

The background of the entire cover is a blue-tinted photograph of a high-rise office interior. Three people are silhouetted against a large window that looks out over a city skyline. The people are standing and looking out the window. The city skyline includes several tall buildings and a body of water in the distance. The overall tone is professional and modern.

# 2022

## Annual Report

Aeris Environmental Ltd  
ACN 093 977 336





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# Chairman and CEO Report

Dear Shareholders

Since the onset of the pandemic the impact on both business and society has been unprecedented. The challenge and the opportunity for the Company are adapting to the “new norm” whilst focussing on the current priorities of its customers and distributors.

Aeris’ Board recognises that the performance of the Company in terms of shareholder value and top-line sales has been disappointing. The market volatility impacting each sector of the business has been extraordinary. The Company acknowledges that it must adapt more quickly to these changing conditions and the related business environment. To this end, today we have a new CEO and a refreshed team, and have re-examined our corporate strategy, the outcomes of which are now being implemented.

Aeris’ strategic focus is the application of products and services to improve energy efficiency and environmental hygiene in the built environment. Today’s customers, particularly those in the enterprise market, are now implementing Environmental, Social and Governance (ESG) practices as fundamental to their shareholder requirements and indeed their business strategy.

Aeris is positioning itself at the heart of these requirements through its concentration on reducing energy consumption, achieving a lower carbon footprint, improving indoor air quality and the safety of hard surfaces. Our scientific background and in-field capabilities enable Aeris to be a committed partner in assessing product performance, implementing effective strategies, and reporting improvements on ESG related baselines, which is becoming mandatory in this new era.

A similar opportunity exists in the farm to fork value chain, where the core competencies of energy efficiency and environmental hygiene offer high value to customers. Operating system efficiencies and food hygiene for enhanced shelf life and quality are significant R&D drivers to complement our existing product suite.



We have acted on customer and distributor feedback to adapt our products, packaging, and pricing to improve our competitive positioning both domestically and internationally. This renewed customer-centric focus is expected to facilitate stronger and more successful relationships with our customers and distributors. Key to our plans going forward is the focus on profitable recurring revenue to create a viable scaling and attractive business model. Of critical importance is Aeris' investment in improving the workflow and profitability of our customers globally, whilst in parallel achieving their environmental and OH&S goals.

The Company has appointed specialised resources to its key international markets, and we are already seeing better engagement with our distribution partners. This has been attained by targeting specific product ranges to address opportunities with our environmental, hygiene, energy efficiency, mould and corrosion protection products and pursuing channel partners who have specific domain knowledge and expertise in their local markets.

The China market continues to offer considerable promise. Aeris' WFOE entity in Shanghai is now in place and providing sizable opportunities, particularly in the government sector, which are only available to companies with a local presence. First orders have been received and shipped and a multi-channel approach to the market is being developed with a number of Chinese companies, each having a strong track record in both market development and sales.

Aeris today is fully focussed on leveraging its new strategic direction and commercial-ready product portfolio, whilst investing in relationships with corporations and individuals who share our belief that innovation remains at the heart of meeting both the social and business challenges our customers are facing globally. This includes new and promising relationships with a range of international OEMs that share our market focus and are delivering leading technologies in our space.

With Andrew Just having joined Aeris as CEO in late March 2022, we believe that the Company is now well positioned to meet both the business and social goals of our customers. The product portfolio is rapidly evolving and demonstrating significant differentiation in the marketplace. The Aeris team and Board recognise both the challenges and opportunities before us, and we are committed to the growth of annuity revenue and increased shareholder value.

**Maurie Stang**  
*Chairman*

**Andrew Just**  
*CEO*





# Review of Operations





## 2022 Annual 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 ESG requirements of customers.

The financial year ending 30th June 2022 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 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 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 \$3,240,986 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 \$4,827,418. 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 and cost savings 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 Aeris generating annuity revenue on an ongoing basis.

## Environmental Hygiene

Aeris Defence achieved a new 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 advanced 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 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 attention on the USA and China. In the USA, the 2021-22 financial year witnessed resource changes in the Company's structure, reduced 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 key 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 worthwhile 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 to 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.

## 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.







# Directors' Report

## Directors' Report

The Directors of Aeris Environmental Ltd submit herewith the Annual Report for the financial year ended 30 June 2022. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is as follows:

### Directors

The names and details of the Directors and Company Secretary of Aeris Environmental Ltd during the whole of the financial year and up to the date of this Report, unless otherwise stated:

#### **Maurie Stang**

##### **Non-Executive Chairman**

Mr Maurice Stang has more than three decades of experience building and managing companies in the healthcare and biotechnology industry in Australia and internationally. His strong business development and marketing skills have resulted in the successful commercialisation of intellectual property across global markets.

Director since: 24 July 2002 - appointed Chairman in 2002

Directorship of other listed companies held in the last three years:

Non-Executive Chairman of Nanosonics Limited (ASX:NAN) until 1 July 2022 (Deputy Chairman since 1 July 2022).

Non-Executive Deputy Chairman of Vectus Biosystems Limited (ASX:VBS) since December 2005.

#### **Steven Kritzler**

##### **Non-Executive Director**

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

Director since: 24 July 2002

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

## **Jenny Harry**

### **Non-Executive Director**

Dr Harry (PhD GAICD) was appointed as a Director in April 2021. She is a graduate of the Harvard Business School General Manager Program and the Australian Institute of Company Directors. Dr Harry has 25 years' experience in executive management of companies in the biotechnology, diagnostic and biopharmaceutical sectors. She is an accomplished CEO with experience in growing companies from start-up to commercialisation, and has demonstrated expertise in building high-performing teams, establishing global partnerships, capital raising, investor relations, together with corporate governance and compliance. Dr Harry is an experienced Non-Executive Director on the Boards of listed and unlisted companies. She is currently a Non-Executive Director of Neuren Pharmaceuticals Limited (ASX:NEU) and a member of the Board's IP sub-Committee of the Children's Medical Research Institute.

Director since: 21 April 2021

Directorship of other listed companies held in the last three years: Non-Executive Director of Neuren Pharmaceuticals Limited (ASX:NEU) since 2018.

## **Abbie Widin**

### **Non-Executive Director**

Dr Widin (PhD (Physiology) and B. Med. Science (Hons), both from the University of Sydney, and a Diploma of Business Administration from AGSM, and GAICD) was appointed as a Director in March 2021. She has over 20 years' experience in the highly-competitive consumer goods and consulting markets. Dr Widin has held various marketing, commercial and management roles in both private and public companies, such as Procter & Gamble (Australia and Europe), SC Johnson, Reckitt Benckiser and Kellogg. She has strengths in marketing strategy, innovation pipelines and leading cross-functional teams.

Director since: 2 March 2021

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

## **Michael Ford**

### **Non-Executive Director**

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

Director from 23 April 2020 until he resigned on 14 December 2021

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



## Other Key Management Personnel

### Andrew Just

#### Chief Executive Officer

Mr Just (Bec., Hec., MBA, GAICD) was formerly the Regional Director Asia Pacific for Radiometer, a Danaher Company. He has 30 years' global experience in delivering growth and scale competencies with leading Fortune 500 companies, including GE Healthcare, Danaher, Stryker, and Cochlear. Andrew has held a variety of senior leadership roles across diverse business functions, with expertise in sales and marketing, performance management, commercial transactions, and operations in both turnaround and growth environments.

Appointed: 28 March 2022

Directorships of other listed companies held in the last three years: Non-Executive Director of Singular Health Group (ASX:SHG) since March 2021.

### Robert Waring

#### Company Secretary

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

### Peter Bush

#### Chief Executive Officer

Mr Bush (B.Com, CA) was formerly the Chief Financial Officer of the Regional Health Care Group of companies and of Gryphon Capital (an independent merchant bank that facilitates the financing and development of emerging healthcare-related entities). He began his career working for five years at BDO, a global accounting and consulting firm, and has since spent a number of years working in industry. Mr Bush holds a number of private directorships and board positions.

Appointed: 2013. Resigned on 28 March 2022.

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

## Share Registry

### Computershare Investor Services Pty Ltd

Yarra Falls, 452 Johnston Street  
Abbotsford VIC 3067  
GPO Box 2975, Melbourne VIC 3001  
Telephone: +61 3 9415 4000  
Web: [www.computershare.com](http://www.computershare.com)

## Directors' Meetings

The following table sets out the number of Directors' meetings and Committee meetings held during the financial year and the number of meetings attended by each Director (while they were a Director).

	Board of Directors	Audit and Risk Committee	Corporate Governance Committee	Remuneration and Nomination Committee
Number of meetings held	12	3	1	-
Directors and their attendance				
Maurie Stang*	12	3	1	-
Steven Kritzer	11	-	-	-
Michael Ford**	6	1	1	-
Abbie Widin***	12	-	-	-
Jenny Harry****	12	3	-	-

\*Chairman of the Board. Chairman of both the Remuneration and Nomination Committee, and the Corporate Governance Committee until 24 February 2022.

\*\*Ceased to be a Director on 14 December 2021, and also ceased to be a member of the Audit and Risk Committee (and its Chairman), the Corporate Governance Committee, and the Remuneration and Nomination Committee on 14 December 2021.

\*\*\*Became Chair of the Related Parties Committee on 12 August 2021.

\*\*\*\*Became the third member of both the Audit and Risk Committee, and the Remuneration and Nomination Committee, on 29 July 2021. Became the Chair of the Audit and Risk Committee, the Remuneration and Nomination Committee, and the Corporate Governance Committee on 24 February 2022.

In addition, the Board has a Disclosure Committee and a Related Parties Committee, to meet as and when required. The Disclosure Committee did not meet during the 2021-22 financial year and the Related Parties Committee met three times. Update and sales meetings were also attended by some or all Directors during the financial year.

## Committee Membership

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

Audit and Risk Committee – Jenny Harry (Chair), Maurie Stang, and Michael Ford (previous Chair, for part of year)

Corporate Governance Committee – Jenny Harry (Chair), Maurie Stang (previous Chair), and Michael Ford (part of year)

Related Parties Committee - Abbie Widin (Chair), Jenny Harry, and Michael Ford (part of year)

Remuneration and Nomination Committee – Jenny Harry (Chair), Maurie Stang (previous Chair), and Michael Ford (part of year)

The Disclosure Committee has not met since it was formed. It is composed of not less than three members, one of whom will be a Non-Executive Director, and will normally also include the Chairman. The Chair of the Committee will be elected by the members at each meeting.

## Principal activities

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

- research, development, commercialisation of proprietary technologies and global distribution of HVAC/R Hygiene, anti-corrosion and disinfectant products;
- provision of HVAC/R Hygiene and Remediation Technology, Indoor Air Quality and Corrosion Protection services.

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

## Review of operations

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

	2022 \$	2021 \$	Change \$	Change %
Income	2,806,835	7,336,311	(4,529,476)	(62%)
Expenses	(9,937,262)	(13,203,489)	3,266,227	(25%)
Loss after income tax	(7,130,427)	(5,867,178)	(1,263,249)	22%

The Company's Review of Operations commences on page 7 of this report.

## Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2022 (2021: Nil). No dividends have been paid or declared since the start of the financial year.

## Significant changes in the state of affairs

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

## Significant events after the balance date

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 performance rights, with no exercise price, in accordance with contractual commitments for prior years' service, which were due to expire (if not converted) at 5pm on 1 July 2023.

On 2 September 2022, former CEO Peter Bush was issued 1,068,531 shares on the conversion of his 1,068,531 performance rights that were issued on 5 August 2022 and two consultants were issued a total of 150,000 shares on the conversion of their performance rights that were issued on 9 September 2019.

On 2 September 2022, a contractor was issued 50,000 shares as the result of work completed, issued at a deemed issue price of \$0.05 per share.

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

### **Likely developments and expected results of operations**

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

### **Environmental regulations**

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

### **Indemnification of Officers and Auditors**

#### **Indemnification**

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

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

#### **Insurance Premiums**

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

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



## Proceedings on behalf of the Company

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

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

## Directors' interests

Equity holdings	Ordinary shares	Rights over ordinary shares
Maurie Stang	23,698,288	-
Steven Kritzler	11,252,785	-
Michael Ford (Director until 14 December 2021)	75,000	-
	35,026,073	-

Particulars of options or rights granted over unissued shares	2022	2021
Number of options or rights on issue over unissued ordinary shares	150,000	1,406,600
Shares issued in the period as the result of the exercise of options or rights	548,183	1,182,358
Options or rights expired or forfeited during the period	708,417	218,333
	1,406,600	2,807,291

Full details of options or rights on issue are shown in note 25 and note 26.

## Non-audit services

There were no non-audit services provided during the financial year by the auditor.

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

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

## **Auditors**

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

## **Auditor's independence declaration**

The Auditor's Declaration of Independence for the year ended 30 June 2022 is attached to this Directors' Report on page 41.

## **Corporate Governance**

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

## Remuneration Report (audited)

### Key Management Personnel (KMP)

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

#### Non-Executive Directors

Maurie Stang  
Steven Kritzler  
Abbie Widin  
Jenny Harry  
Michael Ford (Director until 14 December 2021)

#### Executive

Andrew Just (Chief Executive Officer appointed 28 March 2022)  
  
Peter Bush (Chief Executive Officer until 28 March 2022)

Robert Waring, who was considered to be a KMP in the previous financial year is now no longer considered to be a KMP at the start of the 2022 financial year. He was the Company Secretary throughout the full year ended 30 June 2022.

## Principles used to determine the nature and amount of remuneration

### Remuneration policies

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

#### a) Overview of remuneration structure

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

Aeris' Remuneration and Nomination Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for staff, including Directors, the Company Secretary and senior managers of the Company. The Committee has access to the advice of independent remuneration consultants to ensure the remuneration and incentive schemes are consistent with its philosophy as well as current market practices, however no external report was received in the financial year.



## b) Non-Executive Directors

Total compensation for all Non-Executive Directors was approved at the Company's 2014 Annual General Meeting (AGM) at \$300,000 per annum. A Resolution was approved at the AGM held on 27 January 2022 to increase the limit of Directors' Fees by \$150,000. The increase provides some headroom in the future for an increase in the rate of Directors' fees and to enable Aeris to appoint additional Directors as the Company grows. It is noted that Directors' Fees are payable for the first time in the 2020-21 financial year for two Directors who have not been compensated with Directors' Fees since the 2002 IPO. Amounts paid to Directors were set out in conjunction with advice from external advisors in reference to fees paid to Non-Executive Directors of comparable companies, however no external report was received in the financial year. The base fee for the Chairman is \$90,000 per annum and, for other Non-Executive Directors \$60,000 per annum. Directors' Fees will cover all main Board activities and membership of Committees of the Board. This may be re-assessed if Directors sit on more than one Committee. While it is recognised that various organisations recommend that Non-Executive Directors do not receive performance-related compensation, in the case of Aeris, because it is at a relatively early stage of commercialising its technologies, and wishes to minimise its cash outgoings, it has in the past, and plans in the future to, partially remunerate its Non-Executive Directors with options, as detailed in the Remuneration Report. There are no retirement benefits provided to Non-Executive Directors, apart from statutory superannuation.

## c) Executives

The objective of Aeris' executive reward system is to ensure that remuneration for performance is competitive and appropriate for the results delivered. Executive pay structures include a base salary and superannuation. In addition, executives and senior managers can participate in the Employee Share Option Plan.

## d) Short-term incentives (STI)

During the financial year ended 30 June 2022 no amounts were paid to KMPs as STIs. The STI arrangement is reviewed annually by the Board.

## e) Long-term incentives (LTI)

The LTI provide an annual opportunity for selected executives to receive awards in cash and equity. The equity portion, being performance rights, vest over three years and is intended to align a significant portion of an executive's overall remuneration to shareholder value over a longer term. Equity grants are subject to performance conditions (revenue and / or earnings per share) and are tested against the performance hurdles set at the end of three financial years. If performance hurdles are not met at the vesting date, the rights and

options lapse. In addition, performance rights and options will only vest if the executive KMP member remains in continuous employment with Aeris in their current or equivalent position from the date of grant to the respective vesting date of each grant.

During the financial year ended 30 June 2022 no amounts were paid as LTIs to KMPs.

#### f) Share-based compensation

In October 2014, the Board established an Employee Incentive Plan (EIP). The EIP was approved by shareholders at the Annual General Meeting (AGM) held on 27 November 2014 and was re-approved by shareholders at the AGM held on 29 November 2018 and 27 January 2022. The terms where options or shares issued under the EIP normally have the following conditions:

- Vesting  
33.3% vest on the first anniversary of grant of options or performance rights,  
33.3% vest on the second anniversary of grant of options or performance rights, and  
33.4% vest on the third anniversary of grant of options or performance rights.
- The contractual life of the options or performance rights issued ranges from three to five years.
- The exercise price determined in accordance with the Rules of the EIP is determined by the Board when the performance of staff and contractors is evaluated following a recommendation of the Remuneration and Nomination Committee, normally with external remuneration adviser assistance. The option exercise price will normally be based on the volume weighted average price (VWAP) of the Company's shares for the 20 trading days prior to the offer.
- Each option or performance right is convertible into one fully paid ordinary share.
- All options or performance rights expire on the earlier of their expiry date or 90 days after voluntary termination of the participant's employment, with a Board discretion in special circumstances.
- There are no voting or dividend rights attached to options or performance rights. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the ordinary shares, which will be issued when the options have been exercised or when the performance rights have been converted into fully paid ordinary shares.
- The options or performance rights issued are on an equity-settled basis. There are no cash settlement alternatives.

## Equity holdings transactions

The movement during the reporting period in the number of ordinary shares in Aeris Environmental Ltd held directly, indirectly or beneficially by each specified Director and Executive, including their personally related entities, are as follows:

2022 Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<b>Specified Directors</b>					
Maurie Stang	23,698,288	-	-	-	23,698,288
Steven Kritzer	11,252,785	-	-	-	11,252,785
Michael Ford	75,000	-	-	-	75,000
Abbie Widin	-	-	-	-	-
Jenny Harry	-	-	-	-	-
	<b>35,026,073</b>	-	-	-	<b>35,026,073</b>
<b>Specified Executives</b>					
Peter Bush (CEO until 28 March 2022)	1,632,358	-	441,179	-	2,073,537
Andrew Just (Appointed CEO on 28 March 2022)	-	-	-	-	-
	<b>1,632,358</b>	-	<b>441,179</b>	-	<b>2,073,537</b>
	<b>36,658,431</b>	-	<b>441,179</b>	-	<b>37,099,610</b>



2021 Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<b>Specified Directors</b>					
Maurie Stang	23,698,288	-	-	-	23,698,288
Bernard Stang (Director until 26 Nov 2020)	20,527,194	-	-	(1,740,555)	18,786,639
Steven Kritzler	11,252,785	-	-	-	11,252,785
Michael Ford	75,000	-	-	-	75,000
Abbie Widin (Appointed a Director on 2 March 2021)	-	-	-	-	-
Jenny Harry (Appointed a Director on 21 April 2021)	-	-	-	-	-
	<b>55,553,267</b>	<b>-</b>	<b>-</b>	<b>(1,740,555)</b>	<b>53,812,712</b>
<b>Specified Executives</b>					
Peter Bush	750,000	882,358	-	-	1,632,358
Robert Waring *	992,326	-	-	-	992,326
	<b>1,742,326</b>	<b>882,358</b>	<b>-</b>	<b>-</b>	<b>2,624,684</b>
	<b>57,295,593</b>	<b>882,358</b>	<b>-</b>	<b>(1,740,555)</b>	<b>56,437,396</b>

\*Robert Waring, who was considered to be a KMP in the previous financial year is now no longer considered to be a KMP at the start of the 2022 financial year. He remains the Company Secretary throughout the full year ended 30 June 2022.

2022 Options and rights	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<b>Specified Directors</b>					
Maurie Stang	-	-	-	-	-
Steven Kritzler	-	-	-	-	-
Michael Ford	-	-	-	-	-
Abbie Widin	-	-	-	-	-
Jenny Harry	-	-	-	-	-
	-	-	-	-	-
<b>Specified Executives</b>					
Peter Bush (CEO until 28 March 2022)	441,179	-	(441,179)	-	-
Andrew Just (Appointed CEO on 28 March 2022)	-	-	-	-	-
	<b>441,179</b>	<b>-</b>	<b>(441,179)</b>	<b>-</b>	<b>-</b>

2021 Options and rights	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<b>Specified Directors</b>					
Maurie Stang	-	-	-	-	-
Bernard Stang (Director until 26 Nov 2020)	-	-	-	-	-
Steven Kritzler	-	-	-	-	-
Michael Ford	-	-	-	-	-
Abbie Widin (Appointed a Director on 2 March 2021)	-	-	-	-	-
Jenny Harry (Appointed a Director on 21 April 2021)	-	-	-	-	-
	-	-	-	-	-
<b>Specified Executives</b>					
Peter Bush	1,323,537	-	(882,358)	-	441,179
Robert Waring	50,000	-	-	-	50,000
	<b>1,373,537</b>	<b>-</b>	<b>(882,358)</b>	<b>-</b>	<b>491,179</b>

## Transactions with Directors and Director related entities

A number of specified Directors, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arms-length basis. Details of these transactions are as follows.

There were no options over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding at 30 June 2022.

	2022 \$	2021 \$
<b>Regional Healthcare Group Pty Ltd</b>		
The Company and its controlled entities incur expenses for services provided by Regional Healthcare Group Pty Ltd		
Office and administration expenses	174,340	157,775
Insurance expenses	1,613	136,913
Rent	63,678	56,604
Distribution expenses	36,034	34,127
Corporate expenses	88,261	84,374
The Company and its controlled entities transacted with Regional Healthcare Group Pty Ltd as customer for:		
Sale of goods and administrative charges	85,253	56,819
Sales returns	(152,398)	-
Mr M Stang is a Director and Shareholder of Regional Healthcare Group Pty Ltd		
<b>Novapharm Research (Australia) Pty Ltd</b>		
The Company and its controlled entities incur expenses for services provided by Novapharm Research (Australia) Pty Ltd.		
Research and development	353,137	193,849
Parent and other expenses	4,136	208,895
The Company and its controlled entities transacted with Novapharm Research (Australia) Pty Ltd and invoiced them for providing supply chain functions		
	54,071	50,000
Mr M Stang and S Kritzler are Directors and Shareholders of Novapharm Research (Australia) Pty Ltd		
<b>Ramlist Pty Ltd</b>		
The Company and its controlled entities incur expenses for rent and utility outgoings to Ramlist Pty Ltd.		
	24,113	52,537
Mr M Stang is a Director and Shareholder of Ramlist Pty Ltd.		
<b>Ensol Systems Pty Ltd</b>		
The Company and its controlled entities incur expenses for marketing and other operational services to Ensol Systems Pty Ltd.		
	17,317	136,561
The Company and its controlled entities transacted with Ensol Systems Pty Ltd and invoiced them for administrative charges		
	18,982	27,941
Mr M Stang is a Shareholder of Ensol Systems Pty Ltd		
<b>Teknik Lighting Solutions Pty Ltd</b>		
The Company and its controlled entities incur expenses for marketing and other operational services to Teknik Lighting Solutions Pty Ltd. and invoiced them for administrative charges		
	2,720	2,032
The Company and its controlled entities transacted with Teknik Lighting Solutions Pty Ltd. and invoiced them for administrative charges		
	1,705	1,609
Mr M Stang is a Shareholder of Teknik Lighting Solutions Pty Ltd.		



**Henry Schein**

The Company and its controlled entities sold products to Henry Schein	-	38,866
Mr M Stang is a Director of Henry Schein		

**Vectus Biosystems Limited**

The Company and its controlled entities provided financial and other services to Vectus Biosystems Limited	24,552	28,081
Mr M Stang and Mr P Bush are Directors and Shareholders of Vectus Biosystems Limited		

**Bright Accountants**

The Company and its controlled entities incur expenses for accounting services from Bright Accountants.	-	52,111
Mr P Bush is a related party to Bright Accountants.		

**Oakhill Hamilton Pty Ltd**

The Company and its controlled entities incur expenses for company secretarial services from Oakhill Hamilton Pty Ltd	177,004	111,035
Mr R Waring is a Director and Shareholder of Oakhill Hamilton Pty Ltd		

**Outstanding balances payable from purchase of services**

Regional Healthcare Group Pty Ltd - for purchase of services	39,192	114,547
Regional Healthcare Group Pty Ltd - for refund owing from credits due to sales returns	112,517	-
Novapharm Research (Australia) Pty Ltd	98,352	19,181
Ramlist Pty Ltd	-	6,849
Ensol Systems Pty Ltd	1,761	20,606
Teknik Lighting Solutions Pty Ltd	-	165
Oakhill Hamilton Pty Ltd.	10,484	9,186

**Outstanding balances receivable for sales and services provided**

Vectus Biosystems Limited	12,916	28,181
Regional Healthcare Group Pty Ltd	-	17,877
Novapharm Research (Australia) Pty Ltd	5,364	-
Ensol Systems Pty Ltd	-	30,735
Teknik Lighting Solutions Pty Ltd	54	1,239

## Details of remuneration

### Equity holdings transactions

The movement during the reporting period in the number of ordinary shares in Aeris Environmental Ltd held directly, indirectly or beneficially by each specified Director and Executive, including their personally-related entities, are as follows:

### Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Termination payments	Equity based benefits		Total
	Salary & Director's fees \$	STI Cash bonus \$	Non-monetary benefits \$	Super-annuation \$		Shares \$	Options & rights (Note (ii)) \$	\$
2022								
<b>Non-Executive Directors:</b>								
Maurie Stang	81,818	-	-	8,182	-	-	-	90,000
Steven Kritzler	54,545	-	-	5,455	-	-	-	60,000
Michael Ford (Resigned 14 December 2021)	26,453	-	-	1,261	-	-	-	27,714
Abbie Widin	54,565	-	-	5,456	-	-	-	60,021
Jenny Harry	54,565	-	-	5,456	-	-	-	60,021
<b>Executives (Note (i)):</b>								
Peter Bush (Resigned 28 March 2022)*	223,724	-	-	22,346	140,045	-	59,838	445,953
Andrew Just (Appointed CEO on 28 March 2022)	68,750	-	-	5,892	-	-	-	74,642
	564,420	-	-	54,048	140,045	-	59,838	818,351

\*During the year ended 30 June 2022, Peter Bush received shares on exercise of old performance rights; these have been expensed by the Company and previously reported in other financial years.

2021	Short-term benefits			Post-employment benefits	Termination payments	Equity based benefits		Total
	Salary & Director's fees \$	STI Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	\$	Shares \$	Options & rights (Note (ii)) \$	\$
<b>Non-Executive Directors:</b>								
Maurie Stang	82,192	-	-	7,808	-	-	-	90,000
Bernard Stang	-	-	-	-	-	-	-	-
Steven Kritzler	54,795	-	-	5,205	-	-	-	60,000
Michael Ford	57,272	-	-	2,728	-	-	-	60,000
Abbie Widin	19,389	-	-	1,847	-	-	-	21,236
Jenny Harry	14,862	-	-	1,412	-	-	-	16,274
<b>Executives (Note (i)):</b>								
Peter Bush	280,289	-	-	26,654	-	-	8,088	315,031
Robert Waring	82,371	-	-	-	-	-	-	82,371
	591,170	-	-	45,654	-	-	8,088	644,912

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

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

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

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

Grant Date	Expiry Date	Fair value at grant date	Exercise price	Price on shares on grant date	Estimated volatility %	Risk free interest rate %
23/12/2016	14/10/2021	\$0.2823	\$0.42	\$0.37	108.30%	2.34%
23/12/2016	23/10/2021	\$0.2828	\$0.42	\$0.37	108.30%	2.34%

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

Grant Date	Vesting Date	Price of shares on grant date	Exercise price
30/05/2018	11/04/2019	\$0.1650	Not applicable
30/05/2018	11/04/2020	\$0.1650	Not applicable
30/05/2018	11/04/2021	\$0.1650	Not applicable



## Executive employment

### Chief Executive Officer (CEO):

The following sets out the key terms of the employment for the former CEO, Peter Bush

Term:	Continuous employment until notice is given by either party
Fixed remuneration:	\$246,070. This is reviewed annually.
Notice period:	To terminate his employment, Mr Bush is required to provide Aeris with 3 months written notice. Aeris must provide 3 months written notice.
Resignation or termination:	On resignation, unless the Board determines otherwise:  All unvested short term or long term-benefits are forfeited.  All vested but unexercised benefits are forfeited after 90 days following cessation of employment.
Statutory entitlements:	Annual leave applies in all cases of separation. Long Service applies unless Mr Bush's service is under 10 years and he is dismissed for misconduct.
Termination for serious misconduct:	Aeris may immediately terminate employment at any time in the case of serious misconduct and Mr Bush will only be entitled to payment of fixed remuneration until the termination date. Such termination will result in all unvested benefits being forfeited. Treatment of any vested but unexercised benefits will be at the discretion of the Board.
Post-Termination Restraint of Trade:	For a period of 6 months or, if that period is unenforceable, 3 months after the termination of employment, Mr Bush must not, in the area of Australia or, if that area is unenforceable, New South Wales:  (i) solicit, canvas, approach or accept any approach from any person who was at any time during his last 12 months with the Company a client of the Company in that part or parts of the business carried on by the Company in which he was employed with a view to obtaining the custom of that person in a business that is the same or similar to the business conducted by the Company; or  (ii) interfere with the relationship between the Company and its customers, employees or suppliers; or  (iii) induce or assist in the inducement of any employee of the Company to leave their employment.

There are no contracts to which a Director is a party under which a Director is entitled to benefit other than as disclosed above and note 32 to the financial statements.

### Chief Executive Officer (CEO):

The following sets out the key terms of the employment for the CEO, Andrew Just

Term:	Continuous employment until notice is given by either party
Fixed remuneration:	\$302,500. This is reviewed annually.
Notice period:	To terminate his employment, Mr Just is required to provide Aeris with 3 months written notice. Aeris must provide 3 months written notice.
Resignation or termination:	On resignation, unless the Board determines otherwise:  All unvested short term or long-term benefits are forfeited.  All vested but unexercised benefits are forfeited 90 days following cessation of employment.
Statutory entitlements:	Annual leave applies in all cases of separation. Long Service applies unless Mr Just's service is under 10 years and he is dismissed for misconduct.
Termination for serious misconduct:	Aeris may immediately terminate employment at any time in the case of serious misconduct and Mr Just will only be entitled to payment of fixed remuneration until the termination date. Such termination will result in all unvested benefits being forfeited. Treatment of any vested but unexercised benefits will be at the discretion of the Board.
Post-Termination Restraint of Trade:	For a period of 12 months or, if that period is unreasonable, 6 months after the termination of employment, Mr Just must not, in the area of New South Wales or, if that area is unreasonable, the half of New South Wales closest to the Company's place of business where the CEO last worked for the Company:  (i) solicit, canvas, approach or accept any approach from any person who was at any time during his time with the Company a client of the Company in that part or parts of the business carried on by the Company in which he was employed with a view to obtaining the custom of that person in a business that is the same or similar to the business conducted by the Company; or  (ii) interfere with the relationship between the Company and its customers, employees or suppliers; or  (iii) induce or assist in the inducement of any employee of the Company to leave their employment.

There are no contracts to which a Director is a party under which a Director is entitled to benefit other than as disclosed above and note 32 to the financial statements.

## Link between remuneration and performance statutory performance indicators

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

	2022 \$	2021 \$	2020 \$	2019 \$	2018 \$
Profit (Loss) for the year attributable to owners of Aeris Environmental Ltd	(7,130,427)	(5,867,178)	1,982,941	(3,628,499)	(3,590,176)
Basic Earnings (loss) per share (cents per share)	(2.92)	(2.41)	0.90	(1.98)	(2.28)
Increase/(decrease) in share price (%)	(68.00%)	(71.42%)	70.97%	121.43%	(50.00%)
Total KMP remuneration as percentage of profit (loss) for the year (%)	(10.47%)	(10.99%)	23.07%	(13.51%)	(12.01%)

## Share options and performance rights

There are no options and performance rights to take up ordinary shares in Aeris Environmental Ltd that were issued to KMP that remain unexercised at 30 June 2022 (2021: 491,179 options and performance rights).

No options or performance rights to take up ordinary shares in Aeris Environmental Ltd were issued to KMP during the financial years 2022 and 2021. Subsequent to year-end, former CEO Peter Bush was issued 1,068,531 performance rights, with no exercise price, in accordance with contractual commitments for prior years' service, which expire (if not converted) at 5pm on 1 July 2023.

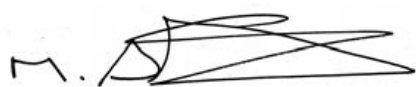
No options issued to KMP expired or were forfeited during the years 2022 and 2021.

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

**This concludes the remuneration report, which has been audited.**

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



**Maurie Stang** Sydney

30 September 2022

Non-Executive Chairman







# Auditor's Independence Declaration

For the year ended 30 June 2022



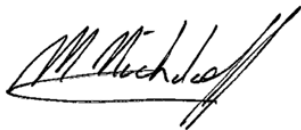
**Auditor's Independence Declaration under section 307C of the *Corporations Act 2001***

**To the Directors of Aeris Environmental Ltd**

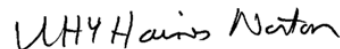
As lead auditor for the audit of Aeris Environmental Ltd for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



**Mark Nicholaeff**  
Partner  
Sydney  
30 September 2022



**UHY Haines Norton**  
Chartered Accountants

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## 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

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 September 2022. The Directors have the power to amend and reissue the financial statements.





# Statement of profit or loss and other comprehensive income

For the year ended 30 June 2022



	Note	2022 \$	2021 \$
<b>Revenue</b>	5	2,806,835	7,336,311
<b>Expenses</b>			
Research and development and patent expense		(636,100)	(812,429)
Employee benefits expense	6	(2,568,260)	(3,148,284)
Depreciation and amortisation expense	6	(99,851)	(132,552)
Impairment of assets		(1,594,891)	(1,462,697)
Finance costs	6	(12,457)	(56,409)
Cost of sales		(1,472,176)	(4,375,528)
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>		<b>(7,423,212)</b>	<b>(5,985,414)</b>
Income tax benefit	7	292,785	118,236
<b>Loss after income tax benefit for the year attributable to the owners of Aeris Environmental Ltd</b>	21	<b>(7,130,427)</b>	<b>(5,867,178)</b>
<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>		<b>(7,073,126)</b>	<b>(5,957,952)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	24	(2.92)	(2.41)
Diluted earnings per share	24	(2.92)	(2.41)

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



# Statement of financial position

As at 30 June 2022

	Note	2022 \$	2021 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	5,303,142	11,485,616
Trade and other receivables	9	1,092,236	1,485,009
Inventories	10	1,262,798	2,811,899
Other	11	310,401	367,022
Total current assets		7,968,577	16,149,546
<b>Non-current assets</b>			
Property, plant and equipment	12	109,255	106,017
Right-of-use assets	13	-	295,036
Total non-current assets		109,255	401,053
<b>Total assets</b>		<b>8,077,832</b>	<b>16,550,599</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	14	1,392,486	2,337,691
Lease liabilities	15	-	91,225
Provisions	16	92,481	388,669
Total current liabilities		1,484,967	2,817,585
<b>Non-current liabilities</b>			
Lease liabilities	17	-	227,113
Provisions	18	-	34,533
Total non-current liabilities		-	261,646
<b>Total liabilities</b>		<b>1,484,967</b>	<b>3,079,231</b>
<b>Net Assets</b>		<b>6,592,865</b>	<b>13,471,368</b>
<b>Equity</b>			
Issued capital	19	62,520,726	62,430,276
Reserves	20	1,861,906	1,700,432
Accumulated losses	21	(57,793,452)	(50,663,025)
Equity attributable to the owners of Aeris Environmental Ltd		6,589,180	13,467,683
Non-controlling interest	22	3,685	3,685
<b>Total equity</b>		<b>6,592,865</b>	<b>13,471,368</b>

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



# Statement of changes in equity

For the year ended 30 June 2022

<b>Consolidated</b>	<b>Issued Capital \$</b>	<b>Reserves \$</b>	<b>Retained Profits \$</b>	<b>Non-controlling interest \$</b>	<b>Total equity \$</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)
Transactions with owners in their capacity as owners:					
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	62,430,276	1,700,432	(50,663,025)	3,685	13,471,368

<b>Consolidated</b>	<b>Issued Capital \$</b>	<b>Reserves \$</b>	<b>Retained Profits \$</b>	<b>Non-controlling interest \$</b>	<b>Total equity \$</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
Transactions with owners in their capacity as owners:					
Share-based payments (note 20)	-	104,173	-	-	104,173
Balance at 30 June 2022	62,520,726	1,861,906	(57,793,452)	3,685	6,592,865

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





# Consolidated statement of cash flows

For the year ended 30 June 2022



	Note	2022 \$	2021 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		3,240,986	11,367,172
Payments to suppliers (inclusive of GST)		(9,343,010)	(13,484,135)
R&D tax offset rebate received		-	687,807
		(6,102,024)	(1,429,156)
Interest received		-	24,465
Government grants		-	181,162
Interest and other finance costs paid		(5,332)	(56,409)
Net cash used in operating activities	36	(6,107,356)	(1,279,938)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	12	(63,826)	(93,359)
Net cash used in investing activities		(63,826)	(93,359)
<b>Cash flows from financing activities</b>			
Repayment of lease liabilities		(68,595)	-
Net cash used in financing activities		(68,595)	-
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	8	5,303,142	11,485,616

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





# Notes to the financial statements

30 June 2022



## 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 30 September 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

No new or amended Accounting Standards were applicable to the Group for the current financial year.

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

### 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 and August 2022 saw the budget being largely achieved from a net loss perspective, demonstrating the reasonable and achievable nature of the budget.

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').

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. These standards are not expected to have a material impact on the Consolidated Entity in the current or future reporting periods and on foreseeable future transactions.

### **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 33.

## 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.

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 statement of financial position presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of profit or loss 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.

### 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 34. 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.

## **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.

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.

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.

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 26.

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.

## **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.

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.

## 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 9, 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.

### 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. Financial risk management

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

#### Foreign exchange risk

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

#### Credit risk

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

#### Cash flow and fair value interest rate risk

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

#### Liquidity risk

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

## Note 4. 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 15% (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

2022	Australia	International	Intersegment eliminations	Consolidated
<b>Revenue</b>				
Sales	2,558,829	188,776	(69,472)	2,678,133
Other income	117,639	11,063	-	128,702
Total Revenue	2,676,468	199,839	(69,472)	2,806,835
<b>Expenses</b>				
Cost of goods sold	(1,362,628)	(179,020)	69,472	(1,472,176)
Operating expenses	(9,029,213)	(962,112)	1,233,454	(8,757,871)
Total Expenses	(10,391,841)	(1,141,132)	1,302,926	(10,230,047)
Profit (Loss) before tax	(7,715,373)	(941,293)	1,233,454	(7,423,212)

2021	Australia	International	Intersegment eliminations	Consolidated
<b>Revenue</b>				
Sales	6,292,080	956,848	(118,244)	7,130,684
Other income	205,625	2	-	205,627
Total Revenue	6,497,705	956,850	(118,244)	7,336,311
<b>Expenses</b>				
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	(12,414,491)	(1,540,368)	633,134	(13,321,725)
Profit (Loss) before tax	(5,916,786)	(583,518)	514,890	(5,985,414)

## Segment assets and liabilities

	Assets 2022	Assets 2021	Liabilities 2022	Liabilities 2021
<b>Segment assets and liabilities</b>				
Australia	9,082,505	16,548,826	2,436,327	4,777,701
International	1,866,865	964,955	6,454,193	4,083,079
Total	10,949,370	17,513,781	8,890,520	8,860,780
Intersegment elimination	(2,871,538)	(963,181)	(7,405,553)	(5,781,548)
Consolidated	8,077,832	16,550,600	1,484,967	3,079,232

## 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:

	Australia 2022	Australia 2021	International 2022	International 2021
Segment revenue	2,558,829	6,292,080	188,776	956,848
Intersegment elimination	(69,472)	(118,244)	-	-
Revenue from external customers	2,489,357	6,173,836	188,776	956,848
Timing of revenue recognition				
At a point in time	1,782,756	5,097,304	188,776	956,848
Over time	706,601	1,076,532	-	-
	2,489,357	6,173,836	188,776	956,848

## Note 5. Revenue

	Consolidated	
	2022 \$	2021 \$
<b>Revenue from contracts with customers</b>		
Revenue from sales	1,971,532	6,054,152
Revenue from services	706,601	1,076,532
Total Revenue	2,678,133	7,130,684
<b>Other revenue</b>		
Government grants	124,257	200,040
Financial income	4,445	5,587
	128,702	205,627
Revenue	2,806,835	7,336,311



## Note 6. Expenses

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

	Consolidated	
	2022 \$	2021 \$
<b>Loss before income tax includes the following specific expenses</b>		
<b>Depreciation</b>		
Leasehold improvements	981	6,332
Plant and equipment	59,607	45,754
Right-of-use assets	39,263	80,465
Total depreciation	99,851	132,551
<b>Employment benefit expenses</b>		
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
Total employment benefit expenses	2,568,260	3,148,284
<b>Finance costs</b>		
Interest, bank fees and other financial expenses	12,457	56,409
<b>Other expenses</b>		
Impairment (recovery) of receivables	145,646	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

## Note 7. 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:

	Consolidated	
	2022 \$	2021 \$
<b>Income tax benefit</b>		
Current tax	(292,785)	(118,236)
Aggregate income tax benefit	(292,785)	(118,236)
<b>Numerical reconciliation of income tax benefit and tax at the statutory rate</b>		
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)
<b>Temporary differences and tax losses not recognised:</b>		
Non-deductible expenses	1,839,708	1,416,394
Share-based payments	16,095	21,578
	-	(118,236)
R&D tax offset receivable	(292,785)	-
Income tax benefit	(292,785)	(118,236)

### Deferred tax balances not recognised

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

	Consolidated	
	2022 \$	2021 \$
<b>Deferred tax assets not recognised</b>		
<b>Tax losses</b>		
Revenue tax losses available for offset against future taxable income	7,845,547	6,728,307
<b>Deferred tax assets not recognised comprises temporary differences attributable to:</b>		
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	(7,308)	17,160
Accrued expenses	132,145	7,500
Future lease obligations	-	5,826
	857,686	524,036
	8,703,233	7,252,343

## 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 8. Current assets - cash and cash equivalents

	Consolidated	
	2022 \$	2021 \$
Cash at bank and on hand	269,737	906,653
Cash on deposit	5,033,405	5,033,405
	5,303,142	11,485,616

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

## Note 9. Current assets - trade and other receivables

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

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:

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

	Consolidated	
	2022 \$	2021 \$
Less than 6 months overdue	-	-
More than 6 months overdue	214,354	360,000
Amounts recognised in profit or loss		
During the year, the following losses were recognised in profit or loss in relation to impaired receivables		
Individually impaired receivables	-	(81,697)
Previous provisions written back	195,646	-
Movement in provision for impairment	(50,000)	(190,000)

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

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

## Note 10. Current assets - inventories

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

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

## Note 11. Current assets - other

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

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



## Note 12. Non-current assets - property, plant and equipment

	Consolidated	
	2022 \$	2021 \$
Leasehold improvements - at cost	130,228	130,228
Less: Accumulated depreciation	(130,228)	(129,247)
	-	981
Plant and equipment under lease	187,474	187,474
Less: Accumulated depreciation	(162,801)	(137,338)
	24,673	50,136
Computer equipment - at cost	347,393	331,582
Less: Accumulated depreciation	(318,736)	(296,231)
	28,657	35,351
Office equipment - at cost	133,595	133,595
Less: Accumulated depreciation	(130,789)	(128,757)
	2,806	4,838
Field equipment - at cost	51,647	51,647
Less: Accumulated depreciation	(51,647)	(51,647)
	-	-
R & D equipment - at cost	40,773	40,773
Less: Accumulated depreciation	(32,367)	(26,062)
	8,406	14,711
Software - at cost	50,762	2,817
Less: Accumulated depreciation	(6,049)	(2,817)
	44,713	-
	109,255	106,017

## Reconciliations

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

Consolidated	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	15,881	-	-	-	-	47,945	63,826
Depreciation expense	(22,575)	(981)	(2,032)	(25,463)	(6,305)	(3,232)	(60,588)
Balance at 30 June 2022	28,657	-	2,806	24,673	8,406	44,713	109,255

## Note 13. Non-current assets - right-of-use assets

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

## Reconciliations

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

Consolidated	Consolidated	
	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	-	-

Refer to note 17 for further information on lease liabilities.

## Note 14. Current liabilities - trade and other payables

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

Refer to note 27 for further information on financial instruments.

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

## Note 15. Current liabilities - lease liabilities

	Consolidated	
	2022 \$	2021 \$
Lease liability	-	91,225

Refer to note 17 for further information on lease liabilities and note 27 for further information on financial instruments.

## Note 16. Current liabilities - provisions

	Consolidated	
	2022 \$	2021 \$
Annual leave	92,481	354,645
Long service leave	-	34,024
	92,481	388,669

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

## Note 17. Non-current liabilities - lease liabilities

	Consolidated	
	2022 \$	2021 \$
Lease liability	-	227,113

Refer to note 27 for further information on financial instruments.

### Particulars relating to lease liabilities

The Group had recognised 'Right-of-Use Asset' and an associated 'Lease Liability' in the 2021 financial year for the office space leased in Brisbane following AASB 16 for accounting of leases. During the year ended 30 June 2022, it was decided not to take up the renewal option upon expiry of lease on 12 February 2022. Following this decision, the Group has adjusted the carrying amount of 'Right-of-Use Asset' and 'Lease Liability' to that effect and as a result the values have significantly decreased with no balances at 30 June 2022. The 'Right-of-Use Asset' is disclosed in note 13 and the current lease liability is disclosed in note 15.

	Consolidated	
	2022 \$	2021 \$
<b>The financial statements shows the following amounts relating to leases:</b>		
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
Total cash flows for leases	72,630	187,854

## Note 18. Non-current liabilities - provisions

	Consolidated	
	2022 \$	2021 \$
Long service leave	-	34,533

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

## Note 19. Equity - issued capital

	2022 Shares	2021 Shares	2022 \$	2021 \$
Ordinary shares - fully paid	244,376,020	243,827,837	62,520,726	62,430,276

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

### Movements in reserves

Details	Date	Shares	Issue Price	\$
Balance - no par value	1 July 2020	242,545,479		62,195,687
Shares issued on exercise of options		882,358	\$0.16	145,589
Shares issued to consultants and advisors		400,000	\$0.22	89,000
Balance - no par value	30 June 2021	243,827,837		62,430,276
Shares issued on conversion of performance rights		441,179	\$0.08	37,500
Shares issued on conversion of performance rights		107,004	\$0.49	52,950
Balance - no par value	30 June 2022	244,376,020		62,520,726

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.

## Note 20. Equity - reserves

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

### Movements in reserves

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

Consolidated	Foreign Currency translation reserve \$	Share based payments reserve \$	Total \$
<b>Balance at 1 July 2020</b>	<b>(65,483)</b>	<b>1,970,286</b>	<b>1,904,803</b>
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)
<b>Balance at 30 June 2021</b>	<b>(156,257)</b>	<b>1,856,689</b>	<b>1,700,432</b>
Foreign currency translation	57,301	-	57,301
Share based payments during the year allocated to: Employees and consultants	-	134,685	134,685
Key Management Personnel	-	59,938	59,938
Utilized for share issue	-	(90,450)	(90,450)
<b>Balance at 30 June 2022</b>	<b>(98,956)</b>	<b>1,960,862</b>	<b>1,861,906</b>

### 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 performance rights issued to employees, consultants and Directors, as part of the remuneration for their services and issued in consideration for business combinations.



## Note 21. Equity - accumulated losses

	Consolidated	
	2022 \$	2021 \$
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)
Accumulated losses at the end of the financial year	(57,793,452)	(50,663,025)

## Note 22. Equity - non-controlling interest

	Consolidated	
	2022 \$	2021 \$
Retained profits	3,685	3,685

## Note 23. Equity - dividends

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

## Note 24. Earnings per share

	Consolidated	
	2022 \$	2021 \$
Loss after income tax attributable to the owners of Aeris Environmental Ltd	(7,130,427)	(5,867,178)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	243,957,661	243,104,095
Weighted average number of ordinary shares used in calculating diluted earnings per share*	243,957,661	243,104,095
	Cents	Cents
Basic earnings per share	(2.92)	(2.41)
Diluted earnings per share	(2.92)	(2.41)

### Options and performance rights eligible for conversion into ordinary shares in future

	Number	Number
Performance rights**	150,000	1,011,600
Options over ordinary shares issued subsequent to year-end	550,000	-
Performance rights issues subsequent to year-end**	1,068,831	-
	<u>1,768,831</u>	<u>1,011,600</u>

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

\*\*These performance rights were converted into ordinary shares subsequent to year-end (refer to note 35).

## Note 25. Options

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

### 2022 Unlisted

Grant Date	Expiry Date	Exercise Price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
23/12/2016	23/10/2021	\$0.42	395,000	-	-	(395,000)	-
			395,000	-	-	(395,000)	-

### 2021 Unlisted

Grant Date	Expiry Date	Exercise Price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
23/12/2016	23/10/2021	\$0.42	495,000	-	-	(100,000)	395,000
30/05/2018	01/03/2021	\$0.01	100,000	-	-	(100,000)	-
			595,000	-	-	(200,000)	395,000

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

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 26. 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:

	Consolidated	
	2022 \$	2021 \$
<b>Employee Share Option Plan</b>		
Employees and consultant	104,173	74,904
Key Management Personnel	-	8,088
Total arising from share-based payment transactions	104,173	82,992

### 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 performance rights granted over unissued shares:

	Options		Rights	
	2022	2021	2022	2021
<b>Options or rights on issue:</b>				
Employees and consultants	-	345,000	150,000	570,421
Key management personnel*	-	50,000	-	441,179
	-	395,000	150,000	1,011,600
<b>Options or rights granted during the year:</b>				
Employees and consultants	-	-	-	-
Key management personnel	-	-	-	-
	-	-	-	-
<b>Shares issued as a result of exercise of options or rights:</b>				
Employees and consultants	-	-	107,004	300,000
Key management personnel	-	-	441,179	882,358
	-	-	548,183	1,182,358
<b>Options or rights expired or forfeited:</b>				
Employee and consultants	345,000	200,000	313,417	18,333
Key management personnel	50,000	-	-	-
	395,000	200,000	313,417	18,333
Weighted average remaining contractual life	0 years	0.32 years	1.07 years	1.04 years
Range of exercise prices	\$0.42	\$0.42	-	-

\*Robert Waring, who was considered to be a KMP in the previous financial year is now no longer considered to be a KMP at the start of the 2022 financial year. He was the Company Secretary throughout the full year ended 30 June 2022.

## Note 27. Financial instruments

### Financial risk management objectives

#### Capital

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

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

#### Financial instrument risk exposure and management

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

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

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

#### Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risks arise, are as follows:

- Cash at bank;
- Trade and other receivables;
- Deposits and bonds; and
- Trade and other payables



### General objectives, policies and processes

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

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

#### (i) Credit risk

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

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

	Consolidated	
	2022 \$	2021 \$
Trade receivables	799,451	1,485,009
R&D tax offset rebate receivable	292,785	-
Deposits and bonds	21,999	15,271
Deposits with Bankwest	5,033,419	10,578,975
Deposits with Wells Fargo, USA	-	7,826
Deposits with Bank of America, USA	61,395	73,145
Deposits with ANZ Bank	208,328	824,311
	6,417,377	12,984,537

## (ii) Liquidity risk

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

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

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

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

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

<b>Maturity analysis - 2022</b>	<b>Cash flows \$</b>	<b>&lt;6 months \$</b>	<b>6-12 months \$</b>	<b>1-3 years \$</b>	<b>&gt;3 years \$</b>
<b>Financial assets</b>					
Cash and cash equivalents	5,303,142	5,303,142	-	-	-
Trade and other receivables	799,451	799,451	-	-	-
R&D tax offset rebate receivable	292,785	292,785	-	-	-
Security deposits	21,999	-	-	-	21,999
	6,417,377	6,395,378	-	-	21,999
<b>Financial liabilities</b>					
Trade payables	(524,578)	(524,578)	-	-	-
Other payables including GST and PAYG payable	(867,908)	(867,908)	-	-	-
	(1,392,486)	(1,392,486)	-	-	-
Net Maturity	5,024,891	5,002,892	-	-	21,999

<b>Maturity analysis - 2021</b>	<b>Cash flows \$</b>	<b>&lt;6 months \$</b>	<b>6-12 months \$</b>	<b>1-3 years \$</b>	<b>&gt;3 years \$</b>
<b>Financial assets</b>					
Cash and cash equivalents	11,485,616	11,485,616	-	-	-
Trade and other receivables	1,485,009	1,485,009	-	-	-
Security deposits	15,271	-	-	-	15,271
	12,985,896	12,970,625	-	-	15,271
<b>Financial liabilities</b>					
Trade payables	(1,683,461)	(1,683,461)	-	-	-
Other payables and accruals	(654,230)	(654,230)	-	-	-
Lease liabilities*	(318,338)	(38,036)	(39,849)	(175,802)	(64,651)
	(2,656,029)	(2,375,727)	(39,849)	(175,802)	(64,651)
Net Maturity	10,329,867	10,594,898	(39,849)	(175,802)	(49,380)

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

### (iii) Market risk

#### *Interest rate risk*

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

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

	Notes	Weighted Average Interest Rates	Floating Interest Rates	Fixed Interest Rates	Non- Interest Bearing	Total
<b>2022</b>						
<b>Financial assets</b>						
Cash and cash equivalents	8	0.20%	5,033,405	-	269,737	5,303,142
Deposits	11	2.20%	-	-	21,999	21,999
Trade and other receivables	9	0.00%	-	-	1,092,236	1,092,236
Total assets			5,033,405	-	1,383,972	6,417,377
<b>Financial liabilities</b>						
Trade and other payables	14	0.00%	-	-	(1,392,486)	(1,392,486)
			5,033,405	-	(8,514)	5,024,891
<b>2021</b>						
<b>Financial assets</b>						
Cash and cash equivalents	8	1.00%	10,578,963	-	906,653	11,485,616
Deposits	11	2.20%	-	-	15,271	15,271
Trade and other receivables	9	0.00%	-	-	1,485,009	1,485,009
Total assets			10,578,963	-	2,406,933	12,985,896
<b>Financial liabilities</b>						
Lease liabilities	15, 17	4.71%	-	(318,338)	-	(318,338)
Trade and other payables	14	0.00%	-	-	(2,337,692)	(2,337,692)
Total liabilities			-	(318,338)	(2,337,692)	(2,656,030)
Net financial assets			10,578,963	(318,338)	69,241	10,329,866

The following sensitivity analysis is based on the interest rate risk exposure in existence at the balance sheet date. The analysis assumes all other variables remain constant.

Sensitivity Analysis	Carrying Amount	+2% Interest Rate Profit or Loss	-1% Interest Rate Profit or Loss
<b>2022</b>			
Deposits on call	5,033,405	100,668	(50,334)
Tax charge of 25%	-	(25,167)	12,584
	5,033,405	75,501	(37,750)
<b>2021</b>			
Deposits on call	10,578,963	211,579	(105,790)
Tax charge of 26%	-	(55,011)	27,505
	10,578,963	156,568	(78,285)

### Currency risk

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

The Group's exposure to foreign currency risk, including inter-company balances which are eliminated on consolidation, is as follows:

	2022 US\$	2021 US\$	2022 SGD	2021 SGD	2022 Euro	2021 Euro	2022 GBP	2021 GBP
Cash at bank	42,309	61,277	9,334	9,334	-	-	-	-
Trade and other receivables	33,230	116,852	12,500	12,500	-	-	6,556	-
Trade and other payables	(3,081,489)	(3,052,244)	(5,778)	(5,778)	(7,457)	(5,330)	(87,781)	(3,695)
	(3,005,950)	(2,874,115)	16,056	16,056	(7,457)	(5,330)	(81,225)	(3,695)

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

### Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Therefore, table detailing the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement is not required.

## Note 28. Key management personnel disclosures

### Directors

The following persons were Directors of Aeris Environmental Ltd during the financial year:

Maurie Stang

Steven Kritzler

Abbie Widin

Jenny Harry

Michael Ford - Director until 14 December 2021

### Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Andrew Just (Chief Executive Officer - appointed on 28 March 2022)

Peter Bush (Chief Executive Officer until 28 March 2022)

Robert Waring, who was considered to be a KMP in the previous financial year is now no longer considered to be a KMP at the start of the 2022 financial year. He was the Company Secretary throughout the full year ended 30 June 2022.



## Compensation

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

	Consolidated	
	2022 \$	2021 \$
Short-term employee benefits	704,465	591,170
Post-employment benefits	54,048	45,654
Share-based payments	59,838	8,088
	818,351	644,912

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

### Note 29. Remuneration of auditors

	Consolidated	
	2022 \$	2021 \$
<b>Remuneration of UHY Haines Norton for -</b>		
Audit of the annual financial report	35,900	31,200
Review of the half yearly financial report	19,576	16,200
	55,476	47,400

### Note 30. Contingent liabilities

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

### Note 31. Commitments for expenditure

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

## Note 32. Related party transactions

### **Parent entity**

Aeris Environmental Ltd is the parent entity.

### **Subsidiaries**

Interests in subsidiaries are set out in note 34.

### **Key management personnel**

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the Directors' Report.

### **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 trade receivables from and trade payables to related parties at the current and previous reporting date, which are set out in the remuneration report in the Directors' Report.

### **Loans to/from related parties**

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

### Note 33. Parent entity information

	Parent 2022 \$	Parent 2021 \$
Current assets	6,936,049	16,107,507
<b>Total assets</b>	<b>8,086,981</b>	<b>16,548,763</b>
Current liabilities	(1,441,009)	(2,734,030)
<b>Total liabilities</b>	<b>(1,441,009)</b>	<b>(2,961,142)</b>
Issued capital (net of costs)	62,520,725	62,430,275
Accumulated losses	(57,835,612)	(50,699,342)
Share-based payment reserve	1,960,861	1,856,688
	<b>6,645,974</b>	<b>13,587,621</b>
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 31)	-	487,500

### Note 34. 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%
Shanghai Aeris Environmental Technology Co., Ltd	China	100.00%	-

## Note 35. 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 performance rights, with no exercise price, in accordance with contractual commitments for prior years' service, which were due to expire (if not converted) at 5pm on 1 July 2023.

On 2 September 2022, former CEO Peter Bush was issued 1,068,531 shares on the conversion of his 1,068,531 performance rights that were issued on 5 August 2022 and two consultants were issued a total of 150,000 shares on the conversion of their performance rights that were issued on 9 September 2019.

On 2 September 2022, a contractor was issued 50,000 shares as the result of work completed, issued at a deemed issue price of \$0.05 per share.

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

## Note 36. 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
	5,303,142	11,485,616

	Consolidated	
	2022 \$	2021 \$
Loss after income tax benefit for the year	(7,130,427)	(5,867,178)
<b>Adjustments for:</b>		
Depreciation and amortisation	99,851	132,552
Impairment of current assets	1,594,891	1,462,697
Interest on lease liability	7,125	16,850
Share-based payments	104,172	82,992
Other adjustments	90,450	38,000
<b>Change in operating assets and liabilities:</b>		
Decrease in trade and other receivables	156,154	3,864,817
Decrease/(increase) in inventories	184,101	(516,038)
Decrease/(increase) in other operating assets	63,349	(104,988)
Decrease in trade and other payables	(946,301)	(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	(6,107,356)	(1,279,938)

## Note 37. 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



# Directors' Declaration

30 June 2022





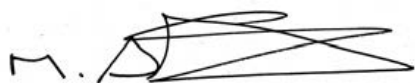
In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



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**Maurie Stang**      Sydney

*30 September 2022*

*Non-Executive Chairman*

# Independent Auditor's Report

to the members of Aeris Environmental Ltd

## INDEPENDENT AUDITOR'S REPORT

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### To the Members of Aeris Environmental Ltd

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Aeris Environmental Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial report, which discloses the Group's ability to continue as a going concern. The matters described in Note 1 of the Financial Report, indicate a material uncertainty that may cast doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

An association of independent firms in Australia and New Zealand and a member of UHY International, a network of independent accounting and consulting firms.

UHY Haines Norton—ABN 85 140 758 156 NSWBN 98 133 826

Liability limited by a scheme approved under Professional Standards Legislation.

*Passion beyond numbers*

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

### PROVISION FOR INVENTORY OBSOLESCENCE

Why a key audit matter	How our audit addressed the risk
<p>As disclosed in Note 10 of the financial report, the Group recorded an inventory balance of \$1.26 million as at 30 June 2022, net of provision for obsolescence.</p> <p>Impairment expense balance of \$1.37 million for FY22 is disclosed within Note 6 of the financial report.</p> <p>Inventory obsolescence has been identified as a major risk due to the fact that the Group holds significant amounts of inventory that is obsolete, as most of the inventory has use by dates and the sales for these line items are not sufficient to clear the number of stock items held by the use by date.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▶ We discussed with management the accounting policies for impairment of inventory and their procedures for estimating the provision for impairment and assessed the appropriateness of these policies in accordance with the requirements of the Australian Accounting Standards.</li> <li>▶ Performed substantive testing on management's assessment of stock obsolescence as at 30 June 2022, including the testing of ageing, the use by date and forecasted sales.</li> </ul>

### RECOVERABILITY OF TRADE RECEIVABLES

Why a key audit matter	How our audit addressed the risk
<p>As disclosed in Note 9 of the financial report, the Group recorded a trade receivable balance of \$0.80 million as at 30 June 2022, net of expected credit losses.</p> <p>The gross trade receivables balance has decreased from \$1.85 million as at 30 June</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▶ Reviewed aged debtor listing including long outstanding receivables and assessed the recoverability of these through inquiry with management and by obtaining sufficient</li> </ul>

2021 to \$1.01 million as at 30 June 2022. The allowance for expected credit losses has decreased from \$0.36 million as at 30 June 2021 to \$0.21 million as at 30 June 2022.

Valuation of trade receivables is a key audit matter due to the size of the trade receivable balance and the high level of management judgement used in determining the expected credit loss provision.

corroborative evidence such as subsequent receipts etc. to support the conclusions.

- ▶ Reviewed management's allowance for expected credit loss calculations and independently assessed the reasonableness of the amounts provided for.
- ▶ Reviewed subsequent credit notes issued to check for reversal of revenue/receivable.

## GOING CONCERN

### Why a key audit matter

### How our audit addressed the risk

The Group has had a history of making losses. The net loss after tax for 2022 was \$7.13 million (2021: loss of \$5.87 million). Therefore, there is a risk that the Group may not have the ability to continue as a going concern.

At 30 June 2022, the Group had \$5.30 million (2021: \$11.49 million) of cash in the bank. The net cash outflow from operating activities in 2022 was \$6.11 million (2021: outflow of \$1.28 million).

A key audit matter is the Group's ability to continue as a going concern.

Our audit procedures included, amongst others:

- ▶ Assessed the cash flow projections for 15 months from the end of the financial year ended 30 June 2022.
- ▶ Assessed the significant forecast cash flows including cost reductions executed post 30 June 2022. We used our knowledge of the Group, its industry and current status of these initiatives to assess the level of the associated uncertainty.
- ▶ Discussed with management the forecast cash flows and the cost reductions executed post 30 June 2022.
- ▶ Evaluated the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standards requirements.



## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may



involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

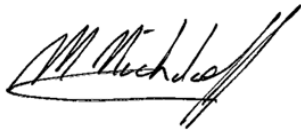
### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 24 to 38 of the directors' report for the year ended 30 June 2022.

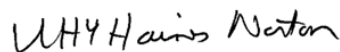
In our opinion, the Remuneration Report of Aeris Environmental Ltd for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



**Mark Nicholaeff**  
Partner  
Sydney  
30 September 2022



**UHY Haines Norton**  
Chartered Accountants

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*Passion beyond numbers*





# Australian Securities Exchange (ASX) Additional Information

Additional information required by ASX Listing Rule 4.10, and not disclosed elsewhere in this Annual Report, is detailed below. This information was prepared based on the Company's Share Registry information, its Option Register, ASX releases and the Company's Constitution.

## SHAREHOLDING INFORMATION

### Distribution of Shareholders

Analysis of the quoted fully paid ordinary shares by holding as at 26 September 2022:

Spread of Holdings	Number of Holders	Ordinary shares	% of Total Issued Capital
1 – 1,000	180	93,304	0.04
1,001 – 5,000	349	1,039,034	0.42
5,001 – 10,000	229	1,840,945	0.75
10,001 – 100,000	507	18,335,413	7.46
100,001 – 500,000	147	33,620,820	13.69
500,001 – 1,000,000	25	17,554,138	7.15
1,000,001 and over	45	173,160,897	70.49
<b>Total</b>	<b>1,482</b>	<b>245,644,551</b>	<b>100.00</b>

Based on the market price at 26 September 2022 there were 801 shareholders with **less than a marketable parcel** of \$500 worth of shares at a share price of \$0.04. There are 117,000 shares that are subject to Company-imposed voluntary escrow.

## Statement of Shareholdings as at 26 September 2022

The names of the 20 largest holders of fully paid ordinary shares are listed below:

Rank	Shareholder	Number of Shares	% Holding
1	National Nominees Limited	18,372,993	7.48
2	J P Morgan Nominees Australia Pty Limited	16,899,999	6.88
3	Maurie Stang	15,279,749	6.22
4	Stang Family Holding Co Pty Ltd <The MCC A/C>	11,083,084	4.51
5	Steven Kritzler <S Kritzler Family A/C>	8,331,609	3.39
6	Bernard Stang	6,960,000	2.83
7	Girdis Superannuation Pty Ltd <Girdis Super Fund A/C>	6,922,828	2.82
8	Potski Pty Ltd <Potski Super Fund A/C>	6,917,604	2.82
9	Energy Trading Systems Pty Ltd <MPF A/C>	5,529,411	2.25
10	Kefford Holdings Pty Ltd <The Kefford Family A/C>	4,738,610	1.93
11	Meditasuper Pty Ltd <Medi Consumables P/L S/F A/C>	4,272,281	1.74
12	Development Management & Constructions Pty Ltd	4,247,353	1.73
13	Seguro Super Pty Ltd <Seguro Super Fund A/C>	4,105,695	1.67
14	Towns Corporation Pty Ltd	3,909,000	1.59
15	Bennelong Resources Pty Limited	3,500,000	1.42
16	Lotsa Nominees Pty Ltd	3,333,333	1.36
17	Benlee Company Pty Ltd <The Benlee A/C>	3,168,283	1.29
18	Dillon Ventures Pty Ltd <The Dillon Ventures A/C>	3,142,068	1.28
19	Steven Kritzler <S&J Kritzler Super Fund>	2,921,176	1.19
20	BNP Paribas Noms Pty Ltd <DRP>	2,827,706	1.15
<b>Total of Top 20 Holdings</b>		<b>136,462,782</b>	<b>55.55</b>
<b>Other Holdings</b>		<b>109,181,769</b>	<b>44.45</b>
<b>Total Ordinary Shares</b>		<b>245,644,551</b>	<b>100.00</b>



## UNQUOTED EQUITY SECURITIES as at 26 September 2022

For details of the unissued ordinary shares of the Company, refer below and to the “Share Options” section of the Directors’ Report.

Number	Class – Options	Number of Holders
550,000	Options issued to consultant Timothy Fortin on 15 July 2022, which vested on the date of issue, and which expire (if not exercised) on 15 July 2025, and have an exercise price of 1 cent.	1
<b>550,000</b>	<b>Total Options on Issue</b>	<b>1</b>

## VOTING RIGHTS

At general meetings of the Company, all fully paid ordinary shares carry one vote per share without restriction. On a show of hands, every member present at such meetings, or by proxy, shall have one vote and, upon a poll, each share shall have one vote. Option holders have no voting rights until their options are exercised into shares.

## SUBSTANTIAL SHAREHOLDERS as at 26 September 2022

Substantial shareholders in Aeris Environmental Ltd, based on Substantial Shareholder Notices received by the ASX and the Company, are as follows:

Name	Number	Class	Voting Power
Maurie Stang	23,881,819	Ordinary fully paid shares	9.86%
Bernard Stang	20,253,664	Ordinary fully paid shares	8.36%
Perennial Value Management Limited	19,332,848	Ordinary fully paid shares	7.91%

## ON-MARKET BUY-BACK

There is no current on-market buy-back of shares in the Company.



# Corporate Directory

## **Aeris Environmental Ltd**

ACN: 093 977 336

ABN: 19 093 977 336

### **Directors**

Maurie Stang	Non-Executive Chairman
Steven Kritzler	Non-Executive Director
Abbie Widin	Non-Executive Director
Jenny Harry	Non-Executive Director

### **Chief Executive Officer**

Andrew Just

### **Company Secretary**

Robert Waring

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### **Registered and Principal Office**

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

Telephone: +61 2 8344 1315  
Facsimile: +61 2 9697 0944  
Email: [info@aeris.com.au](mailto:info@aeris.com.au)  
Website: [www.aeris.com.au](http://www.aeris.com.au)

### **Auditor**

UHY Haines Norton Sydney  
Level 11, 1 York Street, Sydney NSW 2000  
GPO Box 4137, Sydney NSW 2001  
Telephone: + 61 2 9256 6600  
Website: [www.uhyhnsydney.com.au](http://www.uhyhnsydney.com.au)

### **Share Registry**

Computershare Investor Services Pty Ltd  
Yarra Falls, 452 Johnston Street, Abbotsford VIC  
3067 Australia  
GPO Box 2975, Melbourne VIC 3001 Australia

Telephone: 1300 850 505 (within Australia)  
Telephone: +61 3 9415 4000 (outside  
Australia)  
Facsimile: +61 3 9473 2500  
Website: [www.computershare.com](http://www.computershare.com)  
Investor Link: [www.investorcentre.com/au](http://www.investorcentre.com/au)

### **Stock Exchange**

The Company's fully paid ordinary shares are  
quoted on the official list of the Australian  
Securities Exchange (ASX Limited).

### **ASX Code**

AEI

