

29 July 2014

Company Announcements Office
Australian Securities Exchange

AERIS ACQUIRES THE BUSINESS OF SMARTCOOL SYSTEMS AUSTRALIA

Aeris Environmental Ltd (Aeris or the Company) is pleased to announce that it has completed the acquisition of the business of Smartcool Systems Australia Pty Ltd (Smartcool), providing the Company with a significantly-expanded offering and capability in the international energy efficiency sector. The consideration for the transaction will be the issue of share options to the principals of Smartcool and is subject to significant performance hurdles. Specifically, Aeris acquired the staff, trading business, know-how and related distribution rights from Smartcool, which had turnover in the past year of over \$1 million.

Aeris has recently commissioned and completed an independent assessment at a regional shopping centre. This has validated not only the performance of both the Company's AerisGuard product and Smartcool's ESM product, but has demonstrated major synergy of the combined processes, which are now marketed as Aeris SmartENERGY.

Smartcool is the exclusive distributor of a full range of energy and system efficiency solutions. The Chief Executive Officer of Smartcool, Chris Rogerson, together with the National Operations Manager, Scott Gregson, will now join Aeris fulltime, bringing decades of experience to lead the Company's newly-formed SmartENERGY division. Both Chris Rogerson and Scott Gregson are highly regarded in the Asia Pacific HVAC and refrigeration industries, with outstanding experience of building services in the electrical, mechanical and engineering disciplines. The Board, executive management and staff of the Company warmly welcome them both as valuable new members of the international Aeris team.

Smartcool's hardware provides retrofit capability to existing building management systems and, together with the AerisGuard technology, has been proven to materially reduce the energy consumption of compressors in air-conditioning, refrigeration and heat pump systems. Smartcool has installed units in key sites in Australia and the Asia Pacific region, including rollouts for two of the four major Australian banks, a national rollout with the largest Government-owned logistics and transport group in Australia, peak demand reduction projects with Energex Limited and Ergon Energy Corporation Limited (the State electricity suppliers for Queensland) and multisite projects in Sydney. The technology has been validated internationally, with over 40,000 units installed worldwide.

The Company's SmartENERGY division is in detailed discussions with a number of existing and new clients across Australia and the Asia Pacific region, with a material number of site audits already completed. Smartcool has an existing network of over 50 distributors in Australia and New Zealand, and each of these distributors will now have access to Aeris' full range of energy efficiency products. Early feedback from large-scale prospective customers in the Asia Pacific region has been encouraging, and with the expanded team of Chris Rogerson, Scott Gregson and Alan Boswell, who is based in Asia, the Company is now able to expand its capability in the region.

As consideration for the transaction, the Company will issue Chris Rogerson and Scott Gregson with an initial tranche of 250,000 Aeris share options each, at an exercise price of 20 cents and a three-year vesting period, similar to the vesting conditions operating in the Aeris Employee Share Option Plan scheme. The condition on the provision of these options is that any shares being issued on the exercise

of options cannot be greater than 2.5% of the Company's listed market value at the date the options are exercised. An additional performance hurdle is that the average baseline revenue must exceed \$2 million per annum for the Aeris SmartENERGY business within three years of the agreement.

The Company now has an exclusive portfolio of validated energy efficiency solutions that provide a proven ability to reduce energy consumption and peak demand, and improve system efficiency and indoor air quality whilst extending capital life. The Company believes that the SmartENERGY solutions provide a compelling return on investment to its customers with an unmatched level of performance.

Aeris Environmental Ltd

Peter Bush

Chief Executive Officer