

28 February 2018

Company Announcements Office
Australian Securities Exchange

Half-Year Financial Results

Growth Trajectory Gaining Momentum

- **Revenues of \$1.63 million, with cash receipts of \$1.12 million, an increase of over 128%.**
- **International sales accounted for 63% of revenue in first half, with substantial orders from the Middle East, India, Thailand, Vietnam, the Philippines, Europe and the United States of America.**
- **\$984,650 gross profit, 60% gross profit margin.**
- **Operating costs carefully controlled, increase 0.18% compared to prior corresponding period, with resources aligned to revenue generation.**
- **Strengthening performance of global platinum partnership programme, with over 25 partners confirmed and multiple pending – agreements underpinned with minimum annual purchase and activity commitments.**
- **Corrosion control and mould remediation/protection gaining global acceptance.**
- **Accelerating stream of successful Internet of Things SmartHUB projects with an ongoing pipeline of large-scale opportunities in multiple industries.**
- **Increasing adoption of AerisCoat OEM corrosion prevention and protection continues with large-scale manufacturing customers placing consistent and multiple orders with increasing visibility of long-term purchase requirements.**
- **Discussions potentially aligning the Company with large customer groups globally and strategic discussions targeting large-scale revenue opportunities.**
- **\$15 million of sales opportunities in pipeline, supporting targeted trajectory for Aeris run-rate profitability in calendar year 2018.**

Commentary

AerisGuard Maintenance and Hygiene Consumables

Aeris Environmental Ltd's (Aeris or the Company) consumables strategy is focussed on working with well-established market leaders in the key territories and verticals that have existing customer relationships, and offer sales and in-field technical services. This strategy engages wholesalers, large-scale facility management groups, platinum partners and high-profile specialised distributors. The supporting logistics now embrace an enhanced e-commerce capability, able to deliver products cost efficiently to the service technicians in the field.

Aeris' platinum partnership programme, with over 25 confirmed partners, with a pipeline of additional applicants, is a key to accelerating the Company's consumables growth. Aeris deals directly with these specialised groups with existing customers, that formally commit to an annual minimum spend and marketing activity in exchange for preferred access to the products, special pricing and technical support. Key to this strategy is developing new customers in parallel with leveraging their existing path to market.

Aeris is successfully expanding its wholesale activities through traditional trade branches in hundreds of locations across the leading wholesalers, including the spectrum of air-conditioning, electrical and industrial, and, importantly, now online through the establishment of an e-commerce platform jointly with the Rexel Group, the leading electrical wholesaler with a potential opportunity of 2,000 branches in 32 countries.

During the half year, the Company announced the signing of a Master Service Agreement with Sodexo for its environmental hygiene protection systems. Sodexo is a leading multinational asset manager with 427,000 employees in 80 countries across the globe. These systems are utilised for the built environment for on-site camps, such as mining. Aeris' new platinum partner in Vietnam, Ecotis Company Limited, has

received its first container of the Company's products and is now rolling out the Aeris technologies throughout its property portfolio of hotel and commercial assets, together with distributing the products to third parties throughout Vietnam.

Recent changes to guidelines and legislation, such as the NSW Government's introduction of mandatory monthly Legionella testing for all cooling tower systems, provide a regulatory driven opportunity for the Company's water treatment platform. Starting on 1 January 2018, the increased focus on building hygiene testing and compliance from insurers and industry bodies places Aeris at an advantageous position as an established and integrated solution provider across the air (coil hygiene and treatment), water (enzymatic biofilm removal) and compliance (SmarHUB and AerisView) markets.

AerisCoat Corrosion Protection Coatings

The Company's proprietary corrosion protection platform provides both OEM (point of manufacture) and on-site corrosion protection in water-based coatings with a single step application process. Uniquely, these environmentally-friendly coatings provide superior long-term performance for an expanding number of global customers. In parallel, Aeris' platinum distributors are rapidly engaging customers for these coatings for on-site applications. Aeris is currently shipping commercial product to several high-profile, leading, air-conditioning manufacturers for OEM application to their value-added heat exchange coils.

An expanding number of customers are incorporating AerisCoat on-site anti-corrosion protection to their regular maintenance programmes. These customers include ENGIE Group, a leading international mechanical services supplier, and an independent education entity in Queensland. Feedback from commercial customer evaluations demonstrates successful implementation and, moreover, a customer-driven expansion of the application of the opportunities for this in-field applied range.

Aeris SmarHUB and AerisView

The Company is gaining substantial recognition for the capability of its SmarHUB optimisation, control, and communication and visualisation technology with a validated capability in the management of temperature, lighting, ventilation, air quality and, importantly, energy usage for an increasing number of high-profile clients.

Aeris SmarHUB can either be implemented on a stand-alone basis or integrated into large-scale enterprise applications. The Company is in discussions with multiple, potential, value-added partners that have technologies that can be integrated into Aeris' SmarHUB, further extending the Company's technical lead beyond the capability of current OEM participants in this field.

Aeris has identified companies in the United States of America (US), Asia and Europe that have near-term interests in basing their energy and control customer offerings on the Aeris SmarHUB platform, and are now adopting the Company's proprietary consumables range to further differentiate themselves and provide an integrated managed service to their clients.

Finance

Aeris recognises a parallel need to drive an increasing range of activities, including marketing and sales internationally, whilst strengthening its financial capability. To this end, it has received a line of credit for \$1,500,000 from three of its Directors, whilst continuing its drive towards profitability.

Strategic discussions are progressing, as previously reported, which could facilitate the rapid and widespread adoption of the Company's technologies across large customer bases, providing highly-desirable access to thousands of customers in material vertical opportunities worldwide.

Summary

Aeris today demonstrates to its customers and distributors a singular capability to drive efficiency, provide an attractive return on investment, improve indoor environmental quality and extend asset life. The Company has demonstrated continued growth in its number of platinum partners, wholesale distributors and marquee customers whilst its products are being increasingly adopted by high-profile OEM manufacturers.

Aeris' entry into the US market with its portfolio now provides near-term access to scalable revenue combined with strong distributor capability. Several of the Company's key products are being evaluated for roll-out by national customers. The US market has trailed both Australia and Europe in its efficiency and environmental focus. It now appears that energy savings and Internet of Things integration, driven by changing regulatory requirements, Government initiatives and well-defined corporate priorities, have reached a tipping point, therefore, providing Aeris' advanced green solutions with a well-timed entry opportunity, with customers and distributors now prioritising the implementation of these programmes.

Aeris Environmental Ltd

Peter Bush

Chief Executive Officer

About Aeris Environmental Ltd

Aeris develops, manufactures and markets patented, environmentally-friendly technology solutions that address 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'.

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

SmartENERGY 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.

Appendix 4D

Half Year Report for the six months ended on 31 December 2017

Name of entity

AERIS ENVIRONMENTAL LTD ABN: 19 093 977 336

Half year report for the six months ended on 31 December 2017 (comparatives for the six months ended on 31 December 2016).

Results for announcement to the market

Revenue from ordinary activities	up	4.9%	to	1,630,107
(Loss) from ordinary activities after tax attributable to members	up	8.6%	to	(1,617,465)
Net (loss) for the period attributable to members	up	8.9%	to	(1,617,392)
Dividends (distributions)	Amount per security		Franked amount per security	
Final and interim dividends	Nil ¢		Nil ¢	
Previous corresponding period	Nil ¢		Nil ¢	

Brief Explanation of Figures

Refer to attached 31 December 2017 Half Year Financial Report.

The Group applies international accounting standards in compiling the financial reports of its subsidiary foreign entities.

Net tangible assets (NTA) per security with the comparative figure for the previous corresponding period:

NTA Backing

	31 Dec 2017	31 Dec 2016
Net tangible asset backing per ordinary share	1.00 cents	3.35 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 the attached 31 December 2017 Half Year Financial Report.



Robert J Waring
Company Secretary

28 February 2018



Aeris Environmental Ltd

ABN 19 093 977 336

Half Year Financial Report

For the Half Year Ended

31 December 2017

Aeris Environmental Ltd

ABN 19 093 977 336



CORPORATE DIRECTORY

ABN 19 093 977 336

DIRECTORS	Maurie Stang, Non-Executive Chairman Bernard Stang, Non-Executive Director Steven Kritzler, Non-Executive Director Alex Sava, Non-Executive Director
CHIEF EXECUTIVE OFFICER	Peter Bush, Alternate Director for M and B Stang
COMPANY SECRETARY	Robert Waring
REGISTERED OFFICE	Level 1, 5/26-34 Dunning Avenue Rosebery, NSW 2018
SHARE REGISTER	Computershare Investor Services Pty Ltd
STOCK EXCHANGE LISTING	Aeris Environmental Ltd shares are listed on the Australian Securities Exchange ASX code: AEI
BANKERS	ANZ Banking Group

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Aeris Environmental Ltd

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Aeris Environmental Ltd (the Company) and its controlled entities together with the consolidated financial report for the half year ended 31 December 2017.

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)

Alex Sava (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 the:

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In the opinion of the Directors, no matters or circumstances have arisen since 31 December 2017 that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

REVIEW OF OPERATIONS

The total ordinary revenue for the six-month period to 31 December 2017 was \$1,630,107 (2016: \$1,553,756). The net loss for the six-month period to 31 December 2017 was \$1,617,465 (2016: \$1,489,503).

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 2017.

DIVIDENDS

No dividends were proposed, declared or paid during the half year period and up to the date of this report (2016: Nil).

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



Maurie Stang

Chairman and Director

Sydney, 28 February 2018

Aeris Environmental Ltd

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2017

	Notes	December 2017 \$	December 2016 \$
Ordinary revenues	2	1,630,107	1,553,756
Insurance claim received	2	-	2,743
Cost of sales		(645,457)	(448,177)
Employee benefits expense		(1,049,887)	(1,097,988)
Occupancy expense		(126,849)	(102,023)
Depreciation and amortisation expense		(33,494)	(25,237)
Other general and administration		(524,819)	(534,027)
Sales, marketing and travel		(544,502)	(518,649)
Distribution expense		(97,189)	(45,247)
Product registration, patents, trade marks and R&D expenditure		(212,556)	(242,916)
Financial expense		(13,117)	(31,738)
Loss before income tax expense		(1,617,763)	(1,489,503)
Income tax benefit relating to ordinary activities		298	-
Net loss for the period		(1,617,465)	(1,489,503)
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation loss		413	33,331
TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR		(1,617,052)	(1,456,172)
Loss for the period attributable to:			
Owners of Aeris Environmental Ltd		(1,617,392)	(1,485,528)
Non-controlling interest		(73)	(3,975)
		(1,617,465)	(1,489,503)
Total comprehensive loss for the period attributable to:			
Owners of Aeris Environmental Ltd		(1,616,979)	(1,452,197)
Non-controlling interest		(73)	(3,975)
		(1,617,052)	(1,456,172)
EARNINGS PER SHARE	8	Cents	Cents
Basic loss per share		(1.03)	(0.94)
Diluted loss per share		(1.03)	(0.94)

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 2017

	Notes	December 2017 \$	June 2017 \$
CURRENT ASSETS			
Cash and cash equivalents	4	189,362	1,519,941
Trade and other receivables	5A	1,496,160	1,363,571
Inventories		272,504	256,724
Other current assets		143,063	116,059
TOTAL CURRENT ASSETS		2,101,088	3,256,295
NON-CURRENT ASSETS			
Plant and equipment		139,610	156,190
Trade and other receivables	5B	432,227	434,663
TOTAL NON-CURRENT ASSETS		571,837	590,853
TOTAL ASSETS		2,672,925	3,847,148
CURRENT LIABILITIES			
Trade and other payables		835,640	496,795
Provisions		219,633	219,383
TOTAL CURRENT LIABILITIES		1,055,273	716,178
NON-CURRENT LIABILITIES			
Provisions		34,076	19,159
TOTAL NON-CURRENT LIABILITIES		34,076	19,159
TOTAL LIABILITIES		1,089,349	735,337
NET ASSETS		1,583,576	3,111,811
EQUITY			
Capital		41,312,862	41,312,862
Reserves		1,443,744	1,354,514
Accumulated losses		(41,177,504)	(39,560,112)
Non-controlling interest		4,474	4,547
TOTAL EQUITY		1,583,576	3,111,811

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 2017

	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	Non- controlling interest \$	Total Equity \$
At 1 July 2017	41,312,862	(39,560,112)	1,354,514	4,547	3,111,811
Loss for the half year	-	(1,617,392)	-	(73)	(1,617,465)
<i>Other comprehensive income for the half year</i>					
Foreign currency translation differences	-	-	413	-	413
<i>Transaction with owners in their capacity as owners</i>					
Movements in share based payments reserves	-	-	88,817	-	88,817
At 31 December 2017	41,312,862	(41,177,504)	1,443,744	4,474	1,583,576
At 1 July 2016	40,100,112	(35,812,554)	1,180,706	9,257	5,477,521
Loss for the half year	-	(1,485,528)	-	(3,975)	(1,489,503)
<i>Other comprehensive income for the half year</i>					
Foreign currency translation differences	-	-	33,331	-	33,331
<i>Transaction with owners in their capacity as owners</i>					
Issue of share capital	1,211,250	-	-	-	1,211,250
Movements in share based payments reserves	-	-	54,300	-	54,300
At 31 December 2016	41,311,362	(37,298,082)	1,268,337	5,282	5,286,901

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 2017

	December 2017 \$	December 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	1,123,209	491,383
Payments to suppliers and employees (inclusive of GST)	(2,863,229)	(2,832,543)
R&D tax offset	425,298	351,960
Interest received	10,279	61,945
Insurance claim received	-	2,743
Other income	2,837	1,166
Interest paid	(12,471)	(31,738)
Net cash used in operating activities	(1,314,077)	(1,955,084)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) of fixed assets	(16,915)	(16,830)
Net cash used in investing activities	(16,915)	(16,830)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares (net of issue cost)	-	196,250
Net cash provided by financing activities	-	196,250
Net (decrease) in cash held	(1,330,992)	(1,775,664)
Cash at the beginning of the financial period	1,519,941	5,415,664
Effects of exchange rate changes on cash and cash equivalents	413	33,331
Cash at the end of the financial period	189,362	3,673,332

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 2017

1 Statement of Accounting Policies

(a) Financial Reporting Framework

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

The Half Year Financial Report should be read in conjunction with the annual financial report of Aeris Environmental Ltd as at 30 June 2017. 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 2017 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.

Going Concern

The Company made operating losses of \$1,617,465 for the six months to 31 December 2017 (2016: \$1,489,503). The net assets position has gone down from \$3,111,811 as at 30 June 2017 to \$1,583,576 on 31 December 2017.

The operating cash burn rate for the half year ended 31 December 2017 was \$1,314,077 (31 December 2016: \$1,955,084). The cash balance as at 31 December 2017 was \$189,362 (30 June 2017: \$1,519,941).

At the Balance Sheet date, the Group had unused loan facilities from Non-Executive Directors of \$1,500,000. In addition to these loan facilities, the Group is evaluating a number of funding alternatives to provide additional resources for the commercial activities. In parallel, the Group is in dialogue with well-regarded industry participants which may provide accelerated access to global markets and early revenue together with additional resources to address the Group's global development. Aeris has also undertaken an investor relations program with a cross section of brokers and institutions, preparing the Group for any future capital raise that may be considered appropriate.

The Group is entitled to Export Market Development Grant and Research and Development cashback of approximately \$500,000 in relation to the financial year ended 30 June 2017.

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 Half Year Financial Report.

(b) Changes in Accounting Policies

The accounting policies that have been adopted in the preparation of this Financial Report have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2017 Financial Report.

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

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.

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

	December 2017 \$	December 2016 \$
2 Revenue		
Revenue from sales and services	1,616,991	1,490,645
Financial revenue	10,279	61,945
Other revenue	2,837	1,166
Total revenue	<u>1,630,107</u>	<u>1,553,756</u>
Other Income		
Insurance claim received	-	2,743
Total insurance claim	<u>-</u>	<u>2,743</u>
3 Expenses		
Loss from ordinary activities before income tax expense includes:		
Depreciation and amortisation	33,494	25,237
Research and development expenditure	212,556	242,916
Rental and occupancy expenses	126,849	102,023
Share based payments	88,817	54,300
Defined contribution superannuation expense	80,225	84,691
	December 2017 \$	June 2017 \$
4 Cash and Other Financial Assets		
Cash and Cash Equivalents		
Cash at bank and on hand	183,738	514,514
Term deposits	-	1,000,000
Deposits on call	5,624	5,427
	<u>189,362</u>	<u>1,519,941</u>
5 Trade and Other receivables		
A Current		
Trade receivables	1,804,715	1,247,126
Provision for impairment	(308,555)	(308,555)
Other receivables	-	425,000
	<u>1,496,160</u>	<u>1,363,571</u>
B Non-current		
Trade receivables	372,227	434,663
Other receivables	60,000	-
	<u>432,227</u>	<u>434,663</u>
C Notes		
(i) Trade receivables are amounts due from customers for goods or services performed in the ordinary course of business. Other receivables are loans or financial assets with fixed or determinable payments. If the collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.		
(ii) Due to the short term nature of the current receivables, their carrying amount is generally considered to be the same as their fair values. For non-current receivables, fair values were calculated based on cash flows discounted using a current lending rate. Non-current receivables include amounts that are payable in monthly instalments over five years.		
(iii) <i>Past due but not impaired:</i> The aging analysis of trade receivables, which were past due but not impaired, is as listed below. These relate to independent customers for whom there is no recent history of default.		
Less than 3 months	-	-
3 months or more	292,587	250,122
	<u>292,587</u>	<u>250,122</u>

The Company has provided the necessary extension to the terms of credit for the above past due receivables. The Company is confident about the recoverability of these amounts.

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

6 Segment Reporting

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

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

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

- (a) Australian Operations - sale of Aeris products and services from Australia; and
- (b) International Operations - sales and services on account of international operations.

Intersegment Transactions

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

Intersegment Receivables, Payables and Loans

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

Operating Segment Information of the Consolidated Entity:

For half year ended 31 December 2017	Australia	International	Inter-segment eliminations	Consolidated
	\$	\$	\$	\$
Revenue				
Sales	1,608,880	12,121	(4,010)	1,616,991
Other income	13,116	-	-	13,116
Total revenue	1,621,996	12,121	(4,010)	1,630,107
Expenses				
Cost of goods sold	644,961	4,507	(4,010)	645,457
Operating expenses	2,615,818	14,130	(27,536)	2,602,413
Total expenses	3,260,779	18,637	(31,546)	3,247,870
Loss before tax	(1,638,783)	(6,516)	27,536	(1,617,763)

For half year ended 31 December 2016	Australia	International	Inter-segment eliminations	Consolidated
	\$	\$	\$	\$
Revenue				
Sales	1,469,696	29,889	(8,940)	1,490,645
Other income	65,854	-	-	65,854
Total revenue	1,535,550	29,889	(8,940)	1,556,499
Expenses				
Cost of goods sold	448,050	9,068	(8,940)	448,178
Operating expenses	2,498,728	36,011	63,085	2,597,824
Total expenses	2,946,778	45,079	54,145	3,046,002
Loss before tax	(1,411,228)	(15,190)	(63,085)	(1,489,503)

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

6 Segment Reporting (continued)

Segment Assets and Liabilities

	Assets 31/12/2017 \$	Assets 31/12/2016 \$	Liabilities 31/12/2017 \$	Liabilities 31/12/2016 \$
Australia	2,662,771	6,184,252	2,828,104	2,552,326
International	56,614	72,271	1,901,009	2,056,382
Total	2,719,385	6,256,523	4,729,113	4,608,708
Intersegment elimination	(124,095)	(243,388)	(3,717,400)	(3,882,474)
Consolidated	2,595,290	6,013,135	1,011,713	726,234

December 2017 \$	December 2016 \$
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7 Issues, Repurchases and Repayments of Equity Securities

Ordinary Shares Issued During the Half Year Reporting Period

2,416,665 shares to Directors towards loan repayments	-	1,015,000
750,000 shares issued to Peter Bush, CEO on exercise of options	-	196,250

On 23 December 2016, subsequent to the shareholders' approval at the Annual General Meeting held on 28 November 2016, Company issued 2,416,665 fully paid ordinary shares to three of its Directors, Maurie Stang, Bernard Stang and Steven Kritzler. They each received 805,555 shares by way of settlement of balance amounts owing to them relating to loans they made to the Company. Shares were issued at a price of \$0.42 per share and they rank equally in all respects with the existing fully paid shares in the Company.

The Company issued the following share options during the 2017 half year reporting period:

Number of options issued to Directors	-	100,000
Number of options issued to employees and consultants	-	1,395,000
	-	1,495,000

8 Earnings Per Share

	December 2017 \$	December 2016 \$
Basic loss per share (cents)	(1.03)	(0.94)
Diluted loss per share (cents)	(1.03)	(0.94)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	157,745,387	155,021,566
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	157,745,387	155,021,566

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

9 Related Party Transactions

A number of specified Directors, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arms-length basis. Details of these transactions are shown below:

	December 2017 \$	December 2016 \$
Regional Healthcare Group Pty Ltd		
The company and its controlled entities paid for services provided by Regional Healthcare Group Pty Ltd.		
Office and administration expenses	63,483	62,517
Rent	29,505	26,196
Distribution expenses	25,957	13,707
Corporate services	45,925	34,350
	164,870	136,770
Outstanding balance at the end of the reporting period *	27,162	76,920

Mr M Stang and Mr B Stang are directors and shareholders of Regional Healthcare Group Pty Ltd.

Novapharm Research (Australia) Pty Ltd and its Controlled Entities

The Company and its controlled entities paid for services provided by Novapharm Research (Australia) Pty Ltd for research and development and other operational expenses

	135,297	252,412
	135,297	252,412
Outstanding balance at the end of the reporting period *	108,950	23,816

Mr M Stang, Mr S Kritzler and Mr B Stang are directors and shareholders of Novapharm Research (Australia) Pty Ltd.

Ensol Systems Pty Ltd

The Company and its controlled entities paid for operational services provided by Ensol Systems Pty Ltd.

	5,570	1,744
	5,570	1,744
Outstanding balance at the end of the reporting period *	82,774	82,713

Mr M Stang is the shareholder of Ensol Systems Pty Ltd.

Bright Accountants

The Company and its controlled entities paid for accounting services to Bright Accountants.

	34,178	25,380
	34,178	25,380
Outstanding balance at the end of the reporting period *	-	4,538

Mr P Bush is a related party to Bright Accountants.

Vectus Biosystems Limited

The Company and its controlled entities provided accounting services to Vectus Biosystems Limited

	12,886	17,516
	12,886	17,516
Outstanding balance at the end of the reporting period *	11,109	17,516

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

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

9 Related Party Transactions (continued)

	December 2017 \$	December 2016 \$
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Loan from Directors (contributed equally by Messrs M Stang, B Stang and S Kritzler)

Interest on loans	-	28,500
Loan repaid (by issue of shares)	-	1,015,000

Messrs M Stang, S Kritzler and B Stang are Non-Executive Directors and shareholders of the Company. Interest is charged on these loans at 5.4% per annum (ATO benchmark rates).

** Outstanding balances at the end of the reporting period are unsecured, interest-free and settlement occurs in cash.*

Insurance Claim

The Company's plant, property and equipment has been insured under the common cover arranged for all entities under the Stang Group of Companies.

Insurance claim received	-	2,743
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The claims were initially received by Stang Group Insurance Fund and then reimbursed to the Company. Mr M Stang and Mr B Stang are the founders of the Stang Group of Companies.

10 Events Subsequent to the Reporting Date

There have been no matters or circumstances, which have arisen since 31 December 2017 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2017, of the consolidated entity;
- (b) the results of those operations; or
- (c) the state of affairs, in the financial years subsequent to 31 December 2017, of the consolidated entity.

Aeris Environmental Ltd

DIRECTORS' DECLARATION

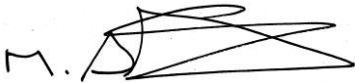
Directors' Declaration

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 2017 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 the 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 read 'M. Stang', with a large, stylized flourish extending to the right.

Maurie Stang

Chairman and Director

Sydney, 28 February 2018

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

To the Directors of Aeris Environmental Ltd

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2017, there have been:

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


This declaration is in respect of Aeris Environmental Ltd and the entities it controlled during the financial period.



Franco Giannuzzi
Partner

Sydney

Dated: 28 February 2018



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 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes, 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 controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Aeris Environmental Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



Franco Giannuzzi

Partner

Sydney

Dated: 28 February 2018



UHY Haines Norton

Chartered Accountants