

29 February 2016

Company Announcements Office
Australian Securities Exchange

HALF-YEARLY REPORT OF OPERATIONS

Aeris Environmental Ltd (ASX:AEI) (Aeris or the Company) is pleased to report its financial results for the half-year ended 31 December 2015.

As announced in the Company's recent December 2015 quarterly Appendix 4C, Aeris continues to successfully secure agreements with an increasing number of high-profile customers in both the domestic and international markets. Since announcing the energy efficiency and hygiene partnership with AccorHotels Group in November 2015, the Company has begun to implement the AerisGuard hygiene system in multiple countries in South East Asia. The Company is now working closely with AccorHotels Group in both a consultative and supplier role. The focus is on expanding the relationship and standardising the implementation of multiple Aeris platforms into both the common areas and back of house, and providing the SmartENERGY HUB into guest accommodation.

This month the Company gave a keynote speech at the Burgess Rawson LFRA 2016 WA Forum and virtually every national retailer of significance was in attendance, generating strong interest from the attendees.

Aeris is accelerating the roll-out of the AerisGuard range of products into national and multinational wholesalers. This is pivotal for the Company, as it will broaden access to the environmentally-friendly AerisGuard range to the full spectrum of customers. It also provides a highly-efficient path to market for the expanding Aeris portfolio, including SmartENERGY, with a highly-attractive, additional revenue base whilst the Company builds its large-scale project portfolio.

In the Appendix 4C released to the ASX for the December 2015 quarter, Aeris announced the receipt of its first pre-production units of its breakthrough SMART HUB system. This system has unprecedented capability to deliver bi-directional communication and energy efficiency in multiple systems within the building environment. Extensive consultation and development input has been undertaken with leading customers, distributors, consultants and HVAC specialists. There is increasing recognition that the 'internet of things' will play a key role in driving cost reduction and increased business efficiency, with the projected global growth in connected devices growing from five billion to 24 billion devices by 2020. The Company has developed the SMART HUB in conjunction with a leading telecommunications group and the relevant approvals for the majority of global markets will be in place at the time of the launch. The Aeris SmartENERGY HUB is positioned to bring 'real time' intelligence, reporting, communication, verification and control not only to large buildings, but to climate-controlled vehicles, public transport, shipping containers, data centres, cruise ships, air-conditioning and refrigeration units, and also, the Aeris device has been engineered to be integrated as a highly cost-effective solution in the residential market.

The Company is pleased to report that its portfolio of Smart coatings, including its OEM, corrosion, duct and kitchen exhaust hood ranges, is gaining both momentum and traction with key customers and distributors across Australia and the Asia Pacific region. As a consequence of customer feedback, certain products in the range have been enhanced by Aeris by developing new and more convenient pack sizes, together with a range of products available in new commercial spray cans. This provides a much broader market opportunity, as applicators in the field will not be required to utilise specialist application equipment. It is anticipated that these new, and potentially high-volume presentations, will be shipped to customers in the current half-year.

Based directly on the market demand for new, environmentally-friendly products, the Company has been trialling its new AerisClean systems for commercial food and beverage applications. Aeris is collaborating with the Australian affiliates of a number of multinational OEM food equipment manufacturers. Results to-date, whilst highly encouraging, will now be supplemented with in-field, real world trials and, if successful, will provide the Company with a direct part of the distribution and sales of the large-scale global market.

Aeris continues to give substantial priority to the development of its international distribution network. A number of formal agreements are now being put in place, consistent with the Company's strategy of non-exclusive platinum partners, supplemented by a direct Aeris presence in key international markets, supporting large-scale dealers and customers. Whilst continuing to prioritise Australia and the Asia Pacific region, the Company will be implementing its first platinum dealerships in South America and Europe in the coming half-year.

Aeris recognises that North America represents a highly-attractive opportunity and the Company is in active dialogue with strategic partners to secure further entry into these markets whilst continuing with its stated focus on hospitality, healthcare, large-format retail, refrigerated food supply transport and commercial buildings in the Asia Pacific region.

Aeris will be providing further information to the market about the progress and commercial launch of the AerisGuard SmartENERGY HUB system as it moves through the final development, testing and production stages. The market response, through selected distributors and customers, is supportive of a large-scale revenue opportunity, and the business model will include a substantial focus on both annuity income and a range of innovative agreements, which will allow the Company to participate in the value created from energy efficiency savings whilst lowering the hurdles set by customers for acceptance.

Aeris continues to internally fund its product development programme together with a substantial investment in the SMART HUB platform and had cash-on-hand and term deposits of \$7,236,000 at 31 December 2015. As a consequence of these investments, it is anticipated that the second half of calendar year 2016 will see a number of the Company's new products and business models begin to scale and generate commercial revenue, which will then be expanded on a region-by-region, geographical basis. Aeris is committed to investing in additional sales and business development resources in its key markets, in accordance with the roll-out of its business plan.

The market for energy efficiency, environmentally-friendly products, and microbial and mould control continue to mature, and the Company believes that it has now achieved high levels of credibility for itself and its product offerings, and is targeting a position as the emerging trusted partner for customers in both the private and government sectors in this space.

Aeris Environmental Ltd

Peter Bush

Chief Executive Officer

About Aeris Environmental Ltd

Aeris develops, manufactures and markets patented, environmentally-friendly technology solutions that address the global megatrends of energy efficiency, healthier air, food safety, water quality and long-term materials protection, with core guiding principles of 'clean, green, protect'.

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

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

Appendix 4D

Half Year Report for the six months ended on 31 December 2015

Name of entity

AERIS ENVIRONMENTAL LTD ABN: 19 093 977 336

Half year report for the six months ended on 31 December 2015 (comparatives for the six months ended on 31 December 2014).

Results for announcement to the market

Revenues from ordinary activities	up	153.0%	to	328,393
(Loss) from ordinary activities after tax attributable to members	up	12.0%	to	(1,277,340)
Net (loss) for the period attributable to members	up	12.0%	to	(1,277,340)
Dividends (distributions)		Amount per security		Franked amount per security
Final and interim dividends		Nil ¢		Nil ¢
Previous corresponding period		Nil ¢		Nil ¢

Brief Explanation of figures

Refer to attached 31 December 2015 Half-year Financial Report

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

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

NTA backing

	31 Dec 2015	31 Dec 2014
Net tangible asset backing per ordinary share	4.03 cents	1.24 cents

Audit qualification or review

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

Other comments

Refer to attached 31 December 2015 Half-year Financial Report



Robert J Waring
Company Secretary
29 February 2016



Aeris Environmental Ltd

ABN 19 093 977 336

Half-year Financial Report

For the Half-year Ended

31 December 2015

Aeris Environmental Ltd

ABN 19 093 977 336

CORPORATE INFORMATION

DIRECTORS

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

Chief Executive Officer and Alternate Director for M and B Stang

Peter Bush

COMPANY SECRETARY

Robert Waring

REGISTERED OFFICE

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

SHARE REGISTER

Computershare Investor Services Pty Ltd

STOCK EXCHANGE LISTING

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

BANKERS

ANZ Banking Group

AUDITORS

UHY Haines Norton

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Aeris Environmental Ltd

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Aeris Environmental Ltd (the Company) and its controlled entities together with the consolidated financial report for the half-year ended 31 December 2015.

DIRECTORS

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

Maurie Stang (Non-Executive Chairman)

Steven Kritzler (Non-Executive Director)

Bernard Stang (Non-Executive Director)

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

PRINCIPAL ACTIVITIES

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

Provision of energy efficiency solutions across all air-conditioning and refrigeration systems;

Provision of environmental maintenance services and products for application to air-conditioning and commercial refrigeration systems;

Provision of site-specific water treatment remediations to industrial customers; and

Further development and enhancement of the AerisGuard suite of technologies for application to the global Anti Microbial markets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In the opinion of the directors, no matters or circumstances have arisen since 31 December 2015 that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

REVIEW OF OPERATIONS

Total ordinary revenue for the six months period to December 2015 was \$328,393, an increase by 153% on the same period last year. The net loss for the period increased by 12% to \$1,277,340. The expenses included the amounts spent on pre-commercial activity targeted on the SmartENERGY platform.

There was a significant damage to the Company's property due to the hailstorms in April 2015. The damages were covered by insurance under the common Stang Group of Companies' insurance policy. The claims were initially received by Stang Group Insurance Fund and then reimbursed to the Company. Total insurance claim received by the Company during the half year period was \$298,614, of which \$83,689 was invested in Property, Plant and Equipment and the balance of \$214,925 was used for the property repair works.

On 24 December 2015, subsequent to the shareholders' approval at the Annual General Meeting held on 30 November 2015, Company issued 3,000,000 fully paid ordinary shares to its three Directors, Maurie Stang, Bernard Stang and Steven Kritzler. They each received 1,000,000 shares by way of settlement of amounts owing to them relating to loans they made to the Company of a total of \$1,500,000 at a deemed price of \$0.50 per share, being the same price as last placement, which was completed on 18 June 2015. The share price on the date of issue was \$0.45. The shares rank equally in all respects with the existing fully paid shares in the Company.

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

The Auditor's Independence Declaration is set out in the attached statement from UHY Haines Norton and forms part of the Directors' Report for the half year ended 31 December 2015.

DIVIDENDS

No dividends were proposed, declared or paid during the half year period and to the date of this report (2014: Nil).

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



Maurie Stang

Chairman and Director

Sydney, 29 February 2016

Aeris Environmental Ltd

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2015

	Notes	December 2015 \$	December 2014 \$
Ordinary revenues	2	328,393	129,826
Insurance claim received	2	298,614	-
Cost of sales		(123,165)	(63,061)
Employee benefits expense		(701,037)	(376,762)
Occupancy expense		(121,338)	(72,737)
Depreciation and amortisation expense		(20,053)	(9,488)
Other general and administration		(480,490)	(268,247)
Sales, marketing and travel		(282,046)	(173,557)
Distribution expense		(40,050)	(28,287)
Product registration, patents, trade marks and R&D expenditure		(138,891)	(220,212)
Financial expense		(68,512)	(79,219)
Loss before income tax expense		(1,348,575)	(1,161,743)
Income tax benefit relating to ordinary activities		71,235	21,229
Net loss for the period		(1,277,340)	(1,140,514)
Other Comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation loss		(5,509)	(13,562)
TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR		(1,282,849)	(1,154,076)
Total comprehensive loss attributable to members of Aeris Environmental Ltd.		(1,282,849)	(1,154,076)
EARNINGS PER SHARE	8	Cents	Cents
Basic loss per share		(0.85)	(0.97)
Diluted loss per share		(0.85)	(0.96)

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

Aeris Environmental Ltd

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	December 2015 \$	June 2015 \$
CURRENT ASSETS			
Cash assets	4A	636,276	3,855,574
Financial Assets	4B	6,600,000	4,800,000
Trade and other receivables		67,031	143,467
Inventories		59,799	46,763
Other current assets		191,889	64,751
TOTAL CURRENT ASSETS		7,554,995	8,910,555
NON-CURRENT ASSETS			
Plant and equipment		117,749	26,314
Intangible assets		23,527	30,957
TOTAL NON-CURRENT ASSETS		141,276	57,271
TOTAL ASSETS		7,696,271	8,967,826
CURRENT LIABILITIES			
Trade and other payables		328,083	343,546
Provisions		75,667	49,541
Interest-bearing liabilities	7	1,015,000	2,515,000
TOTAL CURRENT LIABILITIES		1,418,750	2,908,087
NON-CURRENT LIABILITIES			
Provisions		22,876	22,876
TOTAL NON-CURRENT LIABILITIES		22,876	22,876
TOTAL LIABILITIES		1,441,626	2,930,963
NET ASSETS		6,254,645	6,036,863
EQUITY			
Capital		40,100,112	38,600,112
Reserves		1,181,702	1,186,580
Accumulated losses		(35,027,169)	(33,749,829)
TOTAL EQUITY		6,254,645	6,036,863

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

Aeris Environmental Ltd

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the half-year ended 31 December 2015

	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	Total Equity \$
At 1 July 2014	28,467,508	(31,732,918)	1,161,530	(2,103,880)
Loss for the period	-	(1,140,514)	-	(1,140,514)
<i>Other comprehensive income for the half year</i>				
Foreign currency translation differences	-	-	(13,562)	(13,562)
<i>Transaction with owners in their capacity as owners</i>				
Issue of share capital	5,030,504	-	-	5,030,504
Share issue expense	(36,000)	-	-	(36,000)
Movements in share based payments reserves	-	-	44,655	44,655
At 31 December 2014	33,462,012	(32,873,432)	1,192,623	1,781,203
At 1 July 2015	38,600,112	(33,749,829)	1,186,580	6,036,863
Loss for the period	-	(1,277,340)	-	(1,277,340)
<i>Other comprehensive income for the half year</i>				
Foreign currency translation differences	-	-	(5,509)	(5,509)
<i>Transaction with owners in their capacity as owners</i>				
Issue of share capital	1,500,000	-	-	1,500,000
Movements in share based payments reserves	-	-	631	631
At 31 December 2015	40,100,112	(35,027,169)	1,181,702	6,254,645

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

Aeris Environmental Ltd

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2015

	December 2015 \$	December 2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	288,986	233,268
Payments to suppliers and employees (inclusive of GST)	(2,015,896)	(1,198,449)
R&D tax offset	71,234	21,229
Interest received	114,671	7,539
Insurance claim received	298,614	-
Other income	1,172	340
Interest paid	(68,512)	(74,219)
Net cash used in operating activities	(1,309,731)	(1,010,292)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in term deposits	(1,800,000)	-
(Purchase) / disposal of fixed assets	(104,058)	(16,855)
Net cash used in investing activities	(1,904,058)	(16,855)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares (net of issue cost)	-	4,969,444
Proceeds from loan borrowings	-	715,000
Net cash provided by financing activities	-	5,684,444
Net increase / (decrease) in cash held	(3,213,789)	4,657,297
Cash at the beginning of the financial period	3,855,574	161,937
Effects of exchange rate changes on cash and cash equivalents	(5,509)	(13,562)
Cash at the end of the financial period	636,276	4,805,673

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

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

1 Statement of Accounting Policies

(a) Financial reporting framework

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

The Half Year Financial Report should be read in conjunction with the annual financial report of Aeris as at 30 June 2015. It is also recommended that the Half Year Financial Report be considered together with any public announcements made by the Company during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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

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

Going Concern

The Company has made operating losses of \$1,277,340 for the six months to 31 December 2015 (2014: \$1,140,514). However the net assets position has improved from \$6,036,863 as at 30 June 2015 to \$6,254,645 on 31 December 2015. A liability for loans from three Directors of \$1,015,000 (30 June 2015: \$2,515,000) is reflected in the overall net asset position as mentioned above.

The operating cash burn rate for the half-year ended 31 December 2015 was \$1,309,731 (31 December 2014: \$1,010,292). The cash balance (including financial assets) as at 31 December 2015 was \$7,236,276 (30 June 2015: \$8,655,574). Hence there is a certainty in relation to the Company's ability to continue as a going concern.

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

The accounting policies which have been adopted in the preparation of this Financial Report have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2015 Financial Report. The adoption of new and amended standards is set out below.

(b) Changes in accounting policies

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

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

(c) Impact of Standards issued but not yet applied by the Group

AASB 15 - Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and rendering of services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The new standard is effective for the first interim period within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption.

At this stage, the group is not able to estimate the effect of the new rules on the group's financial statements. The group will make more detailed assessments of the effect over the next twelve months. The group does not expect to adopt the new standards before 1 January 2018.

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

	December 2015 \$	December 2014 \$
2 Revenues		
Revenue from sales	212,550	121,947
Financial revenue	114,671	7,879
Other revenue	1,172	-
Total revenue	<u>328,393</u>	<u>129,826</u>
Other Income		
Insurance claim received	298,614	-
Total insurance claim	<u>298,614</u>	<u>-</u>
This represents insurance claims received by the Company on account of damage to the Company's property due to the hailstorms in April 2015.		
3 Expenses		
Loss from ordinary activities before income tax expense includes:		
Depreciation and amortisation	20,053	9,488
Research and development expenditure	138,891	220,212
Rental & occupancy expenses	121,338	72,737
Share based payments	630	25,137
Defined contribution superannuation expense	64,112	26,902
	December 2015 \$	June 2015 \$
4 Cash and other Financial Assets		
A Cash and Cash Equivalents		
Cash at bank and on hand	58,353	199,409
Term Deposits (with maturity of less than three months from the acquisition date)	500,000	3,650,000
Deposits on call	77,923	6,165
	<u>636,276</u>	<u>3,855,574</u>
B Financial Assets		
Term Deposits (with maturity of more than three months from the acquisition date)	<u>6,600,000</u>	<u>4,800,000</u>

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

5 Segment Reporting

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

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

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

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

Intersegment transactions

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

Intersegment receivables, payables and loans

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

Operating segment information of the consolidated entity:

For half-year ended 31 December 2015	Australian Operations	USA Operations	Intersegment eliminations	Consolidated
	\$	\$	\$	\$
Revenue				
Sales	212,550	-	-	212,550
Other Income	414,457	-	-	414,457
Total Revenue	627,007	-	-	627,007
Expenses				
Cost of goods sold	123,165	-	-	123,165
Operating expenses	1,748,459	18,771	85,186	1,852,417
Total Expenses	1,871,624	18,771	85,186	1,975,582
Loss before tax	(1,244,617)	(18,771)	(85,186)	(1,348,575)
For half-year ended 31 December 2014	Australian Operations	USA Operations	Intersegment eliminations	Consolidated
	\$	\$	\$	\$
Revenue				
Sales	121,947	-	-	121,947
Other Income	7,879	-	-	7,879
Total Revenue	129,826	-	-	129,826
Expenses				
Cost of goods sold	63,061	-	-	63,061
Operating expenses	995,270	15,716	217,521	1,228,507
Total Expenses	1,058,331	15,716	217,521	1,291,568
Loss before tax	(928,505)	(15,716)	(217,521)	(1,161,743)

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

5 Segment Reporting (continued)

Segment assets and liabilities

	Assets 31/12/2015 \$	Assets 31/12/2014 \$	Liabilities 31/12/2015 \$	Liabilities 31/12/2014 \$
Australia	7,883,665	5,333,589	3,225,307	5,032,818
North America	11,524	5,440	1,980,426	1,735,281
Total	7,895,189	5,339,029	5,205,733	6,768,099
Intersegment elimination	(198,918)	(321,503)	(3,764,107)	(3,531,779)
Unallocated	-	-	-	-
Consolidated	7,696,271	5,017,526	1,441,626	3,236,320

6 Issues, repurchases and repayments of equity securities

Ordinary shares issued during the half-year reporting period

3,000,000 (2014: NIL) shares to Directors towards loan repayments	1,500,000	-
NIL (2014: 22,752,018) shares via private placement to sophisticated investors	-	5,005,444
NIL (2014: 140,000) shares issued David Fisher on account of Director's fee	-	25,060

On 24 December 2015, subsequent to the shareholders' approval at the Annual General Meeting held on 30 November 2015, Company issued 3,000,000 fully paid ordinary shares to its three Directors, Maurie Stang, Bernard Stang and Steven Kritzler. They each received 1,000,000 shares by way of settlement of amounts owing to them relating to loans they made to the Company of a total of \$1,500,000 at a deemed price of \$0.50 per share, being the same price as last placement, which was completed on 18 June 2015. The share price on the date of issue was \$0.45. The shares rank equally in all respects with the existing fully paid shares in the Company.

The Company issued NIL share options during the 2015 half-year reporting period.

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

7 Interest Bearing liabilities

Interest Bearing Liabilities

	December 2015 \$	June 2015 \$
Interest bearing current liabilities represents loan from Directors	1,015,000	2,515,000
	1,015,000	2,515,000

These loans will accrue interest at ATO benchmark rates - currently 5.45% per annum.

8 Earnings per Share

	December 2015 \$	December 2014 \$
Basic loss per share (Cents)	(0.85)	(0.97)
Diluted loss per share (Cents)	(0.85)	(0.96)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	151,542,852	119,251,075
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	151,542,852	119,751,075

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the half-year ended 31 December 2015

9 Related party transactions

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

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

	December 2015 \$	December 2014 \$
Details of these transactions are shown below:		
Regional Healthcare Group Pty Ltd		
The company and its controlled entities paid for services provided by Regional Healthcare Group Pty Ltd.		
Office and Administration expenses	72,323	23,835
Rent	10,083	25,453
Distribution expenses	15,294	16,332
Corporate services	54,100	54,150
	151,800	119,770
Outstanding Balance at the end of reporting period*	32,364	6,358

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

Novapharm Research (Australia) Pty Ltd

The company and its controlled entities paid for services provided by Novapharm Research (Australia) Pty Ltd.

Research and Development	63,724	84,713
	63,724	84,713
Outstanding Balance at the end of reporting period*	27,496	34,534

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

Loan from Directors (contributed equally by M Stang, B Stang and S Kritzler)

Interest on loans	67,378	72,976
Loan borrowings	-	715,000
Loan repaid	1,500,000	-
Outstanding Balance at the end of reporting period	1,015,000	2,765,000

Mr M Stang, S Kritzler and B Stang are Non-Executive Directors and shareholders of the Company.
Interest is charged on these loans at 5.45% per annum (ATO benchmark rates)

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

Insurance Claim

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

Insurance claim received	298,614	-
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The claims were initially received by Stang Group Insurance Fund and then reimbursed to the Company.
Mr M Stang and Mr B Stang are the founders of the Stang Group of Companies.

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

10 Events Subsequent to Reporting Date

There have been no matters or circumstances, which have arisen since 31 December 2015 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2015, of the consolidated entity;
- (b) the results of those operations; or
- (c) the state of affairs, in the financial years subsequent to 31 December 2015, of the consolidated entity.

Aeris Environmental Ltd

DIRECTORS' DECLARATION

Directors' Declaration

In the Directors' opinion:

- 1 the attached financial statements and notes thereto comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 '*Interim Financial Reporting*', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- 2 the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and
- 3 there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Maurie Stang
Chairman and Director

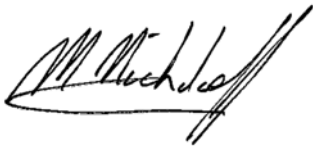
Sydney, 29 February 2016

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

To the Directors of Aeris Environmental Ltd

I declare that, to the best of my knowledge and belief, in relation to the review for the financial half-year ended 31 December 2015, there have been:

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

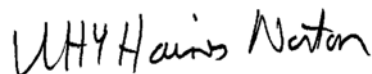


Mark Nicholaeff

Partner

Sydney

29 February 2016



UHY Haines Norton

Chartered Accountants

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Aeris Environmental Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Aeris Environmental Ltd ("the company"), which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, the notes comprising a summary of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Aeris Environmental Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

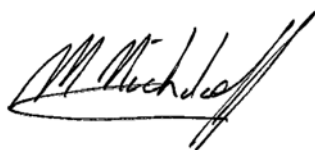
Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

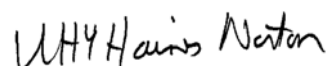


Mark Nicholaeff

Partner

Sydney

Dated: 29 February 2016



UHY Haines Norton

Chartered Accountants