

26 February 2015

Company Announcements Office  
Australian Securities Exchange

## DECEMBER 2014 HALF-YEAR RESULTS

Aeris Environmental Ltd (ASX:AEI) is pleased to provide its half-year accounts for the period ended 31 December 2014. As previously reported, receipts in the December 2014 half were not material and reflected pre-commercial activity, which successfully resulted in significant customer purchase orders in the first month of the March 2015 quarter, combined with an unprecedented forward pipeline of revenue opportunities. The Company continues to make substantial progress in the commercialisation of its SmartENERGY and coatings platforms, and the recent commercial installation of Aeris' products in the first building for Spotlight Retail Group has now been completed and invoiced. The Company significantly exceeded its targeted energy reduction for Spotlight of 22.6%, which, alongside the material improvements in indoor air quality, system efficiency and validated carbon reduction, provided the client with a highly-attractive return on investment.

The Aeris pipeline of purchase orders and near-term commercial projects is substantially strengthening in the March 2015 quarter. Additionally, the Company has issued final quotes targeting near-term purchase orders for a large-scale international coatings application and additional high-profile retail projects. Aeris is currently scaling-up its production capability across Asia, the United States and Australia, which will drive both the Company's ability to support the supply chain of its customers and improve Aeris' competitive position in the global coatings market.

The Company continues to work successfully with an increasing range of customers across Australia and the Asia Pacific rim, including high-profile national shopping centres, and retail, property, healthcare and Government groups. Each SmartENERGY installation to-date has met or exceeded Aeris' projected energy and system efficiency benchmarks. Aeris is engaged with both local and international distribution partners who are successfully investing in ramping-up sales and marketing activities, with meaningful revenue targeted in the near-term. Consistent with the Company's stated objectives, Aeris continues to expand both its local sales and technical team.

The Company previously reported that it has engaged with a number of energy retailers who are progressively introducing Aeris to their key large-scale national accounts. The Company also has a number of independently-monitored commercial reference projects that, when completed in the coming months, should establish the Aeris' position as the emerging leader in both energy and peak demand reduction.

On 19 December 2014 the Company announced to the ASX that it had raised a total of \$5,005,444 through the issue of 22,752,018 new shares in a placement to a group of professional, sophisticated and other investors. Aeris was particularly pleased to receive the support of some of Australia's leading institutional investors, including Regal Funds Management and Allan Gray Australia.

Beyond the Company's growing commercial traction for both SmartENERGY and its coatings platforms, Aeris has attracted the interest of a number of global corporations with a direct interest in the building management, HVAC and refrigeration sectors who are exploring the opportunity for a commercial alignment and partnership for their large-scale clients around the world. Subsequent to the end of the December 2014 half-year, the Company received purchase orders and invoiced in excess of \$400,000, and commercial momentum continues to trend strongly. Aeris looks forward to updating the market progressively as a number of pivotal projects and partnerships come to commercial fruition.

### Aeris Environmental Ltd

**Peter Bush**  
Chief Executive Officer

## **About Aeris**

**Aeris Environmental Ltd is focused on the global megatrends of energy efficiency, healthier air, food safety, water quality and long-term materials protection, with core guiding principles of 'clean, green, protect'.**

**SmartENERGY is a proprietary system that provides dramatic and proven energy savings in the range of 19 to 33%, alongside documented improvement in system efficiency (54 to 289% improvement in airflow and up to 40% in coil efficiency) and independently-validated indoor air quality across all air-conditioning and refrigeration systems, with proven immediate cash flow savings.**

**Smart Coatings provide long-term prevention of mould, bacteria growth, corrosion and improved hygiene, with OEM, consumer and technical applications.**

# Appendix 4D

## Half Year Report for the six months ended on 31 December 2014

Name of entity

**AERIS ENVIRONMENTAL LTD** ABN: 19 093 977 336

**Half year report for the six months ended on 31 December 2014 (comparatives for the six months ended on 31 December 2013).**

### Results for announcement to the market

Revenues from ordinary activities	up	33.8%	to	129,826
(Loss) from ordinary activities after tax attributable to members	up	87.4%	to	(1,140,514)
(Loss) from extraordinary items after tax attributable to members		-		-
Net (loss) for the period attributable to members	up	87.4%	to	(1,140,514)
<b>Dividends (distributions)</b>		Amount per security		Franked amount per security
Final and interim dividends		Nil ¢		Nil ¢
Previous corresponding period		Nil ¢		Nil ¢

### Brief Explanation of figures

Refer to attached 31 December 2014 Half-year Financial Report

The Group applies international accounting standards in compiling financial report of the wholly owned foreign entity "Aeris Environmental LLC".

Net tangible assets per security with the comparative figure for the previous corresponding period.

### NTA backing

	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Net tangible asset backing per ordinary share	1.24 cents	(1.40) cents

### Audit qualification or review

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

### Other comments

Refer to attached 31 December 2014 Half-year Financial Report



**Robert J Waring**  
Company Secretary  
26 February 2015



**Aeris Environmental Ltd**

**ABN 19 093 977 336**

**Half-year Financial Report**

**For the Half-year Ended**

**31 December 2014**

# Aeris Environmental Ltd

ABN 19 093 977 336

## CORPORATE INFORMATION

### DIRECTORS

Maurie Stang, Chairman  
Bernard Stang, Non-executive Director  
Steven Kritzler, Non-executive Director

### Chief Executive Officer and Alternate Director for M and B Stang

Peter Bush

### COMPANY SECRETARY

Robert Waring

### REGISTERED OFFICE

Level 1, 5/26-34 Dunning Avenue  
Rosebery, NSW 2018

### SHARE REGISTER

Computershare Investor Services Pty Ltd

### STOCK EXCHANGE LISTING

Aeris Environmental Ltd Shares are listed on the Australian Securities Exchange (ASX code: AEI)

### BANKERS

ANZ Banking Group

### AUDITORS

UHY Haines Norton

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# Aeris Environmental Ltd

## DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Aeris Environmental Ltd (the Company) and its controlled entities together with the consolidated financial report for the half-year ended 31 December 2014.

## DIRECTORS

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

Maurie Stang (Non-Executive Chairman)  
Steven Kritzler (Non-Executive Director)  
Bernard Stang (Non-Executive Director)

Peter Bush (Chief Executive Officer and Alternate Director for M and B Stang)

## PRINCIPAL ACTIVITIES

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

- Provision of energy efficiency solutions across all air-conditioning and refrigeration systems;
- Provision of environmental maintenance services and products for application to air-conditioning and commercial refrigeration systems;
- Provision of site-specific water treatment remediations to industrial customers; and
- Further development and enhancement of the AerisGuard suite of technologies for application to the global Anti Microbial markets.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 1 July 2014, the Company signed a Memorandum of Understanding for acquisition of the business of Smartcool Systems Australia Pty Ltd (Smartcool). Specifically, the Company acquired the staff and distribution rights from Smartcool. On 31 July 2014, as consideration for the transaction, the Company issued Chris Rogerson (CEO of Smartcool) and Scott Gregson (National Operations Manager) with 250,000 share options each, at an exercise price of 20 cents and 3-year vesting period. The issue of share options is subject to significant performance hurdles.

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

## SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In the opinion of the directors, no matters or circumstances have arisen since 31 December 2014 that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

## REVIEW OF OPERATIONS

Total Revenue for the six months period to December 2014 was \$129,826, an increase by 34% on the same period last year. The net loss for the period increased by 87% to \$1,140,514. The expenses included the amounts spent on pre-commercial activity targeted on SmartENERGY platform.

During the half year Aeris has continued with the efforts to commercialise its energy efficiency model across all air-conditioning and refrigeration systems with a clear focus on early revenue.

In December 2014, the Company has raised \$5,005,444 through the issue of 22,752,018 shares in a placement to a group of professional, sophisticated and other investors. The shares were issued at a price of \$0.22 per share. The amount raised is to fund the roll-out of Aeris SmartENERGY platform, and for the further rapid commercialisation and marketing of the Company's Aerisguard product portfolio.

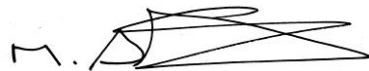
## LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The Auditor's Independence Declaration is set out in the attached statement from UHY Haines Norton and forms part of the Directors' Report for the half year ended 31 December 2014.

## DIVIDENDS

No dividends were proposed, declared or paid during the financial interim and to the date of this report (2013: Nil).

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



**Maurie Stang**  
Chairman and Director

Sydney, 26 February 2015

# Aeris Environmental Ltd

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2014

	Notes	December 2014 \$	December 2013 \$
Revenues	2	129,826	97,034
Cost of sales		(63,061)	(32,195)
Employee benefits expense		(376,762)	(227,404)
Occupancy expense		(72,737)	(48,536)
Depreciation and amortisation expense		(9,488)	(3,910)
Other general and administration		(268,247)	(192,691)
Sales, marketing and travel		(173,557)	(32,486)
Distribution expense		(28,287)	(19,566)
Product registration, patents, trade marks and R&D expenditure		(220,212)	(171,724)
Financial expense		(79,219)	(33,301)
<b>Loss before income tax expense</b>		<b>(1,161,743)</b>	<b>(664,778)</b>
Income tax benefit relating to ordinary activities		21,229	56,168
Net loss for the period		<b>(1,140,514)</b>	<b>(608,610)</b>
<b>Other Comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign Currency Translation Differences		(13,562)	(5,758)
<b>TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR</b>		<b>(1,154,076)</b>	<b>(614,368)</b>
<b>Total comprehensive income attributable to members of Aeris Environmental Ltd.</b>		<b>(1,154,076)</b>	<b>(614,368)</b>
<b>EARNINGS PER SHARE</b>		<b>Cents</b>	<b>Cents</b>
Basic loss per share	7	(0.97)	(0.52)

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

# Aeris Environmental Ltd

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	December 2014 \$	June 2014 \$
<b>CURRENT ASSETS</b>			
Cash assets		4,805,673	161,937
Trade and other receivables		51,055	162,377
Inventories		46,638	21,893
Other current assets		56,527	40,105
<b>TOTAL CURRENT ASSETS</b>		<b>4,959,894</b>	<b>386,312</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		19,246	5,687
Intangible assets		38,387	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>57,633</b>	<b>5,687</b>
<b>TOTAL ASSETS</b>		<b>5,017,526</b>	<b>391,999</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		343,098	317,656
Interest-bearing liabilities		100,000	100,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>443,098</b>	<b>417,656</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables		28,222	28,222
Interest-bearing liabilities	6	2,765,000	2,050,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,793,222</b>	<b>2,078,222</b>
<b>TOTAL LIABILITIES</b>		<b>3,236,320</b>	<b>2,495,878</b>
<b>NET ASSETS</b>		<b>1,781,206</b>	<b>(2,103,879)</b>
<b>EQUITY</b>			
Capital		33,462,011	28,467,508
Reserves		1,192,623	1,161,530
Accumulated losses		(32,873,428)	(31,732,918)
Minority interest		-	-
<b>TOTAL EQUITY</b>		<b>1,781,206</b>	<b>(2,103,879)</b>

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



# Aeris Environmental Ltd

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2014

	Issued Capital \$	Accumulated Losses \$	Minority Interest \$	Other Reserves \$	Total Equity \$
<b>At 1 July 2013</b>	<b>28,467,508</b>	<b>(30,665,025)</b>	<b>-</b>	<b>1,156,978</b>	<b>(1,040,539)</b>
Loss for the period	-	(608,610)	-	-	(608,610)
<i>Other comprehensive income for the half year</i>					
Foreign currency translation differences	-	-	-	(5,758)	(5,758)
<i>Transaction with owners in their capacity as owners</i>					
Movements in share based payments reserves	-	-	-	4,478	4,478
<b>At 31 December 2013</b>	<b>28,467,508</b>	<b>(31,273,635)</b>	<b>-</b>	<b>1,155,698</b>	<b>(1,650,429)</b>
<b>At 1 July 2014</b>	<b>28,467,508</b>	<b>(31,732,918)</b>	<b>-</b>	<b>1,161,530</b>	<b>(2,103,880)</b>
Loss for the period	-	(1,140,514)	-	-	(1,140,514)
<i>Other comprehensive income for the half year</i>					
Foreign currency translation differences	-	-	-	(13,562)	(13,562)
<i>Transaction with owners in their capacity as owners</i>					
Issue of share capital	5,030,504	-	-	-	5,030,504
Share issue expense	(36,000)	-	-	-	(36,000)
Movements in share based payments reserves	-	-	-	44,655	44,655
<b>At 31 December 2014</b>	<b>33,462,012</b>	<b>(32,873,432)</b>	<b>-</b>	<b>1,192,623</b>	<b>1,781,204</b>

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

# Aeris Environmental Ltd

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2014

	December 2014 \$	December 2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers (inclusive of GST)	233,268	168,763
Payments to suppliers and employees (inclusive of GST)	(1,198,449)	(1,071,637)
R&D tax offset	21,229	56,168
Interest received	7,879	875
Interest paid	(74,219)	(28,301)
<b>Net cash used in operating activities</b>	<b>(1,010,292)</b>	<b>(874,132)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Purchase) / disposal of fixed assets	(16,855)	-
<b>Net cash used in investing activities</b>	<b>(16,855)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares (net of issue cost)	4,969,444	-
Proceeds from loan borrowings	715,000	2,350,000
Loan repayments	-	(1,550,000)
<b>Net cash provided by financing activities</b>	<b>5,684,444</b>	<b>800,000</b>
Net increase / (decrease) in cash held	4,657,297	(74,132)
Cash at the beginning of the financial period	161,937	180,653
Effects of exchange rate changes on cash and cash equivalents	(13,562)	(5,758)
Cash at the end of the financial period	<b>4,805,673</b>	<b>100,763</b>

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

# Aeris Environmental Ltd

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2014

### 1 Statement of Accounting Policies

#### (a) Financial reporting framework

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

The Half Year Financial Report should be read in conjunction with the annual financial report of Aeris as at 30 June 2014. It is also recommended that the Half Year Financial Report be considered together with any public announcements made by the Company during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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

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

The accounting policies which have been adopted in the preparation of this Financial Report have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2014 Financial Report.

#### Going Concern

The Company has made operating losses of \$1,140,514 for the six months to 31 December 2014 (2013: \$608,610). However the net assets position has improved from a negative \$2,103,879 as at 30 June 2014 to a positive \$1,781,206 on 31 December 2014. A liability for loans from three Directors of \$2,765,000 and an external convertible loan of \$100,000 (total loans at 30 June 2014: \$2,150,000) are reflected in the overall net asset position as mentioned above.

The operating cash burn rate for the half-year ended 31 December 2014 was \$1,010,292 (year ended 30 June 2014: \$1,364,140). The cash balance as at 31 December 2014 was \$4,805,673 (30 June 2014: \$161,937). Hence there is a certainty in relation to the Company's ability to continue as a going concern.

The Directors have agreed that their loans will not be recalled in the next 12 months following the date of signed accounts, unless mutually agreed by the board. The Company is also in dialogue for the external loan to be converted into shares.

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

#### (b) Changes in accounting policies

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

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

##### AASB 1031 'Materiality' (December 2013)

Revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality.

##### AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)'

Address inconsistencies in current practice when applying the offsetting criteria in AASB 132 'Financial Instruments: Presentation'. Clarifies the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

##### AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'

Narrow-scope amendments to AAS 136 'Impairment of Assets' address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

# Aeris Environmental Ltd

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2014

### 1 Statement of Accounting Policies (continued)

AASB 2014-1 'Amendments to Australian Accounting Standards' [Part A – Annual Improvements 2010-2012 and 2011-2013 Cycles]

Key amendments include:

- AASB 2 – definition of vesting condition
- AASB 3 – accounting for contingent consideration in a business combination
- AASB 8 – aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets
- AASB 13 – short-term receivables and payables
- AASB 116 – revaluation method: proportionate restatement of accumulated depreciation
- AASB 124 – key management personnel
- AASB 138 – revaluation method: proportionate restatement of accumulated amortisation
- AASB 1 – meaning of 'effective IFRSs'
- AASB 3 – scope exceptions for joint ventures

*Interpretation 21 'Levies'*

Clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time.

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

	December 2014 \$	Consolidated December 2013 \$
<b>2 Revenues</b>		
Revenue from sales	121,947	96,159
Financial revenue	7,879	875
Total revenue	<u>129,826</u>	<u>97,034</u>

### 3 Expenses

Loss from ordinary activities before income tax expense includes:

Depreciation and amortisation	9,488	3,910
Research and development expenditure	220,212	171,724
Rental & occupancy expenses relating to operating leases	72,737	48,536
Share based payments	25,137	4,478
<i>Superannuation</i>		
Defined contribution superannuation expense	26,902	11,976

# Aeris Environmental Ltd

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the half-year ended 31 December 2014

### 4 Segment Reporting

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

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

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

- (a) Australian Operations - Sale of Aeris products and services from Australia
- (b) USA Operations - Sales and service on account of USA operations

#### *Intersegment transactions*

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

#### *Intersegment receivables, payables and loans*

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

#### *Operating segment information of the consolidated entity:*

For half-year ended 31 December 2014	Australian Operations	USA Operations	Intersegment eliminations	Consolidated
	\$	\$	\$	\$
<b>Revenue</b>				
Sales	121,947	-	-	121,947
Other Income	7,879	-	-	7,879
Total Revenue	129,826	-	-	129,826
<b>Expenses</b>				
Cost of goods sold	63,061	-	-	63,061
Operating expenses	995,270	15,716	217,521	1,228,507
Total Expenses	1,058,331	15,716	217,521	1,291,568
Loss before tax	(928,505)	(15,716)	(217,521)	(1,161,743)
<b>For half-year ended 31 December 2013</b>	<b>Australian Operations</b>	<b>USA Operations</b>	<b>Intersegment eliminations</b>	<b>Consolidated</b>
	\$	\$	\$	\$
<b>Revenue</b>				
Sales	93,341	39,351	(36,534)	96,159
Other Income	875	-	-	875
Total Revenue	94,216	39,351	(36,534)	97,034
<b>Expenses</b>				
Cost of goods sold	29,598	39,130	(36,534)	32,195
Operating expenses	608,540	79,471	41,607	729,618
Total Expenses	638,138	118,602	5,073	761,812
Loss before tax	(543,922)	(79,250)	(41,607)	(664,778)

# Aeris Environmental Ltd

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the half-year ended 31 December 2014

### 4 Segment Reporting (continued)

#### Segment assets and liabilities

	Assets 31/12/2014 \$	Assets 31/12/2013 \$	Liabilities 31/12/2014 \$	Liabilities 31/12/2013 \$
Australia	5,333,589	407,374	5,032,818	3,685,606
North America	5,440	25,737	1,735,281	1,532,389
Total	5,339,029	433,111	6,768,099	5,217,995
Intersegment elimination	(321,503)	(203,906)	(3,531,779)	(3,338,361)
Unallocated	-	-	-	-
Consolidated	5,017,526	229,205	3,236,320	1,879,634

#### Consolidated

December  
2014  
\$

December  
2013  
\$

### 5 Issues, repurchases and repayments of equity securities

*Ordinary shares issued during the half-year reporting period*

22,752,018 (2013: NIL) shares via private placement to sophisticated investors

5,005,444

-

140,000 (2013: NIL) shares issued David Fisher on account of Director's fee

25,060

-

During the half year period ending 31 December 2014, as a consideration for the acquisition of the Smartcool business, on 31 July 2014, the Company issued Chris Rogerson (CEO of Smartcool) and Scott Gregson (National Operations Manager) with 250,000 share options each, at an exercise price of 20 cents and 3-year vesting period.

The Company issued NIL share options during the 2013 half-year reporting period.

For share options issued during 2014 half-year period, fair value at grant date was \$0.09 per option.

### 6 Interest Bearing and Contingent liabilities

#### Interest Bearing Liabilities

	December 2014 \$	June 2014 \$
Interest bearing non-current liabilities represents loan from Directors:		
Loan from Directors	2,765,000	2,050,000
	<b>2,765,000</b>	<b>2,050,000</b>

These loans will accrue interest at ATO benchmark rates - currently 5.95% per annum.

#### Contingent liabilities

Since the last annual reporting date, there has been no change of any contingent liabilities or contingent assets.

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### 7 Earnings per Share

Basic loss per share (Cents)	(0.97)	(0.52)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	119,251,075	117,746,704

Potential share capital and options have an anti-dilutive effect in the calculation of diluted loss per share. As a result calculation for diluted loss per share is not shown separately.

### 8 Events Subsequent to Reporting Date

There have been no matters or circumstances, which have arisen since 31 December 2014 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2014, of the consolidated entity; or
- (b) the results of those operations;
- (c) the state of affairs, in the financial years subsequent to 31 December 2014, of the consolidated entity.

# Aeris Environmental Ltd

## DIRECTORS' DECLARATION

### Directors' Declaration

In the Directors' opinion:

- 1 the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- 2 the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the financial half-year ended on that date; and
- 3 there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

A handwritten signature in black ink, appearing to be 'M. Stang', with a stylized, overlapping flourish extending to the right.

**Maurie Stang**  
Chairman and Director

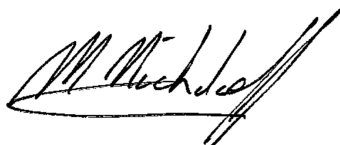
Sydney, 26 February 2015

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

To the Directors of Aeris Environmental Ltd

I declare that, to the best of my knowledge and beliefs, during the half year ended 31 December 2014 there have been:

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

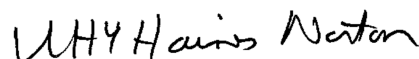


**M. D. Nicholaieff**

Partner

Sydney

26 February 2015



**UHY Haines Norton**

Chartered Accountants



## Independent auditor's review report

To the members of Aeris Environmental Ltd

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Aeris Environmental Ltd ("the company"), which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year.

### *Directors' Responsibility for the Half-Year Financial Report*

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

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Aeris Environmental Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

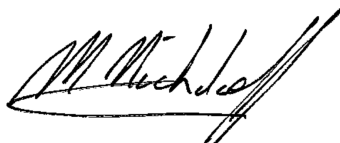
### *Independence*

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

**Conclusion**

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

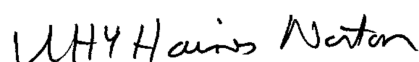


**M. D. Nicholaeff**

Partner

Sydney

Dated: 26 February 2015



**UHY Haines Norton**

Chartered Accountants