alex Sava *Director until 26 November 2019*

Executive
Peter Bush (Chief Executive Officer and Alternate Director)

Company Secretary
Robert Waring

Remuneration policies

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

(a) ***Overview of remuneration structure***

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

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

(b) ***Non-Executive Directors***

Total compensation for all Non-Executive Directors, as set out in the Company's 2002 Initial Public Offer (IPO) Prospectus, was $100,000 per annum. It is proposed that a Resolution will be included in the 2020 Notice of Annual General Meeting (AGM) to increase the limit of Directors' Fees to allow for additional Directors and for the payment of Directors' Fees for the first time to Directors who have not been compensated with Directors' Fees since the IPO. This amount will be set in conjunction with advice from external advisors in reference to fees paid to Non-Executive Directors of comparable companies. The base fee for the Chairman is expected to be $75,000 per annum and, for other Non-Executive Directors, is expected to be $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. 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 an 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 2020 no amounts were paid as STIs. The STI arrangement is reviewed annually by the Board.

(e) **Long-term incentives (LTI)**

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

During the financial year ended 30 June 2020 no amounts were paid as LTIs.

(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. The terms where options or shares issued under the EIP normally have the following conditions:

(i) 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.

(ii) The contractual life of the options or performance rights issued ranges from three to five years.

(iii) 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.

(iv) Each option or performance right is convertible into one fully paid ordinary share.

(v) 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.

REMUNERATION REPORT (AUDITED)

(vi) 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.

(vii) 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:

2020 *Shares*		Number held on 30 June 2019	Acquired during year	Sold during year	Issued on exercise of options	Number held on 30 June 2020
Specified Directors						
Maurie Stang		22,630,218	1,068,070	-	-	23,698,288
Bernard Stang		19,459,124	1,068,070	-	-	20,527,194
Steven Kritzler		11,252,785	-	-	-	11,252,785
Michael Ford	*Joined 23 April 2020*	-	75,000	-	-	75,000
Alex Sava	*Director until 26 November 2019*	665,085	-	(146,348)	-	518,737
Specified Executives						
Peter Bush		750,000	-	-	-	750,000
Robert Waring		992,326	-	-	-	992,326
		55,749,538	2,211,140	(146,348)	-	57,814,330

Options and rights		Number held on 30 June 2019	Granted during year	Lapsed during year	Exercised during year	Number held on 30 June 2020
Specified Directors						
Maurie Stang		-	-	-	-	-
Bernard Stang		-	-	-	-	-
Steven Kritzler		-	-	-	-	-
Michael Ford	*Joined 23 April 2020*	-	-	-	-	-
Alex Sava	*Director until 26 November 2019*	100,000	-	(100,000)	-	-
Specified Executives						
Peter Bush		1,323,537	-	-	-	1,323,537
Robert Waring		50,000	-	-	-	50,000
		1,473,537	-	(100,000)	-	1,373,537

2019 *Shares*		Number held on 30 June 2018	Acquired during year	Sold during year	Issued on exercise of options	Number held on 30 June 2019
Specified Directors						
Maurie Stang		20,398,290	2,231,928	-	-	22,630,218
Bernard Stang		17,227,196	2,231,928	-	-	19,459,124
Steven Kritzler		8,331,609	2,921,176	-	-	11,252,785
Alex Sava	*Director until 26 November 2019*	68,025	597,060	-	-	665,085
Specified Executives						
Peter Bush		750,000	-	-	-	750,000
Robert Waring		240,857	751,469	-	-	992,326
		47,015,977	8,733,562	-	-	55,749,539

Options and rights		Number held on 30 June 2018	Granted during year	Lapsed during year	Exercised during year	Number held on 30 June 2019
Specified Directors						
Maurie Stang		-	-	-	-	-
Bernard Stang		-	-	-	-	-
Steven Kritzler		-	-	-	-	-
Alex Sava	*Director until 26 November 2019*	100,000	-	-	-	100,000
Specified Executives						
Peter Bush		1,323,537	-	-	-	1,323,537
Robert Waring		50,000	-	-	-	50,000
		1,473,537	-	-	-	1,473,537

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.

REMUNERATION REPORT (AUDITED)

	2020 $	2019 $
Regional Healthcare Group Pty Ltd		
The Company and its controlled entities incur expenses for services provided by Regional Healthcare Group Pty Ltd.		
Office and administration expenses	**119,229**	154,841
Rent	**55,483**	54,753
Distribution expenses	**70,894**	51,767
Corporate services	**88,169**	88,520
Mr M Stang and Mr B Stang are Directors and shareholders of Regional Healthcare Group Pty Ltd.		
Novapharm Research (Australia) Pty Ltd		
The Company and its controlled entities incur expenses for services provided by Novapharm Research (Australia) Pty Ltd.		
Research and development	**233,575**	313,919
Patent and other expenses	**148,819**	64,696
Mr M Stang, S Kritzler and B Stang are Directors and shareholders of Novapharm Research (Australia) Pty Ltd.		
Ramlist Pty Ltd		
The Company and its controlled entities incur expenses for rent and utility outgoings to Ramlist Pty Ltd.	**34,789**	45,396
Mr M Stang and Mr B Stang are Directors and shareholders of Ramlist Pty Ltd.		
Ensol Systems Pty Ltd		
The Company and its controlled entities incur expenses for marketing and other operational services to Ensol Systems Pty Ltd.	**109,901**	7,570
Mr M Stang is a shareholder of Ensol Systems Pty Ltd.		
Teknik Lighting Solutions Pty Ltd		
The Company and its controlled entities incur expenses for marketing and other operational services to Teknik Lighting Solutions Pty Ltd.	**3,199**	8,231
Mr M Stang is a shareholder of Teknik Lighting Solutions Pty Ltd.		
Bright Accountants		
The Company and its controlled entities incur expenses for accounting services to Bright Accountants.	**68,250**	61,840
Mr P Bush is a related party to Bright Accountants.		
Loans from Directors (Messrs M Stang, B Stang and S Kritzler)		
Interest on loans	**-**	52,209
Loan borrowings	**-**	1,050,000
Loan repayments in cash	**-**	750,000
Loan repayments by issue of shares	**-**	1,500,000
Mr M Stang, S Kritzler and B Stang are Non-Executive Directors and shareholders of the Company.		
These are unsecured loans with interest charged at ATO benchmark rates.		
Outstanding balances payable from purchases of services		
Regional Healthcare Group Pty Ltd	**74,479**	24,259
Novapharm Research (Australia) Pty Ltd	**30,891**	14,892
Ramlist Pty Ltd	**3,332**	882
Bright Accountants	**6,875**	6,545
Ensol Systems Pty Ltd	**41,531**	82,387
Teknik Lighting Solutions Pty Ltd	**216**	3,520

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

REMUNERATION REPORT (AUDITED)

Details of Directors' and Executive officers' remuneration for the year ended 30 June 2020

	Short term benefits			Post employment benefits	Other long-term benefits	Equity based benefits		Total	Perfor-mance Related
	Salary and Director's Fees	STI Cash bonus	Non-monetary benefits	Superannuation		Shares	Options and rights (Note (ii))		
	$	$	$	$	$	$	$	$	%
Non-Executive Directors									
Maurie Stang	-	-	-	-	-	-	-	-	0.0%
Bernard Stang	-	-	-	-	-	-	-	-	0.0%
Steven Kritzler	-	-	-	-	-	-	-	-	0.0%
Michael Ford	10,180	-	-	967	-	-	-	11,147	0.0%
Alex Sava	14,361	-	-	-	-	-	4,705	19,066	0.0%
Total Non-Executive Directors	24,541	-	-	967	-	-	4,705	30,213	
Executive Directors	-	-	-	-	-	-	-	-	0.0%
Total Directors	24,541	-	-	967	-	-	4,705	30,213	
Executives (Note (i))									
Peter Bush	285,295	-	-	27,103	-	-	20,279	332,677	0.0%
Robert Waring	92,217	-	-	-	-	-	2,357	94,574	0.0%
Total	402,053	-	-	28,070	-	-	27,341	457,464	

REMUNERATION REPORT (AUDITED)

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

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

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

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

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

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

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

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

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

REMUNERATION REPORT (AUDITED)

Employment contracts

Chief Executive Officer (CEO):
The following sets out the key terms of the employment for the CEO, Peter Bush

Contract term:	Continuous employment until notice is given by either party
Fixed remuneration:	$ 312,398 This is reviewed annually.
Notice period:	To terminate his employment, Mr Bush is required to provide Aeris with 3 months written notice. Aeris must provide 3 months written notice.
Resignation or termination:	On resignation, unless the Board determines otherwise: All unvested short term or long term benefits are forfeited. All vested but unexercised benefits are forfeited after 90 days following cessation of employment.
Statutory entitlements:	Annual leave applies in all cases of separation. Long Service applies unless Mr Bush's service is under 10 years and he is dismissed for misconduct.
Termination for serious misconduct:	Aeris may immediately terminate employment at any time in the case of serious misconduct and Mr Bush will only be entitled to payment of fixed remuneration until the termination date. Such termination will result in all unvested benefits being forfeited. Treatment of any vested but unexercised benefits will be at the discretion of the Board.
Post-Termination Restraint of Trade:	For a period of 6 months or, if that period is unenforceable, 3 months after the termination of employment, Mr Bush must not, in the area of Australia or, if that area is unenforceable, New South Wales: (i) solicit, canvass, approach or accept any approach from any person who was at any time during his last 12 months with the Company a client of the Company in that part or parts of the business carried on by the Company in which he was employed with a view to obtaining the custom of that person in a business that is the same or similar to the business conducted by the Company; or (ii) interfere with the relationship between the Company and its customers, employees or suppliers; or (iii) induce or assist in the inducement of any employee of the Company to leave their employment.

There are no other contracts to which a Director is a party or under which a Director is entitled to a benefit other than as disclosed above and in note 25 to the financial statements.

Link between remuneration and performance and statutory performance indicators

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

	2020	2019	2018	2017	2016
Profit (Loss) for the year attributable to owners of Aeris Environmental Ltd	1,982,941	(3,628,499)	(3,590,176)	(3,747,555)	(2,062,727)
Basic earnings (loss) per share (cents per share)	0.90	(1.98)	(2.28)	(2.40)	(1.35)
Dividend payments	-	-	-	-	-
Increase/(decrease) in share price (%)	70.97%	121.43%	-50.00%	-33.33%	-6.67%
Total KMP remuneration as percentage of profit (loss) for the year (%)	23.07%	-13.51%	-12.01%	-10.20%	-13.00%

The Group's sales revenue in the 2020 financial year recorded an increase by 114%, complimented by an increase in share price by over 70%.

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

Share options

1,373,537 options and rights to take up ordinary shares in Aeris Environmental Ltd that were issued to KMP remain unexercised at 30 June 2020 (2019: 1,423,537 options and rights).

No options or rights to take up ordinary shares in Aeris Environmental Ltd were issued to KMP during the financial years 2020 and 2019.

Options issued to KMP that expired or were forfeited during the year:

	Number of options and rights	
	2020	**2019**
Alex Sava	100,000	-

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

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

On behalf of the Directors

M STANG
Director

Sydney, 31 August 2020

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

To the Directors of Aeris Environmental Ltd

As auditor for the audit of Aeris Environmental Ltd for the year ended 30 June 2020, 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
31 August 2020

UHY Haines Norton
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 $
Continuing Operations			
Revenue	4	14,632,962	6,851,258
Cost of sales		(6,634,623)	(4,403,415)
Gross profit		7,998,339	2,447,843
Other revenue	4	36,696	129,515
Administration expenses		(1,547,040)	(1,481,936)
Depreciation and amortisation expense	5	(134,378)	(67,170)
Distribution expense		(493,700)	(348,244)
Employee benefits expense	5	(2,497,037)	(2,504,114)
Financial expenses	5	(38,178)	(18,615)
Impairment expense	5	(135,781)	(72,198)
Research and development and patent expense	5	(572,602)	(861,090)
Occupancy expenses	5	(249,245)	(314,355)
Sales, Marketing and Travel expenses		(953,704)	(996,364)
Profit (Loss) before income tax from continuing operations		1,413,370	(4,086,728)
Income tax benefit	6a	569,571	458,229
Net profit (loss) for the year		1,982,941	(3,628,499)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		(12,687)	(3,249)
Total comprehensive profit (loss) for the year, net of tax		1,970,254	(3,631,748)
Profit (loss) for the year attributable to:			
Owners of Aeris Environmental Ltd		1,982,941	(3,628,499)
Non-controlling interest	20	-	-
		1,982,941	(3,628,499)
Total comprehensive profit (loss) for the year attributable to:			
Owners of Aeris Environmental Ltd		1,970,254	(3,631,748)
Non-controlling interest	20	-	-
		1,970,254	(3,631,748)
Earnings per share	7		
Basic earnings (loss) per share (cents per share)			
Earnings (loss) from continuing operations		0.90	(1.98)
Diluted earnings (loss) per share (cents per share)			
Earnings (loss) from continuing operations		0.89	(1.98)

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

Aeris Environmental Ltd

AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	2020 $	2019 $
CURRENT ASSETS			
Cash and cash equivalents	9	12,949,339	3,467,877
Trade and other receivables	10A	5,535,881	3,442,028
Inventories	11	3,486,862	770,073
Other current assets	12	262,034	194,435
TOTAL CURRENT ASSETS		22,234,116	7,874,413
NON-CURRENT ASSETS			
Trade and other receivables	10B	3,945	31,632
Right-of-use assets	13	375,501	-
Property, plant and equipment	13	65,359	91,498
TOTAL NON-CURRENT ASSETS		444,805	123,130
TOTAL ASSETS		22,678,921	7,997,543
CURRENT LIABILITIES			
Trade and other payables	14A	2,656,871	2,136,041
Lease liabilities	14B	88,568	-
Provisions	14C	291,964	272,135
TOTAL CURRENT LIABILITIES		3,037,403	2,408,176
NON-CURRENT LIABILITIES			
Lease Liabilities	15B	301,488	-
Provisions	15A	31,702	24,543
TOTAL NON-CURRENT LIABILITIES		333,190	24,543
TOTAL LIABILITIES		3,370,593	2,432,719
NET ASSETS		19,308,328	5,564,824
EQUITY			
Contributed equity	16	62,195,687	50,195,854
Reserves	18	1,904,803	2,144,073
Accumulated losses	19	(44,795,847)	(46,778,788)
Non-controlling interest	20	3,685	3,685
TOTAL EQUITY		19,308,328	5,564,824

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Equity	Reserves	Accumulated losses	Non-controlling interest	Total attributable to equity holders of the entity
	$	$	$	$	$
Balance at 1 July 2018	**41,313,362**	**1,554,309**	**(42,790,135)**	**3,685**	**81,221**
(reported as at 30 June 2018)					
Prior period restatement (Note 1)	-	-	(360,153)	-	(360,153)
Re-stated as at 1 July 2018	**41,313,362**	**1,554,309**	**(43,150,288)**	**3,685**	**(278,932)**
Loss for the year	-	-	(3,628,499)	-	(3,628,499)
Other comprehensive income / (loss)	-	(3,249)	-	-	(3,249)
Total comprehensive loss for the year	-	(3,249)	(3,628,499)	-	(3,631,748)
Transactions with owners in their capacity as owners:			.		
Shares issued to Directors towards loan repayment	1,500,000	-	-	-	1,500,000
Shares issued to KMP	180,000	-	-	-	180,000
Share placement - Strategic Investors	7,208,692	-	-	-	7,208,692
Share Placement Plan	257,500	-	-	-	257,500
Shares issued to consultants on exercise of options	1,500	-	-	-	1,500
Share issue cost	(265,200)	-	-	-	(265,200)
Movement in share-based payments reserve	-	593,013	-	-	593,013
Balance at 30 June 2019	**50,195,854**	**2,144,073**	**(46,778,788)**	**3,685**	**5,564,824**
Balance at 1 July 2019	**50,195,854**	**2,144,073**	**(46,778,788)**	**3,685**	**5,564,824**
Profit for the year	-	-	1,982,941	-	1,982,941
Other comprehensive income / (loss)	-	(12,687)	-	-	(12,687)
Total comprehensive profit (loss) for the year	-	(12,687)	1,982,941	-	1,970,254
Transactions with owners in their capacity as owners:					
Shares issued to Directors towards loan repayment	-	-	-	-	-
Shares issued to KMP	-	-	-	-	-
Share placement - Strategic Investors	12,040,000	-	-	-	12,040,000
Share Placement Plan	-	-	-	-	-
Shares issued against exercise of options and rights	57,533	-	-	-	57,533
Shares issued to consultants	489,300	-	-	-	489,300
Share issue cost	(587,000)	-	-	-	(587,000)
Movement in share-based payments reserve	-	(226,583)	-	-	(226,583)
Balance at 30 June 2020	**62,195,687**	**1,904,803**	**(44,795,847)**	**3,685**	**19,308,328**

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

Aeris Environmental Ltd

AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		14,600,592	5,008,876
Payments to suppliers and employees (inclusive of GST)		(16,671,310)	(10,583,314)
R&D tax offset rebate received		-	1,125,509
Interest and other income received		19,157	57,419
Government Grants		17,540	46,746
Interest and bank fees		(16,939)	(67,956)
Net cash used in operating activities	32 (b)	(2,050,960)	(4,412,720)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(24,291)	(41,489)
Net cash used in investing activities		(24,291)	(41,489)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issue		12,042,000	7,467,692
Share issue cost		(472,600)	-
Loan repayments		-	(750,000)
Loan borrowings		-	1,050,000
Net cash provided by financing activities		11,569,400	7,767,692
NET INCREASE IN CASH AND CASH EQUIVALENTS		9,494,149	3,313,483
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		3,467,877	157,643
Effects of exchange rate changes on cash and cash equivalents		(12,687)	(3,249)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	9	12,949,339	3,467,877

*During the 2019 financial year Directors' loan amounting to $1,500,000 was repaid by issuing 8,823,528 company's ordinary shares. This transaction did not have any effect on the group's cash flow.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate information

The financial report of Aeris Environmental Ltd (the Group) for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Directors on 27 August 2020.

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

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

Basis of preparation

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* .

The financial report has been prepared on an accruals basis and is based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Aeris Environmental Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Aeris Environmental Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'. Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

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

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

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

Going Concern

The Group has incurred an operating profit (after tax) of $1,982,941 for the year ended 30 June 2020 (2019 Loss: $3,628,499) and has net assets of $19,308,328 as at 30 June 2020 (2019: $5,564,824). The operating cash burn rate for the financial year ended 30 June 2020 was $2,050,960 (2019: $4,412,720). The cash balance as at 30 June 2020 was $12,949,339 (2019: $3,467,877).

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

Statement of Compliance

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

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.
Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below.

AASB 16 Leases
The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases.

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The table below presents a reconciliation of the operating lease commitments as disclosed in the Group's 30 June 2019 financial statements, to the lease liabilities recognised on the transition date:

	$
Operating lease as at 30 June 2019	412,882
Less: Rent and outgoings	(85,989)
Impact of discounting commitment at company's incremental borrowing rate	(2,167)
Add: Others – contracts reassessed as short-term leases and low value assets	131,240
Lease liability recognised as at 1 July 2019	**455,966**

AASB16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. Under this approach the Group has determined the principal portion of their current operating leases which are subject to be accounted for under this standard and recognised as a lease liability (split between current and non-current) and a right to use asset for the same amount as at 1 July 2019. The impact of adoption of this standard is outlined below:

	Old Value under AASB 117 $	New Value under AASB 16 $
Statement of profit or loss and other comprehensive income		
Financial expenses	18,099	38,178
Depreciation	53,913	134,378
Occupancy expenses	335,234	249,245
Statement of financial position		
Right-of-use asset	-	375,501
Lease liabilities - current	-	88,568
Lease liabilities - non-current	-	301,488

Re-statement of comparatives

The Group has made a retrospective adjustment to a receivable from a customer to reflect the information that was available as at 30 June 2018 but was not provided for in the 2018 financial report. The retrospective adjustment has resulted in an additional impairment charge of $360,153 for the year ended 30 June 2018 with a corresponding decrease in the carrying value of trade receivables. For details of the restatement refer to the table below:

	June 2018 $ Reported	$ Adjustment	June 2018 $ Restated
Extract from the financial statements for the year ended 30 June 2018			
Trade and other receivables	2,131,037	(360,153)	1,770,884
Net assets	81,221	(360,153)	(278,932)
Accumulated losses	(42,790,135)	(360,153)	(43,150,288)
Total Equity	81,221	(360,153)	(278,932)
Impairment of trade receivables	108,284	360,153	468,437
Loss after tax	(3,230,885)	(360,153)	(3,591,038)

Significant accounting policies

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

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

(i) Business Combinations

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

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

(ii) Borrowing costs

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

(iii) Cash and cash equivalents

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

(iv) Comparative amounts

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Depreciation

All assets have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives, taking into account residual values. Depreciation and amortisation rates and methods are reviewed annually for appropriateness. Depreciation and amortisation are expensed.
Depreciation and amortisation are calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life.

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

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

(vi) Earnings per share

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

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

(vii) Employee benefits

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

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

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

Share-based payment
Share-based compensation benefits are provided to employees via the Aeris Environmental Ltd Employee Option Plan. Information relating to these schemes is set out in Note 24.
The fair value of options granted under the Employee Option Plan is recognised as an employee benefit expenses with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.
The fair value at grant date is independently determined using a Black-Scholes option pricing model. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

(viii) Financial assets

Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

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

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ix) Financial Instruments issued by the company

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

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

(x) Financial liabilities

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

These financial liabilities include the following items:

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Lease liabilities are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument and subsequently carried at amortised cost using the effective interest method.

(xi) Foreign currency

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

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

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

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

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

(xii) Functional and presentation currency

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

(xiii) Goods and services tax

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

Receivables and payables are recognised inclusive of GST.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xiv) Impairment of assets

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

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

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

(xv) Income tax

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

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

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

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

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

Tax consolidation

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

The company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries set out in Note 21. The head entity recognises all of the current and deferred tax assets and liabilities of the tax consolidated group (after elimination of intragroup transactions).

(xvi) Inventories

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

(xvii) Right-to-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

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.

(xviii) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xix) Provisions

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

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

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

(xx) Research and development

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

(xxi) Recoverable amount of non-current assets

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

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

(xxii) Revenue recognition

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

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

<u>Revenue from services</u>
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.

<u>Government grants</u>
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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Other income
Other income is recognised as it is earned.

(xxiii) Share capital

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

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

(xxiv) Borrowings and Convertible notes

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

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

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

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

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

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

(xxv) Trade and other payables

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

(xxvi) Trade and other receivables

Trade 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.

(xxvii) Fair value measurement

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

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

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

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

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

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

2. FINANCIAL RISK MANAGEMENT

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

(a) Foreign exchange risk

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

(b) Credit risk

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

(c) Cash flow and fair value interest rate risk

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

(d) Liquidity risk

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

(a) Recovery of deferred tax assets

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

(b) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black & Scholes model, with the assumptions detailed in Note 24. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(c) Fair value of financial instruments

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

(d) 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 10, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

(e) 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.

(f) 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(g) *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

(h) *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

4. REVENUE

	2020 $	2019 $
Revenue		
Revenue from sales	12,576,309	2,777,113
Revenue from services	2,056,653	4,074,145
	14,632,962	6,851,258
Other revenue		
Financial income	9,180	57,399
Government Grants	17,540	46,746
Miscellaneous	9,976	25,370
	36,696	129,515

5. EXPENSES

Profit (Loss) before income tax includes the following items of expense:

	2020 $	2019 $
Depreciation and amortisation expense		
Depreciation of leasehold assets	6,332	6,332
Depreciation of plant and equipment	128,046	60,838
Total depreciation and amortisation expense	134,378	67,170
Employee benefit expenses		
Base salary and fees	2,007,835	1,594,103
Superannuation & statutory oncosts	263,514	283,454
Share based payment	145,150	593,013
Other employee expenses	80,538	33,544
Total employee benefit expenses	2,497,037	2,504,114
Financial expenses		
Interest, bank fees and other financial expenses	38,178	18,615
	38,178	18,615
Other expenses		
Impairment of receivables	135,781	72,198
Rental & occupancy expenses	249,245	314,355
Research and development and patent expenses	572,602	861,090

6. INCOME TAX

(a) **Income tax benefit**

The prima facie income tax benefit on pre-tax accounting loss reconciles to the income tax benefit in the financial statements as follows:

	2020 $	2019 $
Profit (Loss) for year	1,413,370	(4,086,728)
Income tax expense (benefit) calculated at 30%	424,011	(1,226,019)
R&D tax offset receivable	(569,571)	-
Temporary differences and tax losses not recognised	(467,555)	589,886
- Non deductible expenses		
- Share based payments	43,544	177,904
Income tax attributable to profit (loss)	(569,571)	(458,229)

6. INCOME TAX (CONTINUED)

(b) Deferred tax balances not recognised

	2020	2019
Calculated at 30% of not brought to account as assets or liabilities:	$	$
Deferred tax assets		
Tax losses		
Revenue tax losses available for offset against future tax income	7,652,475	7,951,360
Temporary differences		
Provision for doubtful debts	51,000	235,537
Provision for employee entitlements	97,100	89,003
Difference between book and tax values of fixed assets	24,431	29,540
Accruals	14,250	8,700
Future lease obligations	4,366	-
	191,147	362,780
Total deferred tax assets	7,843,622	8,314,140
Deferred tax liabilities		
Difference between book and tax values of fixed assets	-	-
Total deferred tax liabilities	-	-
Net deferred tax asset not recognised	7,843,622	8,314,140

(c) Tax consolidation

(i) Relevance of tax consolidation to the consolidated entity

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

(ii) Method of measurement of tax amounts

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

(iii) Tax sharing agreements

There are no tax sharing or funding agreements in place.

(iv) Tax consolidation contributions

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

	2020 $	2019 $
7. EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY-HOLDERS OF THE COMPANY		
Basic earnings (loss) per share (cents per share)	0.90	(1.98)
Diluted earnings (loss) per share (cents per share)	0.89	(1.98)
Net profit (loss) used to calculate basic EPS	1,982,941	(3,628,499)
Net profit (loss) used to calculate diluted EPS	1,982,941	(3,628,499)
Weighted average number of ordinary shares used to calculate basic EPS	219,677,482	183,224,455
Convertible performance rights and share options	2,207,291	-
Weighted average number of ordinary shares used to calculate diluted EPS	221,884,773	183,224,455

In 2019, options and rights eligible for conversion into ordinary shares in future had an anti-dilutive effect, hence diluted EPS was reported same as basic EPS.

8. AUDITORS' REMUNERATION

	2020 $	2019 $
Remuneration of UHY Haines Norton for :		
Audit of the annual financial report	30,500	26,000
Review of the half yearly financial report	15,850	17,050
Other services	-	8,500
Total auditors remuneration	46,350	51,550

9 CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash and Cash Equivalents		
Cash at bank and on hand	2,375,477	1,450,012
Deposits on call	10,573,862	2,017,865
	12,949,339	3,467,877

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

10. CURRENT TRADE AND OTHER RECEIVABLES

A Current trade and other receivables

	2020 $	2019 $
Trade receivables	5,136,310	3,836,978
Less: Allowance for expected credit losses	(170,000)	(394,950)
R&D tax offset rebate receivable	569,571	-
	5,535,881	3,442,028

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

B Non-current trade and other receivables

	2020 $	2019 $
Trade Receivables	3,945	421,805
Less: Allowance for expected credit losses	-	(390,173)
	3,945	31,632

The carrying amounts of non-current trade and other receivables represent amount due from customers for SmartENERGY® projects completed during 2017 financial year which are receivable over 60 months and accounted at fair values.
The fair values were calculated based on cash flows discounted using rate appropriate to credit rating of customers.

C Allowance for expected credit losses

	2020 $	2019 $
Less than 6 months overdue	-	-
More than 6 months overdue	170,000	785,123
Movements in provision for impairment of receivables		
Opening balance	785,123	768,800
Additional provisions recognised	170,000	44,879
Previous provisions written off	(785,123)	-
Foreign exchange difference and other adjustments	-	(28,556)
Closing balance	170,000	785,123

Amounts recognised in profit or loss
During the year, the following losses were recognised in profit or loss in relation to impaired receivables.

	2020 $	2019 $
Impairment losses		
Individually impaired receivables	(34,660)	(27,319)
Previous provisons written back	68,879	-
Movement in provision for impairment	(170,000)	(44,879)
	(135,781)	(72,198)

D The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2020 is determined as follows, the expected credit losses incorporate forward looking information.

	Current receivables	Past due > 30 days	Past due > 60 days	Past due > 90 days	Total $
Expected credit loss %	-	-	2.5%	7.5%	
Gross carrying amount	1,835,970	867,003	1,109,600	1,897,253	5,709,826
Expected credit loss provision	-	-	27,740	142,294	170,034
Expected credit loss provision (rounded off)	**-**	**-**	**27,700**	**142,300**	**170,000**

11. INVENTORIES

Inventories - at cost	3,486,862	770,073
	3,486,862	770,073

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

12. OTHER CURRENT ASSETS

Prepayments	218,493	167,965
Advance payment to suppliers	21,397	-
Accrued income	7,962	12,306
Deposits and bonds	14,182	14,164
	262,034	194,435

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

13. NON-CURRENT ASSETS

Carrying Values

	Cost	Accumulated depreciation / impairment	Net carrying value
2020	**$**	**$**	**$**
Property, plant and equipment			
R & D equipment	25,011	(25,011)	-
Computer equipment	252,985	(222,163)	30,822
Field equipment	58,747	(58,747)	-
Leasehold improvements	130,228	(122,915)	7,313
Office furniture	176,456	(165,642)	10,814
Plant and equipment	137,449	(121,039)	16,410
Right-to-use asset	455,966	(80,465)	375,501
	1,236,842	(795,982)	440,860
2019			
Property, plant and equipment			
R & D equipment	25,011	(25,011)	-
Computer equipment	233,613	(206,421)	27,192
Field equipment	58,747	(58,747)	-
Leasehold improvements	130,228	(116,583)	13,645
Office furniture	176,456	(145,485)	30,971
Plant and equipment	129,210	(109,520)	19,690
	753,265	(661,766)	91,498

Reconciliations

	Opening net carrying value	Additions	Disposals	Depreciation / Impairment	Exchange movements	Closing net carrying value
2020	**$**	**$**	**$**	**$**	**$**	**$**
Computer equipment	27,192	19,372	-	(15,904)	162	30,822
Leasehold improvements	13,645	-	-	(6,332)	-	7,313
Office furniture	30,971	-	-	(20,157)	-	10,814
Plant and equipment	19,690	8,240	-	(11,520)	-	16,410
Right-to-use asset	-	455,966	-	(80,465)	-	375,501
	91,498	483,578	-	(134,378)	162	440,860
2019						
Computer equipment	29,537	24,829	-	(27,174)	-	27,192
Leasehold improvements	19,977	-	-	(6,332)	-	13,645
Office furniture	52,155	890	-	(22,074)	-	30,971
Plant and equipment	13,655	17,625	-	(11,590)	-	19,690
	115,325	43,344	-	(67,170)	-	91,498

14. CURRENT TRADE AND OTHER PAYABLES AND PROVISIONS

	2020 $	2019 $
A **Unsecured trade and other payables**		
Trade creditors	2,270,461	1,884,786
Other payables and accruals	395,587	223,884
GST and PAYG payable	(9,177)	27,371
	2,656,871	2,136,041
B **Lease liabilities**	88,568	-
C **Provisions**		
Annual leave	266,193	248,785
Long service leave	25,771	23,350
	291,964	272,135

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

15. OTHER NON-CURRENT LIABILITIES AND PROVISIONS

	2020	2019
A **Provisions**		
Long service leave	31,702	24,543
	31,702	24,543
B **Lease liabilities**	301,488	-

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

16. CONTRIBUTED EQUITY

Share capital	2020 $	2019 $
242,545,479 fully paid ordinary shares - no par value (2019: 211,746,510)	62,195,687	50,195,854
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		
	62,195,687	50,195,854

Movement in ordinary share capital of Aeris Environmental Ltd	2020 Number of shares	2020 $	2019 Number of shares	2019 $
Balance at beginning of year	211,746,510	50,195,854	157,795,387	41,313,362
Shares issued during year				
Shares issued to Directors towards repayment of their loan	-	-	8,823,528	1,500,000
Shares issued to KMP	-	-	1,058,824	180,000
Share placement - Strategic Investors	28,000,000	12,040,000	42,404,073	7,208,692
Share Placement Plan	-	-	1,514,698	257,500
Shares issued against exercise of options and rights	536,411	57,533	-	-
Shares issued to consultants and advisors	2,262,558	489,300	150,000	1,500
	242,545,479	62,782,687	211,746,510	50,461,054
Transaction costs relating to share issues	-	(587,000)	-	(265,200)
Balance at end of year	242,545,479	62,195,687	211,746,510	50,195,854

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.

17. OPTIONS

2020 Unlisted	Grant Date	Expiry Date	Exercise Price	Number on issue 30 June 2019	Granted during year	Expired or forfeited	Exercised during year	Number on issue 30 June 2020
*	23-Dec-16	14-Oct-21	0.42	100,000	-	(100,000)	-	-
*	23-Dec-16	23-Oct-21	0.42	670,000	-	(175,000)	-	495,000
*	23-Dec-16	01-Aug-20	0.01	200,000	-	-	(200,000)	-
*	30-May-18	01-Mar-21	0.01	100,000	-	-	-	100,000
Total options on issue				1,070,000	-	(275,000)	(200,000)	595,000

2019 Unlisted	Grant Date	Expiry Date	Exercise Price	Number on issue 30 June 2018	Granted during year	Expired or forfeited	Exercised during year	Number on issue 30 June 2019
**	31-Jul-14	31-Jul-19	0.20	500,000	-	(500,000)	-	-
*	23-Dec-16	14-Oct-21	0.42	100,000	-	-	-	100,000
*	23-Dec-16	23-Oct-21	0.42	745,000	-	(75,000)	-	670,000
*	23-Dec-16	01-Aug-20	0.01	350,000	-	-	(150,000)	200,000
*	30-May-18	01-Mar-21	0.01	100,000	-	-	-	100,000
Total options on issue				1,795,000	-	(575,000)	(150,000)	1,070,000

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

** Share options issued as consideration for business combinations
* These options expire on the earlier of their expiry date or the date of termination of the employee's employment, or, in the case of voluntary termination, 90 days after voluntary termination of the employee's employment

18. RESERVES

	2020 $	2019 $
Foreign currency translation reserve	(65,483)	(52,796)
Share based payments reserve	1,970,286	2,196,869
	1,904,803	2,144,073

Foreign currency translation reserve

Balance at beginning of financial year	(52,796)	(49,547)
Foreign exchange translation difference	(12,687)	(3,249)
Balance at end of financial year	(65,483)	(52,796)

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

Share based payments reserve

Balance at beginning of financial year	2,196,869	1,603,856
Share based payments during the year allocated to:		
Employees and consultants	117,809	505,182
Key Management Personnel	27,341	87,831
Utilised for share issue	(371,733)	-
Balance at end of financial year	1,970,286	2,196,869

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

19. ACCUMULATED LOSSES

Balance at beginning of financial year	(46,778,788)	(43,150,288)
Net profit (loss) for year	1,982,941	(3,628,499)
Balance at end of financial year	(44,795,847)	(46,778,788)

20. NON-CONTROLLING INTERESTS

Balance at beginning of financial year	3,685	3,685
Net loss for year	-	-
Balance at end of financial year	3,685	3,685

21. PARTICULARS RELATING TO CONTROLLED ENTITIES

Name of entity	Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
Controlled entities			
Aeris Pty Ltd	Australia	100	100
Aeris Biological Systems Pty Ltd	Australia	100	100
Aeris Hygiene Services Pty Ltd	Australia	100	100
Aeris Environmental LLC	USA	100	100
Aeris Cleantech Pte Ltd	Singapore	75	75
Aeris Cleantech Europe Ltd	Malta	100	100

22. COMMITMENTS FOR EXPENDITURE

	2020 $	2019 $
Lease commitments		
Operating leases		
Commitments on operating leases that relate to below office facilities:		
Registered office in Sydney - up to 1 year	56,604	55,495
- 1 to 3 years	-	55,495
Townsville lease - up to 1 year	-	14,300
	56,604	125,290

These commitments relate to short-term leases.

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

Maurie Stang
Bernard Stang
Steven Kritzler
Michael Ford *Appointed 23 April 2020*
Alex Sava *Director until 26 November 2019*
Peter Bush (Alternate Director and Chief Executive Officer)

(b) Other key management personnel

Robert Waring (Company Secretary)

(c) Compensation

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

	2020 $	2019 $
Short-term employee benefits	402,053	379,720
Post-employment benefits	28,070	22,647
Share-based payments	27,341	87,831
	457,464	490,198

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

24. SHARE BASED PAYMENTS

(a) Recognised share-based payment expenses

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

	2020 $	2019 $
Employee Share Option Plan		
Employees and consultant	117,809	505,182
Key Management Personnel	27,341	87,831
Total amount arising from share-based payment transactions	145,150	593,013

(b) Details of share-based payment plan

The share-based payment plan is described in the remuneration report in Directors' Report. There have been no cancellations or modifications to the plan during 2019 and 2020.

Fair value of options or 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 rights granted over unissued shares

	Options		Rights	
	2020	**2019**	**2020**	**2019**
Weighted average remaining contractual life	1.21 years	1.98 years	0.90 years	1.28 years
Range of exercise prices	$0.01 to $0.42	$0.01 to $0.42	-	-
Options or rights on issue				
Employees and consultants	545,000	920,000	288,754	505,500
Key Management Personnel	50,000	150,000	1,323,537	1,323,537
	595,000	1,070,000	1,612,291	1,829,037
Options or rights issued during the year				
Employees and consultants	-	-	150,000	-
Key Management Personnel	-	-	-	-
	-	-	150,000	-
Shares issued as a result of exercise of options or rights				
Employees and consultants	200,000	150,000	336,411	-
Key Management Personnel	-	-	-	-
	200,000	150,000	336,411	-
Options or rights expired or forfeited				
Employees and consultants	175,000	575,000	30,335	10,000
Key Management Personnel	100,000	-	-	-
	275,000	575,000	30,335	10,000

The following table shows the inputs to the valuation of options and rights granted during 2020 financial year (2019: NIL)

	Rights
Value of Underlying Stock	0.230
Exercise Price	0.000
Dividend Yield	N/A
Volatility (per Year)	N/A
Risk free rate	N/A
Maturity	25/07/2022
Pricing Date	9/09/2019
Value of Option	0.2300

25. RELATED PARTY DISCLOSURES

(a) Parent Entity

Aeris Environmental Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 21.

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report in the Directors' Report.

(c) Transactions with Directors and Director related entities

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

26. FINANCIAL INSTRUMENTS DISCLOSURES

(a) *Capital*

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

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

(b) *Financial instrument risk exposure and management*

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

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

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

26. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(c) ***Principal financial instruments***

The principal financial instruments used by the Group, from which financial instrument risks arise, are as follows:
cash at bank;
trade and other receivables;
deposits and bonds; and
trade and other payables.
borrowings

(d) ***General objectives, policies and processes***

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

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

(i) Credit risk

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

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

	2020 $	2019 $
Trade receivables	4,970,255	3,473,660
R&D tax offset rebate receivable	569,571	-
Deposits and bonds	22,347	22,265
Deposits with Bankwest	10,573,694	2,017,519
Deposits with Wells Fargo, USA	31,625	76,081
Deposits with Bank of America, USA	264,978	285
Deposits with ANZ Bank	2,069,226	1,349,821
	18,501,696	6,939,631

(ii) Liquidity risk

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

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

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

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

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

26. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(ii) Liquidity risk (continued)

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

	Cash flows	< 6 mths	6- 12 mths	1-3 years	> 3 years
	$	$	$	$	$
Maturity analysis - 2020					
Financial assets					
Cash and cash equivalents	12,949,339	12,949,339	-	-	-
Receivables	5,539,826	5,535,881	3,945	-	-
Security deposits	14,182	-	-	-	14,182
TOTAL	18,503,347	18,485,220	3,945	-	14,182
Financial liabilities					
Trade Creditors	2,270,461	2,270,461	-	-	-
Other payables and accruals	386,410	386,410	-	-	-
Lease liabilities *	390,056	35,002	36,716	253,687	64,651
TOTAL	3,046,927	2,691,873	36,716	253,687	64,651
NET MATURITY	15,456,420	15,793,347	(32,771)	(253,687)	(50,469)

* Lease liabilities calculated under AASB 16 which is effective from 1 July 2019

	Cash flows	< 6 mths	6- 12 mths	1-3 years	> 3 years
Maturity analysis - 2019					
Financial assets					
Cash and cash equivalents	3,467,877	3,467,877	-	-	-
Receivables	3,486,857	3,424,125	28,953	33,779	-
Security deposits	14,164	-	-	-	14,164
TOTAL	6,968,898	6,892,002	28,953	33,779	14,164
Financial liabilities					
Trade Creditors	1,884,786	1,884,786	-	-	-
Other payables and accruals	251,256	251,256	-	-	-
Loans	-	-	-	-	-
TOTAL	2,136,042	2,136,042	-	-	-
NET MATURITY	4,832,856	4,755,960	28,953	33,779	14,164

26. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(iii) Market risk
(a) Interest rate risk

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

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

2020	**NOTE**	**WEIGHTED AVERAGE INTEREST RATES**	**FLOATING INTEREST RATES**	**FIXED INTEREST RATES**	**NON-INTEREST BEARING**	**TOTAL**
Financial assets						
Cash and cash equivalents	9	1.00%	10,573,862	-	2,375,477	12,949,339
Deposits	12	2.20%	-	-	14,182	14,182
Receivables	10	5.50%	-	47,612	5,492,214	5,539,826
Total Assets			**10,573,862**	**47,612**	**7,881,873**	**18,503,347**
Financial liabilities						
Trade and other payables	14	0.00%	-	-	2,656,871	2,656,871
Total Liabilities			**-**	**-**	**2,656,871**	**2,656,871**
Net financial assets			**10,573,862**	**47,612**	**5,225,002**	**15,846,476**

2019						
Financial assets						
Cash and cash equivalents	9	1.00%	2,017,865	-	1,450,012	3,467,877
Deposits	12	2.20%	-	-	14,164	14,164
Receivables	10	5.50%	-	65,578	3,408,083	3,473,660
Total Assets			**2,017,865**	**65,578**	**4,872,259**	**6,955,701**
Financial liabilities						
Trade and other payables	14	0.00%	-	-	2,136,041	2,136,041
Total Liabilities			**-**	**-**	**2,136,041**	**2,136,041**
Net financial assets			**2,017,865**	**65,578**	**2,736,218**	**4,819,660**

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

2020	Carrying amount	+2% interest rate Profit & Loss	-1% interest rate Profit & Loss
Deposits on call	10,573,862	211,477	(105,739)
	10,573,862	211,477	(105,739)
Tax charge of 30%		(63,443)	31,722
Post tax profit increase / (decrease)		148,034	(74,017)

Sensitivity analysis

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

26. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(b) Currency risk

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

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

	2020 US$	2019 US$	2020 SGD	2019 SGD	2020 Euro	2019 Euro
Cash at bank	204,447	53,373	9,334	9,334	5,000	5,000
Trade and other receivables	217,919	385,893	12,500	12,500	-	-
Trade and other payables	(559,163)	(310,420)	-	-	-	-
Net Exposure	(136,797)	128,846	21,834	21,834	5,000	5,000

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

(e) 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.

27. CONTINGENT LIABILITIES

There are no contingent liabilities of the company or the Group other than commitments disclosed in note 22 (2019: NIL)

28. ADDITIONAL COMPANY INFORMATION

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

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

29. SUBSEQUENT EVENTS

There have been no matters or circumstances, which have arisen since 30 June 2020 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2020, of the consolidated entity; or
(b) the results of those operations;
(c) the state of affairs, in the financial years subsequent to 30 June 2020, of the consolidated entity.

30. OPERATING SEGMENTS

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

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

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

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

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received & are eliminated on consolidation.

Major Customer
The Group supplied to one of its major customers, through Australian sales and services segment, (who individually amount to 10% or more of its total revenue) that combined account for 22% of external revenue (2019: One major customer account for 40%).

During the year ended 30 June 2020 the most significant client accounts for approximately 22% (2019: 40%) of the consolidated entity's external revenue through Australian Sales and Services operating segment.

Operating segment information of the consolidated entity

2020	**Australia**	**International**	**Intersegment eliminations**	**Consolidated**
	$	**$**	**$**	**$**
Revenue				
Sales	13,813,583	1,410,585	(555,509)	14,668,659
Other Income	36,508	189	-	36,697
Total Revenue	13,850,091	1,410,774	(555,509)	14,705,356
Expenses				
Cost of goods sold	6,170,158	1,055,670	(555,509)	6,670,319
Operating expenses	6,310,101	774,348	(462,782)	6,621,667
Total Expenses	12,480,259	1,830,018	(1,018,291)	13,291,985
Profit before tax	1,369,832	(419,244)	462,782	1,413,370

2019	**Australia**	**International**	**Intersegment eliminations**	**Consolidated**
	$	**$**	**$**	**$**
Revenue				
Sales	6,305,400	570,832	(24,975)	6,851,257
Other Income	129,515	-	-	129,515
Total Revenue	6,434,915	570,832	(24,975)	6,980,772
Expenses				
Cost of goods sold	4,139,133	289,257	(24,975)	4,403,415
Operating expenses	6,481,944	557,407	(375,266)	6,664,085
Total Expenses	10,621,077	846,664	(400,241)	11,067,500
Loss before tax	(4,186,162)	(275,832)	375,266	(4,086,728)

30. OPERATING SEGMENTS (CONTINUED)

Segment assets and liabilities

	Assets		Liabilities	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Australia	22,570,313	7,538,662	5,064,275	3,802,631
International	1,316,076	860,028	4,156,956	3,184,701
Total	23,886,389	8,398,690	9,221,231	6,987,332
Intersegment elimination	(1,207,468)	(401,146)	(5,850,638)	(4,554,613)
Consolidated	22,678,921	7,997,544	3,370,593	2,432,719

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

	2020	**2019**
	$	**$**
Current Assets	22,163,863	7,375,870
Total Assets	22,646,291	7,538,240
Current Liabilities	2,877,507	1,961,530
Total Liabilities	3,210,697	1,986,073
Issued Capital (net of costs)	62,195,686	50,195,854
Accumulated losses	(44,730,376)	(46,840,555)
Share-based payment reserve	1,970,285	2,196,868
	19,435,595	5,552,166
Net profit (loss) after tax for the period	2,110,178	(3,727,778)
Total comprehensive loss for the period	2,097,491	(3,731,027)
Contractual Obligations / Commitments (Refer Note 22)	-	-

32. NOTES TO CASH FLOW STATEMENTS

(a) Reconciliation of cash

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

	2020	2019
	$	$
Cash at bank and on hand	2,375,477	1,450,012
Deposits on call	10,573,862	2,017,865
	12,949,339	3,467,877

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

	2020	2019
	$	$
Operating profit (loss) after income tax	1,982,941	(3,628,499)
Non cash/non-operating items included in profit and loss		
Depreciation and amortisation	134,378	67,170
Impairment expense	135,781	72,198
Interest on lease liability	20,079	-
Share based payments	145,150	412,287
Changes in assets and liabilities		
Increase in receivables	(2,201,947)	(1,774,973)
Increase in inventory	(2,716,789)	(451,877)
Increase in other assets	(67,599)	(28,565)
Increase in trade creditors	385,675	918,367
Increase in other creditors and accruals	104,383	3,966
Increase / (Decrease) in employee entitlement expense	26,988	(2,793)
Net cash used in operating activities	(2,050,960)	(4,412,720)

DIRECTORS' DECLARATION

In the opinion of the Directors:

1 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;

2 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;

3 the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

4 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 Board of Directors

Maurie Stang
Director

Sydney, 31 August 2020

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 2020, 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 2020 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.

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.

REVENUE RECOGNITION

Why a key audit matter	How our audit addressed the risk
Revenue was identified as a key audit matter as it is considered to be a key performance indicator to the users of the financial report. As disclosed in Note 4 of the financial report, total revenue has increased from $6.85 million for the year ended 30 June 2019 to $14.63 million for the year ended 30 June 2020. **Occurrence** AASB 15 'Revenue from Contracts with Customers' establishes a framework for determining whether, how much and when revenue is recognised. Under AASB 15, revenue is recognised when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying a particular performance obligation is transferred to the customer. For the sale of goods, the performance obligation is for transfer of goods to the customer depending on the terms of shipment. **Cut-off** Sales made at the end of the year and subsequent to the year-end are of higher risk of cut-off error due to strict revenue recognition requirements of the accounting standards (i.e. when customer obtains control of goods and services). The appropriate timing of revenue recognition needs to be considered carefully. A key audit matter is revenue is not materially correct for year ended 30 June 2020.	Our procedures included, amongst others: **General procedures** ► Assessed the Group's revenue recognition accounting policies for compliance with the requirements of the Australian Accounting Standards. We reviewed these policies to determine whether they have been consistently and appropriately applied. ► Performed walkthroughs around the revenue recognition process and tested controls where appropriate. **Occurrence** ► Performed analytical procedures on revenue transactions recorded during the period by comparing the current year revenue with the prior year. We also compared gross margins and sales product mix with prior year and obtained explanations from the management for significant variations. ► Tested a sample of sales from the general ledger to the supporting documents such as invoice, purchase order from customer, proof of delivery and receipts. ► Assessed whether any sales transactions represent goods shipped on consignment and, if so, whether the appropriate adjustments have been made to reverse these transactions.

	Cut-off ► Tested sales cut-off by selecting sales made around 30 June 2020 and agreeing it to the invoice, purchase order, proof of delivery and other shipping documents. ► Reviewed the terms of shipping and tested that the customer has obtained the control of goods or services and the sales are recorded within the correct period. **Other procedures** ► Reviewed the general journals for any unusual transaction to the revenue accounts. ► Reviewed sales return/credit notes after year end to test revenue is recorded in the correct year.

RECOVERABILITY OF TRADE RECEIVABLES

Why a key audit matter	How our audit addressed the risk
As disclosed in Note 10 of the financial report, the Group recorded a trade receivable balance of $5.14m as at 30 June 2020. The trade receivables balance as at 30 June 2020 has increased on account of an increase in the sales in FY2020. The receivables balance as at 30 June 2020 has increased from $4.26 million as at 30 June 2019 to $5.14 million as at 30 June 2020. Valuation of trade receivables is a key audit matter in the audit due to the size of the trade receivable balance and the high level of management judgement used in determining the expected credit loss provision.	Our procedures included, amongst others: ► Reviewed 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 2020, 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 8 to 13 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Aeris Environmental Ltd, for the year ended 30 June 2020, 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
31 August 2020

UHY Haines Norton
Chartered Accountants