

**Appendix 4E****Preliminary final report for the financial year ended 30 June 2022**

Name of entity

**AERIS ENVIRONMENTAL LTD** ABN: 19 093 977 336**Reporting period:** 30 June 2022**Previous period:** 30 June 2021**Results for announcement to the market**

				\$A'000
Revenues from ordinary activities	down	61.74%	to	2,806,835
Profit from ordinary activities after tax attributable to	up	21.53%	to	(7,130,427)
Profit for the period attributable to owners of Aeris Environmental Ltd	up	21.53%	to	(7,130,427)

Dividends (distributions)	Amount per security	Franked amount per security
	Final dividend	Nil ¢
Previous corresponding period	Nil ¢	Nil ¢

**Brief explanation of the above**

The Group has recorded an operating loss (after tax) of \$7,130,427 for the year ended 30 June 2022 (2021 Loss: \$5,867,178) and has net assets of \$6,592,865 as at 30 June 2022 (2021: \$13,471,368). The cash burn rate for the financial year ended 30 June 2022 was \$6,239,777 (2021: \$1,373,297). The cash balance as at 30 June 2022 was \$5,303,142 (2021: \$11,485,616).

This Appendix 4E should be read in conjunction with the Half Year Financial Report of the Group as at 31 December 2021. It is also recommended that the Appendix 4E be considered together with any public announcements made by the Group since commencement of the 2021-22 financial year in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

**NTA backing**

	30-Jun-22 cents	30-Jun-21 cents
Net tangible asset backing per ordinary share	2.70	5.52

**Events occurring after Balance Date**

No matter or circumstance has arisen since 30 June 2022, apart from Note 31 of the unaudited Preliminary Final Report, that has significantly affected or may significantly affect the consolidated entity's operations, the results of these operations, or the consolidated entity's state of affairs in future financial years.

**Details of entities over which control has been gained or lost during the period**

Not Applicable

**Foreign Entities details**

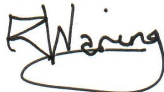
Not Applicable

**Dividends**

No dividends were paid or proposed during the financial year.

**Audit or Review details**

This Report is based on accounts which are in process of being audited.

Sign here:  
(Director/Company Secretary)

Date: **31 August 2022**Print name: **Robert J Waring**

**Aeris Environmental Ltd**

**ABN 19 093 977 336**

**Preliminary Final Report - 30 June 2022**

## **2022 Preliminary Final Report: Review of Operations**

As the Company transitions to meet the market demands of the Covid endemic, it is evolving its traditional core business competencies to directly serve the growing Environmental Social and Governance (ESG) requirements of customers.

The financial year ending 30th June 2021 witnessed depressed demand for pandemic related products such as hand sanitiser, with Aeris experiencing falling demand for some of its leading products and bloated inventories. Whilst these products provided a significant revenue stream during pandemic times, this is clearly a commoditized market segment and not a core focus moving forward. The learnings and the opportunities derived from the peak of the pandemic are now leveraging what we believe is an attractive and sustainable business model focused on the Environmental Social and Governance (ESG) value levers of environmental hygiene and energy efficiency.

The tail end of the financial year was dedicated to clarifying the forward focus of the Company, addressing resource allocation opportunities, and moving swiftly to enact the ensuing change program. We see real opportunities in serving the global needs of energy usage reduction and safety of indoor environments, with the Aeris product platform having substantial and significant advantages in delivering a clear and cost-effective solution. Updating and improving our business focus to prepare for scaling up and expanding its product reach was a top priority for the Company over the last quarter of the financial year.

Our essential value proposition is making built environments safer through measurable improved air quality, hard surface residual disinfection, and significantly more energy efficient through optimizing the performance and lifespan of our current assets. This value proposition directly addresses customers' needs to improve performances on Environmental, Social and Governance (ESG) metrics.

### **Finance**

Annual revenue for the 2021-22 financial year was \$2,678,133 (2021: \$7,130,684). The Company made a loss before income tax of \$7,423,212 compared to a loss of \$5,985,414 in the prior year. The loss primarily results from the problems associated with servicing markets during the pandemic and the commoditization of pandemic related products, such as hand sanitiser and cleaning products. Gross margins were steady at 45% (improved from 39% in the June 2020-21 year), reflecting the proportional revenue shift away from lower margin products.

The Company's cash receipts from customers for the year were \$3,470,877 compared to the previous year of \$11,367,172. As 30 June 2022 Aeris has net assets of \$6,592,865 compared to \$13,471,368 on 30 June 2021. Cash at 30 June 2022 was \$5,303,142 compared to \$11,485,616 at 30 June 2021. The net cash used in operating activities increased by \$4,835,868. Balance sheet movements included a decrease in trade debtors of \$392,773.

### **HVAC&R**

Aeris is focused on escalating the adoption and distribution of its heating, ventilation, air-conditioning, and refrigeration (HVAC&R) product range which delivers lower energy consumption, improved air quality and a lighter carbon footprint. The human and environmental safety profile of this product range, compared to incumbents, offers an improved corporate responsibility position for customers. This core technology is the foundation for our ability to improve customers' ESG performance and represents a key growth driver for Aeris.

During the last quarter of the financial year, Aeris commenced a focused effort on revitalizing its HVAC&R product range with a view to updating and improving the body of evidence for how these products affect energy efficiency and air purity. This work has generated interest from key clients who are eager to participate in case studies, with a view to generating annuity revenue on an ongoing basis.

### **Environmental Hygiene**

Aeris Defence achieved a novel level of approval from the Australian Government Therapeutic Goods Administration (TGA), endorsing the claim of residual kill protection against COVID-19 for 24 hours. This is our flagship hard surface disinfectant, applicable across the full spectrum of hard surfaces, from high risk e.g., aged care facilities to social environments. The upgraded TGA approval provides an important differentiator from competitors' products and the upgraded formulation, driven by market research, positions the product well for solid sales growth in the coming year. The Aeris Defence value proposition of "protects between cleans" has resonated with target markets and is supported by Aeris' range of disinfectant products, such as our hard surface disinfecting biodegradable paper rolls.

A new product "Mould Pro" was launched late in the financial year, specifically targeting this topical issue in the domestic market. It is clear that throughout the equatorial regions of the world, mould and mildew are a pervasive problem. The triple actions of Mould Pro of killing, cleaning, and preventing regrowth of mould all position it well to build as a strong brand over

**Aeris Environmental Ltd**  
**Review of Operations**  
**30 June 2022**

time. Aeris now has a complete system of managing mould, suitable for all customers from professional remediators through to spot cleans and prevention.

### **Specialty Products and Services**

Aeris' advisory service enjoyed a busy year, with several consulting projects completed for customers requesting water damage and mould remediation assessments. Our scientists in this team conducted pivotal training for government staff, leading to accreditation as official consultants for the Queensland Government. Regular work is now underway for the Queensland Health Department. This technical support is a key plank for the overall Aeris value proposition, with our program results in energy efficiency and clean air quality being backed by robust data and industry leading methods.

Our Corrosion Protection product range saw early but strong interest from several new Original Equipment Manufacturers (OEMs), with trials currently underway at two USA-based air conditioning coil manufacturers. Although a long sales cycle, these OEMs offer a very worthwhile recurring revenue stream over time. The Company is investing in further research and development on this product range in order to expand the application use cases and thereby broaden the market.

### **International**

Aeris has identified substantial opportunities in several international markets, with a focus on the USA and China. In the USA, the 2021-22 financial year witnessed resource changes in the organisations structure, reducing operational costs and putting in place a leaner and more scalable model. After some turbulent revenue years, we have now secured a key representative, who was instrumental in prior customer success, to rebuild the traditional customer base and develop new opportunities. As the global environment continues to favour sovereign self-sufficiency, the US manufacturing partners are a factor in the Company's distribution strategy for the US market. Two contract manufacturing partners are in place, with multiple products being evaluated for domestic production. Recently our AerisGuard Surface Treatment achieved an upgraded EPA approval to now endorse a claim of SARS-CoV-2 efficacy.

The Company's plans to develop a stable path to market in China have progressed, with market mapping of channels covering wholesaler packaging and distribution, provincial distribution channels, a third-party ecommerce partnership, and direct registration and marketing activities. China's central government has affirmed its zero COVID policy pledge which bodes well for both our HVAC&R and Environmental Hygiene platform offerings. Weathering the global macroeconomic storm, it remains a positive outlook for this market based on the central government stance on Covid and the exclusive claims within the Aeris product range.

The Middle East and Europe continue to hold promise as developing markets for Aeris products, although disrupted supply chains were a handbrake to developing channel partners during the financial year. As trading conditions stabilize the core products can be developed with registrations and new distribution partners.

### **Australia**

The financial year saw domestic revenues collapse, largely driven by the large fall in demand for sanitization products as lockdowns and social controls eased, combined with the dual impacts of oversupply and decreased demand on pricing levels. Whilst the pandemic offered short term revenue from sales of hand sanitiser, attention was diverted from investment in building the core business of HVAC&R.

Refreshing the product focus, updating branding to match customer needs, and upgrading key product formulations were all highly valuable activities in the financial year and good investments for the coming year. In addition, we have implemented new distribution policies aimed directly at a better engagement with our distribution channels both locally and internationally. These new programs are based on an elevated sense of long-term partnerships and value propositions that will underpin sustainable relationships.

The Australian market presents both challenges and opportunities evident from the global supply chain risks, and positive steps were made to ensure domestic production is secured and stable. The volatile and high freight rates for import and export are driving advantages in local manufacturing, and significant effort was devoted to improving the demand and supply forecasting efficiency.

Looking forward, the Australian market offers an opportunity to "bolt on" additional products and services in our target verticals to improve customer engagement, increase profits, and support our target goal to be the market leader in environmental hygiene and energy efficiency products and services. Market feedback, particularly from enterprise level customers, has provided a clear and attractive path for our future investment and development.

### **Environmental, Social and Governance (ESG)**

Aeris is focused on its ability to deliver ESG benefits to customers, and further develop its capabilities in this area. Our core product range delivers environmental benefits of reduced carbon footprints through direct energy usage reductions, cleaner air and surfaces free from harmful pathogens, and more environmentally friendly products which have safer use profiles than competitive products. The social benefits of our programs assist to fulfill the duty of care for occupants of built environments and could potentially contribute to lower absenteeism and rates of illness due to airborne viruses, moulds and bacteria. The compliance advantages of Aeris' programs include greater assurance on meeting OH&S and WH&S requirements, as well as increasingly stringent EPA requirements. Overall, the Aeris value proposition is one that has a high impact on ESG related metrics and needs, and hence is a sharp focus for the Company moving forward.

### **Outlook**

The 2021-22 financial year witnessed highly challenging market conditions, with global supply chain disruptions and pandemic related demand changes negatively affecting the Company. A pivotal change program is underway to refresh and refocus the strategy on market opportunities that are available, commercially interesting, and scalable both in domestic and international markets. Resource deployment and go to market strategies are being aligned with these goals, driven by customer needs. The Company continues to be net debt free.

Despite experiencing a challenging year, the Company has responded to the changing environment by defining a clear strategic vision for its products to capitalize on an opportunity for long term growth and building shareholder value. Whilst market conditions are likely to demonstrate ongoing volatility it is becoming evident that investments are and will continue to be made in protecting occupants in the built environment and lowering carbon footprints through energy efficiency and improved processes. This is Aeris' market focus and will continue to evolve to meet the needs of our customers in achieving these important goals.

**Aeris Environmental Ltd**  
**Preliminary Final Report - Contents**  
**30 June 2022**

Statement of profit or loss and other comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9

**General information**

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

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

5/26-34 Dunning Avenue  
ROSEBERY  
NSW 2018

**Aeris Environmental Ltd**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2022**

	Note	Consolidated 2022 \$	2021 \$
<b>Revenue</b> (including other revenue)	4	2,806,835	7,336,311
<b>Expenses</b>			
Cost of sales		(1,472,176)	(4,375,528)
Research and development and patent expense		(636,100)	(812,429)
Employee benefits expense	5	(2,568,260)	(3,148,284)
Depreciation and amortisation expense	5	(99,851)	(132,552)
Impairment of assets		(1,594,891)	(1,462,697)
Finance costs	5	(12,457)	(56,409)
Distribution		(571,255)	(528,559)
Sales, Marketing and Travel expenses		(699,275)	(616,352)
Occupancy		(432,498)	(313,894)
Administration		(2,143,284)	(1,875,021)
<b>Loss before income tax benefit</b>		(7,423,212)	(5,985,414)
Income tax benefit	6	292,785	118,236
<b>Loss after income tax benefit for the year attributable to the owners of Aeris Environmental Ltd</b>	20	(7,130,427)	(5,867,178)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		57,301	(90,774)
Other comprehensive income for the year, net of tax		57,301	(90,774)
<b>Total comprehensive income for the year attributable to the owners of Aeris Environmental Ltd</b>		<u>(7,073,126)</u>	<u>(5,957,952)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	23	(2.92)	(2.41)
Diluted earnings per share	23	(2.90)	(2.41)

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

**Aeris Environmental Ltd**  
**Statement of financial position**  
**As at 30 June 2022**

	Note	Consolidated 2022 \$	2021 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	5,303,142	11,485,616
Trade and other receivables	8	1,092,236	1,485,009
Inventories	9	1,262,798	2,811,899
Other	10	310,401	367,022
Total current assets		<u>7,968,577</u>	<u>16,149,546</u>
<b>Non-current assets</b>			
Property, plant and equipment	11	109,255	106,017
Right-of-use assets	12	-	295,036
Total non-current assets		<u>109,255</u>	<u>401,053</u>
<b>Total assets</b>		<u>8,077,832</u>	<u>16,550,599</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	1,392,486	2,337,691
Lease liabilities	14	-	91,225
Provisions	15	92,481	388,669
Total current liabilities		<u>1,484,967</u>	<u>2,817,585</u>
<b>Non-current liabilities</b>			
Lease liabilities	16	-	227,113
Provisions	17	-	34,533
Total non-current liabilities		<u>-</u>	<u>261,646</u>
<b>Total liabilities</b>		<u>1,484,967</u>	<u>3,079,231</u>
<b>Net assets</b>		<u>6,592,865</u>	<u>13,471,368</u>
<b>Equity</b>			
Issued capital	18	62,520,726	62,430,276
Reserves	19	1,861,906	1,700,432
Accumulated losses	20	(57,793,452)	(50,663,025)
Equity attributable to the owners of Aeris Environmental Ltd		<u>6,589,180</u>	<u>13,467,683</u>
Non-controlling interest	21	3,685	3,685
<b>Total equity</b>		<u>6,592,865</u>	<u>13,471,368</u>

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



**Aeris Environmental Ltd**  
**Statement of changes in equity**  
**For the year ended 30 June 2022**

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Retained profits</b> <b>\$</b>	<b>Non-controlling interest</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2020	62,195,687	1,904,803	(44,795,847)	3,685	19,308,328
Loss after income tax benefit for the year	-	-	(5,867,178)	-	(5,867,178)
Other comprehensive income for the year, net of tax	-	(90,774)	-	-	(90,774)
Total comprehensive income for the year	-	(90,774)	(5,867,178)	-	(5,957,952)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued against exercise of options and rights	145,589	-	-	-	145,589
Shares issued to consultants	89,000	-	-	-	89,000
Movement in share-based payments reserve	-	(113,597)	-	-	(113,597)
Balance at 30 June 2021	<u>62,430,276</u>	<u>1,700,432</u>	<u>(50,663,025)</u>	<u>3,685</u>	<u>13,471,368</u>
<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Retained profits</b> <b>\$</b>	<b>Non-controlling interest</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2021	62,430,276	1,700,432	(50,663,025)	3,685	13,471,368
Loss after income tax benefit for the year	-	-	(7,130,427)	-	(7,130,427)
Other comprehensive income for the year, net of tax	-	57,301	-	-	57,301
Total comprehensive income for the year	-	57,301	(7,130,427)	-	(7,073,126)
Shares issued	90,450	-	-	-	90,450
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 24)	-	104,173	-	-	104,173
Balance at 30 June 2022	<u>62,520,726</u>	<u>1,861,906</u>	<u>(57,793,452)</u>	<u>3,685</u>	<u>6,592,865</u>

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

**Aeris Environmental Ltd**  
**Statement of cash flows**  
**For the year ended 30 June 2022**

	Note	Consolidated 2022 \$	2021 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		3,470,877	11,367,172
Payments to suppliers (inclusive of GST)		(9,574,226)	(13,484,135)
R&D tax offset rebate received		-	687,807
		(6,103,349)	(1,429,156)
Interest received		-	24,465
Government grants		-	181,162
Interest and other finance costs paid		(12,457)	(56,409)
Net cash used in operating activities	32	(6,115,806)	(1,279,938)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	11	(62,501)	(93,359)
Net cash used in investing activities		(62,501)	(93,359)
<b>Cash flows from financing activities</b>			
Changes in reserves		(61,470)	-
Net cash used in financing activities		(61,470)	-
Net decrease in cash and cash equivalents		(6,239,777)	(1,373,297)
Cash and cash equivalents at the beginning of the financial year		11,485,616	12,949,339
Effects of exchange rate changes on cash and cash equivalents		57,303	(90,426)
Cash and cash equivalents at the end of the financial year	7	<u>5,303,142</u>	<u>11,485,616</u>

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

## **Note 1. Significant accounting policies**

### **Corporate information**

The financial report of Aeris Environmental Ltd (the Group) for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the Directors on 19 August 2022.

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

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

### **New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

#### *Conceptual Framework for Financial Reporting (Conceptual Framework)*

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2021. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

### **Statement of compliance**

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

### **Going concern**

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group earned annual revenue for the financial year ended 30 June 2022 of \$2,678,133 (2021: \$7,130,684) and made a loss before income tax of \$7,423,212 (2021: \$5,985,414). The Group's cash outflow for the financial year ended 30 June 2022 was \$6,239,777 (2021: \$1,373,297). Cash at 30 June 2022 was \$5,303,142 compared to \$11,485,616 at 30 June 2021.

The loss before income tax and cash outflow for the financial year ended 30 June 2022, and the cash as at 30 June 2022 prima facie give rise to a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern. Therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated in the financial report.

However, the Directors believe the Company will be able to continue as a going concern, subject to the successful implementation of the following mitigating factors in relation to material uncertainty:

- Significant fixed and variable cost reductions were executed in July 2022, with the resulting substantial lowering of the long-term cost structures achieved. This will lead to a significant reduction in the net cash flow outflows for the year ending 30 June 2023.
- The sales outlook for the Company is markedly improved from previous year, with a conservative sales budget still yielding significant growth. Several new products are slated to be introduced.
- Our forecast budget for the year ending 30 June 2023 has a cash outflow of an amount that is less than the current cash balance in the bank, therefore we believe the above will lead to a significant reduction in the net operating cash outflow.
- July 2022 saw the budget being largely achieved from a net loss perspective (99% achieved), demonstrating the reasonable and achievable nature of the budget.

**Note 1. Significant accounting policies (continued)**

Accordingly, this financial report has been prepared on a going concern basis. Therefore, no adjustments have been made to the financial report relating to the recoverability and classification of the carrying amounts of assets or the amounts and classifications of liabilities that might be necessary should the Company not continue as a going concern.

**Basis of preparation**

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

*Historical cost convention*

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

*Critical accounting estimates*

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

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Aeris Environmental Ltd ('company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Aeris Environmental Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

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.

**Note 1. Significant accounting policies (continued)**

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

**Significant accounting policies**

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

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

**Foreign currency translation**

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

*Foreign currency transactions*

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

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

*Group companies*

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

- Assets and liabilities for each 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.

**Revenue recognition**

The consolidated entity recognises revenue as follows:

*Sale of goods and disposal of assets*

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

*Revenue from services*

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

**Note 1. Significant accounting policies (continued)**

*Government grants*

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

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

*Interest income*

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

*Other income*

Other income is recognised as it is earned.

**Income tax**

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

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

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

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

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

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

**Current and non-current classification**

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

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

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

**Note 1. Significant accounting policies (continued)**

**Cash and cash equivalents**

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

**Trade and other receivables**

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

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

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

**Inventories**

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

**Financial assets**

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

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

*Financial assets at fair value through profit or loss*

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

*Available-for-sale financial assets*

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

**Financial instruments issued by the company**

*Debt and equity instruments*

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

*Interest*

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

**Depreciation**

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

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

**Note 1. Significant accounting policies (continued)**

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

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

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

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

**Research and development**

Research and development 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.

**Right-of-use assets**

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

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

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

**Financial liabilities**

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

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.

**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.



**Note 1. Significant accounting policies (continued)**

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

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

**Trade and other payables**

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

**Lease liabilities**

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

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

**Borrowings and convertible notes**

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

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

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

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

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

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

**Provisions**

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

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

**Note 1. Significant accounting policies (continued)**

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

**Employee benefits**

*Short-term employee benefits*

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

*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 measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Defined contribution superannuation expense*

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

*Share-based payment*

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

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

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

**Fair value measurement**

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

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

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

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

**Note 1. Significant accounting policies (continued)**

**Recoverable amount of non-current assets**

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

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

**Share capital**

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

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

**Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

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

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

**Comparative amounts**

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

**Earnings per share**

*Basic earnings per share*

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

*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.

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

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

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

**Note 1. Significant accounting policies (continued)**

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

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

**Note 2. Critical accounting judgements, estimates and assumptions**

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:

*Share-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

*Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 8, is calculated based on in-depth evaluation of customers expected to incur future credit losses. The actual credit losses in future years may be higher or lower.

*Provision for impairment of inventories*

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

*Estimation of useful lives of assets*

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

**Note 2. Critical accounting judgements, estimates and assumptions (continued)**

*Fair value of financial instruments*

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

*Recovery of deferred tax assets*

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

*Lease term*

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

*Employee benefits provision*

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

**Note 3. Operating segments**

*Identification of reportable operating segments*

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

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

The CODM reviews revenue, COGS, operating expenses, profit before tax, assets & liabilities for the following segments:

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

*Intersegment transactions*

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

*Intersegment receivables, payables and loans*

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

*Major customer*

During the year ended 30 June 2022 the most significant client accounts for approximately 16% (2021: 33%) of the consolidated entity's external revenue through Australian Sales and Services operating segment. There were no other customers who individually amounted to 10% or more of the total revenue during 2022 and 2021.

*Operating segment information of the consolidated entity*

**Aeris Environmental Ltd**  
**Notes to the financial statements**  
**30 June 2022**

**Note 3. Operating segments (continued)**

	Australia	International	Intersegment eliminations	Consolidated
<b>2022</b>				
Revenue				
Sales	2,558,827	188,778	(69,472)	2,678,133
Other income	117,639	11,063	-	128,702
Total Revenue	<u>2,676,466</u>	<u>199,841</u>	<u>(69,472)</u>	<u>2,806,835</u>
Expenses				
Cost of goods sold	(1,362,654)	(179,020)	69,498	(1,472,176)
Operating expenses	(8,052,646)	(962,112)	578,886	(8,435,872)
Total Expenses	<u>(9,415,300)</u>	<u>(1,141,132)</u>	<u>648,384</u>	<u>(9,908,048)</u>
Profit (Loss) before tax	<u>(6,738,834)</u>	<u>(941,291)</u>	<u>578,912</u>	<u>(7,101,213)</u>

	Australia	International	Intersegment eliminations	Consolidated
<b>2021</b>				
Revenue				
Sales	6,292,080	956,848	(118,244)	7,130,684
Other income	205,625	2	-	205,627
Total Revenue	<u>6,497,705</u>	<u>956,850</u>	<u>(118,244)</u>	<u>7,336,311</u>
Expenses				
Cost of goods sold	(3,795,309)	(698,463)	118,244	(4,375,528)
Operating expenses	(8,619,182)	(841,905)	514,890	(8,946,197)
Total Expenses	<u>(12,414,491)</u>	<u>(1,540,368)</u>	<u>633,134</u>	<u>(13,321,725)</u>
Profit (Loss) before tax	<u>(5,916,786)</u>	<u>(583,518)</u>	<u>514,890</u>	<u>(5,985,414)</u>

*Segment assets and liabilities*

	Assets 2022	Assets 2021	Liabilities 2022	Liabilities 2021
Australia	8,619,293	16,548,826	1,193,509	4,777,701
International	872,878	964,955	1,029,556	4,083,079
Total	<u>9,492,171</u>	<u>17,513,781</u>	<u>2,223,065</u>	<u>8,860,780</u>
Intersegment elimination	<u>(1,531,826)</u>	<u>(963,181)</u>	<u>(950,400)</u>	<u>(5,781,548)</u>
Consolidated	<u>7,960,345</u>	<u>16,550,600</u>	<u>1,272,665</u>	<u>3,079,232</u>

*Disaggregation of revenue from contracts with customers*

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

**Aeris Environmental Ltd**  
**Notes to the financial statements**  
**30 June 2022**

**Note 3. Operating segments (continued)**

	Australia 2022	Australia 2021	International 2022	International 2021
Segment revenue	2,676,466	6,292,080	188,778	956,848
Intersegment elimination	(69,472)	(118,244)	-	-
Revenue from external customers	<u>2,606,994</u>	<u>6,173,836</u>	<u>188,778</u>	<u>956,848</u>
Timing of revenue recognition				
At a point in time	1,933,470	5,097,304	188,778	956,848
Over time	673,524	1,076,532	-	-
	<u>2,606,994</u>	<u>6,173,836</u>	<u>188,778</u>	<u>956,848</u>

**Note 4. Revenue**

	Consolidated 2022 \$	Consolidated 2021 \$
<i>Revenue from contracts with customers</i>		
Revenue from sales	2,640,073	7,078,148
Revenue from services	38,060	52,536
	<u>2,678,133</u>	<u>7,130,684</u>
<i>Other revenue</i>		
Government grants	124,257	200,040
Financial income	4,445	5,587
	<u>128,702</u>	<u>205,627</u>
Revenue (including other revenue)	<u><u>2,806,835</u></u>	<u><u>7,336,311</u></u>

**Note 5. Expenses**

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

**Aeris Environmental Ltd**  
**Notes to the financial statements**  
**30 June 2022**

**Note 5. Expenses (continued)**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	979	6,332
Plant and equipment	98,872	126,219
	<u>99,851</u>	<u>132,551</u>
Total depreciation		
<i>Employment benefit expenses</i>		
Base salary and fees	2,120,948	2,722,895
Superannuation & statutory costs	352,751	317,050
Share based payment	64,381	24,492
Other employment expenses	30,180	83,847
	<u>2,568,260</u>	<u>3,148,284</u>
Total employment benefit expenses		
<i>Finance costs</i>		
Interest, bank fees and other financial expenses	12,457	56,409
	<u>12,457</u>	<u>56,409</u>
<i>Other expenses</i>		
Impairment (recovery) of receivables	229,891	271,697
Impairment of inventory	1,365,000	1,191,000
Rental & occupancy expenses	432,498	313,894
Research and development and patent expenses	636,100	812,429
	<u>636,100</u>	<u>812,429</u>

**Note 6. 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:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Income tax benefit</i>		
Current tax	(292,785)	(118,236)
	<u>(292,785)</u>	<u>(118,236)</u>
Aggregate income tax benefit		
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(7,423,212)	(5,985,414)
Tax at the statutory tax rate of 25% (2021: 26%)	(1,855,803)	(1,556,208)
Temporary differences and tax losses not recognised:		
Non-deductible expenses	1,561,907	1,416,394
Share-based payments	1,111	21,578
	<u>1,563,018</u>	<u>1,437,972</u>
Income tax benefit	<u>(292,785)</u>	<u>(118,236)</u>

*Deferred tax balances not recognised*

Calculated at 25% (2021: 26%) of not brought to account assets or liabilities:



**Note 6. Income tax benefit (continued)**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Deferred tax assets not recognised		
<i>Tax losses</i>		
Revenue tax losses available for offset against future taxable income	7,601,474	6,728,307
<i>Deferred tax assets not recognised comprises temporary differences attributable to:</i>		
Allowance for expected credit losses	53,589	90,000
Provision for inventory impairment	639,000	297,750
Provision for employee entitlements	40,260	105,800
Difference between book and tax values of fixed assets	-	17,160
Accrued expenses	10,270	7,500
Future lease obligations	-	5,826
	<u>743,119</u>	<u>524,036</u>
	<u>8,344,593</u>	<u>7,252,343</u>

*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.

**Note 7. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	269,737	906,653
Cash on deposit	5,033,405	10,578,963
	<u>5,303,142</u>	<u>11,485,616</u>

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

**Aeris Environmental Ltd**  
**Notes to the financial statements**  
**30 June 2022**

**Note 8. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	1,013,805	1,845,009
Less: Allowance for expected credit losses	<u>(214,354)</u>	<u>(360,000)</u>
	799,451	1,485,009
R&D tax offset rebate receivable	<u>292,785</u>	<u>-</u>
	<u><u>1,092,236</u></u>	<u><u>1,485,009</u></u>

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

*Allowance for expected credit losses*

For the 2022 and 2021 financial years, the Group has undertaken an in-depth evaluation of each individual customer which the entity considers to have a risk of incurring credit losses.

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

<b>Consolidated</b>	<b>Expected credit loss rate</b>		<b>Carrying amount</b>		<b>Allowance for expected credit losses</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>%</b>	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current < 60 days	-	-	324,829	598,051	-	-
Past due > 60 days	-	-	148,855	118,930	-	-
Past due > 90 days	39.68629%	31.91410%	<u>540,121</u>	<u>1,128,028</u>	<u>214,354</u>	<u>360,000</u>
			<u><u>1,013,805</u></u>	<u><u>1,845,009</u></u>	<u><u>214,354</u></u>	<u><u>360,000</u></u>

Movements in the allowance for expected credit losses are as follows:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Opening balance	360,000	170,000
Additional provisions recognised	50,000	190,000
Unused amounts reversed	<u>(195,646)</u>	<u>-</u>
Closing balance	<u><u>214,354</u></u>	<u><u>360,000</u></u>

**Note 9. Current assets - inventories**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Inventories - at cost	3,818,798	4,002,899
Less: Provision for impairment	<u>(2,556,000)</u>	<u>(1,191,000)</u>
	<u><u>1,262,798</u></u>	<u><u>2,811,899</u></u>

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

**Aeris Environmental Ltd**  
**Notes to the financial statements**  
**30 June 2022**

**Note 10. Current assets - other**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Prepayments	288,402	351,751
Deposits, bonds and other receivables	21,999	15,271
	<u>310,401</u>	<u>367,022</u>

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

**Note 11. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Leasehold improvements - at cost	130,228	130,228
Less: Accumulated depreciation	(130,228)	(129,247)
	<u>-</u>	<u>981</u>
Plant and equipment under lease	187,474	187,474
Less: Accumulated depreciation	(162,801)	(137,336)
	<u>24,673</u>	<u>50,138</u>
Computer equipment - at cost	332,139	317,577
Less: Accumulated depreciation	(307,027)	(287,252)
	<u>25,112</u>	<u>30,325</u>
Office equipment - at cost	148,849	147,600
Less: Accumulated depreciation	(142,498)	(137,738)
	<u>6,351</u>	<u>9,862</u>
Field equipment - at cost	51,647	51,647
Less: Accumulated depreciation	(51,647)	(51,647)
	<u>-</u>	<u>-</u>
R & D equipment - at cost	40,773	40,773
Less: Accumulated depreciation	(32,367)	(26,062)
	<u>8,406</u>	<u>14,711</u>
Software - at cost	50,762	2,817
Less: Accumulated depreciation	(6,049)	(2,817)
	<u>44,713</u>	<u>-</u>
	<u>109,255</u>	<u>106,017</u>

**Aeris Environmental Ltd**  
**Notes to the financial statements**  
**30 June 2022**

**Note 11. Non-current assets - property, plant and equipment (continued)**

*Reconciliations*

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

<b>Consolidated</b>	Computer equipment \$	Leasehold improvements \$	Office furniture \$	Plant and equipment \$	R&D equipment \$	Software \$	Total \$
Balance at 1 July 2020	30,822	7,313	10,814	16,410	-	-	65,359
Additions	24,109	-	3,462	50,026	15,762	-	93,359
Exchange differences	(614)	-	-	-	-	-	(614)
Depreciation expense	(18,966)	(6,332)	(9,438)	(16,300)	(1,051)	-	(52,087)
Balance at 30 June 2021	35,351	981	4,838	50,136	14,711	-	106,017
Additions	15,808	-	-	73	-	47,945	63,826
Depreciation expense	(22,500)	(981)	(2,032)	(25,465)	(6,305)	(3,305)	(60,588)
Balance at 30 June 2022	<u>28,659</u>	<u>-</u>	<u>2,806</u>	<u>24,744</u>	<u>8,406</u>	<u>44,640</u>	<u>109,255</u>

**Note 12. Non-current assets - right-of-use assets**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Land and buildings - right-of-use	-	455,965
Less: Accumulated depreciation	-	(160,929)
	<u>-</u>	<u>295,036</u>

*Reconciliations*

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

<b>Consolidated</b>	Right-of-use asset \$	Total \$
Balance at 1 July 2020	375,501	375,501
Depreciation expense	(80,465)	(80,465)
Balance at 30 June 2021	295,036	295,036
Disposals	(255,773)	(255,773)
Depreciation expense	(39,263)	(39,263)
Balance at 30 June 2022	<u>-</u>	<u>-</u>

**Note 13. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Trade payables	524,578	1,592,014
GST and PAYG payable	35,287	(10,180)
Other payables	832,621	755,857
	<u>1,392,486</u>	<u>2,337,691</u>

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

**Note 14. Current liabilities - lease liabilities**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Lease liability	-	91,225
	<u>-</u>	<u>91,225</u>

**Note 15. Current liabilities - provisions**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Annual leave	92,481	354,645
Long service leave	-	34,024
	<u>92,481</u>	<u>388,669</u>

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

**Note 16. Non-current liabilities - lease liabilities**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Lease liability	-	227,113
	<u>-</u>	<u>227,113</u>

*Particulars relating to lease liabilities*

The lease liabilities related to office space leased in Brisbane. The Group follows AASB 16 for accounting for leases and resulting assets are disclosed as "Right-of-use Asset" in note 12. Current lease liability is disclosed in note 14.

	2022	2021
	\$	\$
The financial statements shows the following amounts relating to leases:		
Depreciation	39,263	80,465
Interest expense (included in finance cost)	10,160	16,850
Value of Right-of-Use asset included in property, plant and equipment	-	295,036
Expense relating to short-term leases (included in occupancy expenses)	39,263	63,197
	<u>88,686</u>	<u>455,548</u>
Total cash flows for leases	<u>88,686</u>	<u>455,548</u>

**Note 17. Non-current liabilities - provisions**

	<b>Consolidated</b>	<b>2021</b>
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Long service leave	-	<u>34,533</u>

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

**Note 18. Equity - issued capital**

	<b>2022</b>	<b>2021</b>	<b>Consolidated</b>	<b>2021</b>
	<b>Shares</b>	<b>Shares</b>	<b>2022</b>	<b>2021</b>
			<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>244,376,020</u>	<u>243,827,837</u>	<u>62,520,726</u>	<u>62,430,276</u>

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

*Movements in ordinary share capital of Aeris Environmental Ltd*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 July 2020	242,545,479		62,195,687
Shares issued to Directors towards repayment of their loan		-	\$0	-
Shares issued to KMP		-	\$0	-
Share placement - Strategic investors		-	\$0	-
Share Placement Plan		-	\$0	-
Shares issued on exercise of options		882,358	\$0	145,589
Shares issued to consultants and advisors		<u>400,000</u>	\$0	<u>89,000</u>
Balance	30 June 2021	243,827,837		62,430,276
Shares issued to Directors towards repayment of their loan		-	\$0	-
Shares issued to KMP		-	\$0	-
Share placement - Strategic investors		-	\$0	-
Share Placement Plan		-	\$0	-
Shares issued on conversion of performance rights		441,179	\$0	37,500
Shares issued on conversion of performance rights		<u>107,004</u>	\$0	<u>52,950</u>
Balance	30 June 2022	<u>244,376,020</u>		<u>62,520,726</u>

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

*Share buy-back*

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

**Aeris Environmental Ltd**  
**Notes to the financial statements**  
**30 June 2022**

**Note 19. Equity - reserves**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Foreign currency reserve	(98,955)	(156,257)
Share-based payments reserve	1,960,861	1,856,689
	<u>1,861,906</u>	<u>1,700,432</u>

*Movements in reserves*

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

<b>Consolidated</b>	<b>Foreign currency translation reserve \$</b>	<b>Share based payments reserve \$</b>	<b>Total \$</b>
Balance at 1 July 2020	(65,483)	1,970,286	1,904,803
Foreign currency translation	(90,774)	-	(90,774)
Share based payments during the year allocated to:			
Employees and consultants	-	74,904	74,904
Key Management Personnel	-	8,088	8,088
Utilised for share issue	-	(196,589)	(196,589)
	<u>(156,257)</u>	<u>1,856,689</u>	<u>1,700,432</u>
Balance at 30 June 2021	(156,257)	1,856,689	1,700,432
Foreign currency translation	57,301	-	57,301
Share based payments during the year allocated to:			
Employees and consultants	-	104,173	104,173
	<u>(98,956)</u>	<u>1,960,862</u>	<u>1,861,906</u>

*Nature and purpose of reserve*

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

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

**Note 20. Equity - accumulated losses**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Accumulated losses at the beginning of the financial year	(50,663,025)	(44,795,847)
Loss after income tax benefit for the year	(7,130,427)	(5,867,178)
	<u>(57,793,452)</u>	<u>(50,663,025)</u>

**Aeris Environmental Ltd**  
**Notes to the financial statements**  
**30 June 2022**

**Note 21. Equity - non-controlling interest**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Retained profits	<u>3,685</u>	<u>3,685</u>

**Note 22. Equity - dividends**

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

**Note 23. Earnings per share**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax attributable to the owners of Aeris Environmental Ltd	<u>(7,130,427)</u>	<u>(5,867,178)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	243,957,661	243,104,095
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	550,000	-
Performance rights	<u>1,218,831</u>	<u>-</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share*	<u>245,726,492</u>	<u>243,104,095</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(2.92)	(2.41)
Diluted earnings per share	(2.90)	(2.41)

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

**Note 24. Options**

Set out below are summaries of options granted under the plan:

<b>2022</b>							
<b>Unlisted</b>							
<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Balance at the start of the year</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired/ forfeited/ other</b>	<b>Balance at the end of the year</b>
23/12/2016	23/10/2021	\$0	395,000	-	-	(395,000)	-
			<u>395,000</u>	<u>-</u>	<u>-</u>	<u>(395,000)</u>	<u>-</u>
<b>2021</b>							
<b>Unlisted</b>							
<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Balance at the start of the year</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired/ forfeited/ other</b>	<b>Balance at the end of the year</b>
23/12/2016	23/10/2021	\$0	495,000	-	-	(100,000)	395,000
30/05/2018	01/03/2021	\$0	100,000	-	-	(100,000)	-
			<u>595,000</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>395,000</u>



**Note 24. Options (continued)**

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.

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.

**Note 25. Share-based payments**

*Recognised share-based payment expenses*

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

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Employee Share Option Plan</b>		
Employees and consultant	194,623	74,904
Key Management Personnel	-	8,088
	<u>194,623</u>	<u>82,992</u>
Total arising from share-based payment transactions	<u>194,623</u>	<u>82,992</u>

*Details of share-based payment plan*

The share-based payment plan is described in the remuneration report in the Directors' Report. There have been no cancellations or modifications to the plan during 2022 and 2021.

**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:

	<b>Options</b>		<b>Rights</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<i>Options or rights on issue:</i>				
Employees and consultants	-	345,000	463,417	570,421
Key management personnel	-	50,000	-	441,179
	<u>-</u>	<u>395,000</u>	<u>463,417</u>	<u>1,011,600</u>
<i>Options or rights granted during the year:</i>				
Employees and consultants	-	-	-	-
Key management personnel	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Shares issued as a result of exercise of options or rights:</i>				
Employees and consultants	-	-	107,004	300,000
Key management personnel	-	-	441,179	882,358
	<u>-</u>	<u>-</u>	<u>548,183</u>	<u>1,182,358</u>
<i>Options or rights expired or forfeited:</i>				
Employee and consultants	345,000	200,000	-	18,333
Key management personnel	50,000	-	-	-
	<u>395,000</u>	<u>200,000</u>	<u>-</u>	<u>18,333</u>

**Aeris Environmental Ltd**  
**Notes to the financial statements**  
**30 June 2022**

**Note 25. Share-based payments (continued)**

Weighted average remaining contractual life	0 years	0.32 years	0.04 years	1.04 years
Range of exercise prices	\$0.00	\$0.01 to \$0.42	-	-

**Note 26. Contingent liabilities**

There are no contingent liabilities of the Company or the Group.

**Note 27. Commitments for expenditure**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Commitments for manufacturing of inventory within 1 year	-	487,500

**Note 28. Related party transactions**

*Parent entity*

Aeris Environmental Ltd is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 30.

*Transactions with related parties*

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

*Receivable from and payable to related parties*

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

*Loans to/from related parties*

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

**Note 29. Parent entity information**

	<b>Parent</b>	<b>Parent</b>
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Current assets	6,936,049	16,107,507
Total assets	<b>8,086,981</b>	<b>16,548,763</b>
Current liabilities	(1,441,009)	(2,734,030)
Total liabilities	<b>(953,509)</b>	<b>(2,961,142)</b>
Issued capital (net of costs)	62,520,725	62,430,275
Accumulated losses	(57,835,613)	(50,699,342)
Share-based payment reserve	1,960,861	1,856,688
	<b>6,645,973</b>	<b>13,587,621</b>

**Aeris Environmental Ltd**  
**Notes to the financial statements**  
**30 June 2022**

**Note 29. Parent entity information (continued)**

	Parent 2022 \$	Parent 2021 \$
Net profit (loss) after tax for the period	(7,136,271)	(5,798,371)
Total comprehensive loss for the period	(7,078,970)	(5,889,145)
Contractual obligations/commitments (refer to 27)	-	487,500

**Note 30. Interests in subsidiaries - particulars relating to controlled entities**

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

Name of entity	Principal place of business / Country of incorporation	Ownership interest	
		2022 %	2021 %
Aeris Pty Ltd	Australia	100.00%	100.00%
Aeris Biological Systems Pty Ltd	Australia	100.00%	100.00%
Aeris Hygiene Services Pty Ltd	Australia	100.00%	100.00%
Aeris Environmental LLC	USA	100.00%	100.00%
Aeris Cleantech Pte Ltd	Singapore	75.00%	75.00%
Aeris Cleantech Europe Ltd	Malta	100.00%	100.00%
Aeris Environmental (UK) Ltd	UK	100.00%	100.00%
Aeris China Ltd	China	100.00%	-

**Note 31. Subsequent events**

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

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

There have been no other matters or circumstances, which have arisen since 30 June 2022 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2022, of the consolidated entity; or
- (b) the results of those operations;
- (c) the state of affairs, in the financial years subsequent to 30 June 2022, of the consolidated entity.

**Note 32. Reconciliation of loss after income tax to net cash used in operating activities**

*Reconciliation of cash*

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

	2022	2021
Cash at bank and on hand	269,737	906,653
Deposits on call	5,033,405	10,578,963
	<u>5,303,142</u>	<u>11,485,616</u>

**Aeris Environmental Ltd**  
**Notes to the financial statements**  
**30 June 2022**

**Note 32. Reconciliation of loss after income tax to net cash used in operating activities (continued)**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax benefit for the year	(7,130,427)	(5,867,178)
Adjustments for:		
Depreciation and amortisation	99,851	132,552
Impairment of current assets	1,594,891	1,462,697
Interest on lease liability	-	16,850
Share-based payments	194,622	82,992
Other adjustments	-	38,000
Change in operating assets and liabilities:		
Decrease in trade and other receivables	386,045	3,864,817
Increase in inventories	(45,790)	(516,038)
Increase in other operating assets	-	(104,988)
Decrease in trade and other payables	(884,277)	(587,000)
Increase/(decrease) in employee benefits	(330,721)	99,535
Increase in other creditors and accruals	-	97,823
Net cash used in operating activities	<u>(6,115,806)</u>	<u>(1,279,938)</u>

**Note 33. Additional company information**

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

**Principal registered office and principal place of business**

5/26-34 Dunning Avenue  
ROSEBERY  
NSW 2018