

Aeris Environmental Ltd

ACN 093 977 336

Half Year Financial Report

For the Half Year Ended
31 December 2022



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MKP07-02

Appendix 4D

Half Year Report for the six months ended on 31 December 2022

Name of entity

AERIS ENVIRONMENTAL LTD ABN: 19 093 977 336

Half year report for the six months ended on 31 December 2022 (comparatives for the six months ended on 31 December 2021).

Results for announcement to the market

Revenue from ordinary activities	Down	38.4%	to	1,080,806
(Loss) from ordinary activities after tax attributable to members	Down	49.7%	to	(1,714,213)
Net (loss) for the period attributable to members	Down	49.7%	to	(1,714,213)
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 2022 Half Year Financial Report.

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

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

Net Tangible Assets

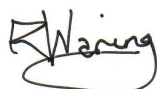
	31 Dec 2022	31 Dec 2021
Net tangible assets per ordinary share	1.95 cents	4.18 cents

Audit Qualification or Review

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

Other Comments

Refer to the attached 31 December 2022 Half Year Financial Report.



Robert J Waring
Company Secretary

27 February 2023

This Report was authorised by the Board of Directors.

27 February 2023

Company Announcements Office
Australian Securities Exchange

Aeris Half Year Report

In accordance with ASX Listing Rule 4.2A, Aeris Environmental Ltd (Aeris or the Company) presents its financial results for the half year ended 31 December 2022.

Financial Results

Revenue for the Company from activities for the first half of the 2022-23 financial year to 31 December 2022 was \$1,080,806. This reflected Aeris' strategic focus on improved margins and the enterprise market. The Company continues to pivot away from the rapidly-declining personal protective equipment (PPE) market and towards a broader position in energy efficiency, indoor air quality (IAQ) and environmental hygiene. In line with the refreshed commercial focus of Aeris, increasing customer engagement and orders helped drive a significant upturn in the second quarter with revenues growing substantially over the first quarter. Sales during the half year were impacted by the reduction in pandemic-related sales, as skin disinfection demands weakened. The Company's sales focus evolved away from that market segment during the first half of the financial year, with the sales funnel building for energy efficiency and IAQ-related offerings. Aeris' focus on serving the ever-growing environmental, social and governance (ESG) needs of enterprise customers has been strengthened by an expanding portfolio of new products and end-to-end solutions.

The Company's gross profit margin for the first half of the financial year was 53%, which is within the targeted range. The cash receipts from Aeris' customers were \$1,447,354 for the half year (2021 – \$2,348,802). The Company was cash flow negative for the half year, generating a net negative operating cash flow of \$1,336,021 (2021 – negative \$2,737,088).

Operational Summary

During the half year Aeris continued to implement a broad spectrum of initiatives for its business, encompassing the Company's sales, marketing, and technical activities.

Aeris is focused on growing revenue in the global enterprise market through its energy efficiency, and IAQ products and services. The ESG benefits achievable from the Company's portfolio are substantial and the addressable market continues to grow strongly. Aeris' strategic intent to deliver on the growing ESG demands of its clients has been supported by the new AtmosAir Solutions ionisation technology and a new active air purification system to be announced shortly. A comprehensive suite of products and technologies to provide best-in-class solutions for energy efficiency and IAQ gains is a core foundation of the Company's strategic plan.

Opportunities are being developed for the increased sale of Aeris' products in the home market of Australia and in key international markets, notably China and the USA. These markets have different priorities and focuses being addressed by the Company's overall portfolio, providing increasing momentum for a number of Aeris' new and emerging technologies. Australian enterprise customers are seeking clear improvements in their energy efficiency, IAQ and carbon neutrality resulting in increasing engagement with a number of enterprise verticals. In China the central government's stance on its COVID-19 policy, and the heightened appetites of consumers for a healthy lifestyle, have provided a clear focus for the Company on the hygiene segment. There

are specific opportunities for Aeris in the corrosion protection market in the USA and several trials are currently underway with equipment manufacturers.

The Company is well capitalised and net-debt-free, with a strong portfolio of differentiated products.

Commentary

Heating, Ventilation, Air-Conditioning and Refrigeration (HVAC&R)

Aeris continues to emphasise energy efficiency and IAQ advancements through its HVAC&R end-to-end products and services, to support ESG goals by minimising the negative effects of buildings on the environment, and promoting the wellbeing of occupants. Additionally, the Company can help companies meet their sustainability objectives and compliance regulations, and attract more environmentally-conscious tenants and customers.

Aeris has an ever-growing focus on the enterprise market, with the approach of proving its solutions at selected sites within an industry network and then expanding its presence. The Company has demonstrated the effectiveness of the Aeris platform through a successful pilot study with a supermarket franchise. This study has demonstrated that the Company's solutions are cost effective, and have reduced energy consumption in a sustainable and effective manner.

Surface Hygiene

Aeris Defence (Aeris' hospital grade hard surface disinfectant) continues to lead the surface hygiene portfolio, with its differentiating claim of being the only Therapeutic Goods Administration-approved product achieving a 24-hour residual disinfection for COVID-19. This differentiating claim is being promoted into various channels and markets, both in Australia and internationally.

Specialty Services and Products

The Company has a world-class portfolio of corrosion protection products, principally designed for use in HVAC&R systems. A recent update report shows the technology is achieving a 48,000-hour salt test protection, a world-leading benchmark for corrosion protection in this application area. A pilot study is being conducted with a leading multinational manufacturer in Houston, Texas to evaluate the product performance, with early results being encouraging.

Services provided by Aeris include site assessment for mould and water ingress, with key team members based in Townsville, Queensland. The Company's IAQ scientists continue to work with government agencies and other organisations on a multitude of sites where assessment and remediation consulting assistance is needed. Recently this Aeris team gained the endorsement of becoming accredited consultants for the Queensland government, opening a path for further services work.

Australia and New Zealand

In its home market the Company is working with large-scale corporate clients to develop energy and IAQ improvements based on the expanded Aeris portfolio offering. During the half year the Company added the AtmosAir Solutions technology to its portfolio and is commencing a funded pilot study with a commercial property client.

A recent case study of the AerisGuard energy and environmental programme in a commercial supermarket setting demonstrated remarkable improvements in both energy efficiency and IAQ. The study showed a 34% energy savings on treated assets, a 122% average increase in airflow, a 9% reduction in the site's overall energy bill and the elimination of mycotoxins. As a consequence of this case study, a rollout programme is commencing with AerisGuard for this network client whose large monthly energy bill is expected to drop by over 10% and remain consistent at these lower levels.

These results demonstrate the effectiveness of Aeris' HVAC&R AerisGuard programme in delivering significant financial and health benefits in the built environment. The Company continues to research and develop technologies to further enhance this programme, as seen in its partnership with AtmosAir Solutions. Other leading technologies are under evaluation, with another portfolio addition expected in the coming six months. As energy costs and the significance of IAQ continue to rise, Aeris is committed to delivering practical solutions to these challenges for its enterprise clients.

China

In China today, the pivot in central government policy stance changed market demand away from PPE, and back to environmental hygiene and IAQ. This has been reflected at not only the government level, but with a significant growth in consumer demand for products and technologies that will assure consumers of their own ability to protect individuals and families by the use of products that are within their own control. This increased consumer appetite for personal hygiene is being addressed by the Company and its partners in a proactive and strategic manner. Aeris is in the process of leveraging its wholly foreign-owned entity (WFOE) and a range of product approvals and cross border trade to address this growing consumer opportunity.

The first half of the 2022-23 financial year saw the Company's WFOE directly register several products, opening the path of direct sales to government enterprise. The first state-owned enterprise to accept Aeris products into its system is China Railways, which operates its own product procurement platform. The Company's WFOE signed a contract manufacturing agreement with Genting Co. Ltd (a fully-owned subsidiary of Sunglow Group), a very well-established manufacturer based in Shanghai, China, and work has commenced on packaging product for sales into several networks. This partner has excellent facilities and capabilities, offering a path to further collaboration.

North America

The USA market has original equipment manufacturers (OEMs) producing premium level HVAC&R equipment, enjoying continued strength in government support as part of the recent USA infrastructure bill. These producers have a demand for high quality corrosion protection products and Aeris has a world-leading technology in this area. During the first half of the financial year, the Company worked with an OEM to start a product trial in Houston, Texas and, three months into the trial, the client is highly satisfied with the early results. Recent attendance at the key trade show of the year opened further OEM opportunities for corrosion protection and this is a priority for Aeris' USA business.

Finance and Operations

The Company's revenue for the first half of the 2022-23 financial year was \$1,080,806. The gross margin of 53% for the half was improved and is within Aeris' budgeted range. The Company's research and development expenditure was consistent with the previous half. Total operating expenses were reduced by 17% from the previous half.

Aeris' cash receipts were \$1,447,354 for the half year. Cash and cash equivalents were \$3,876,309 at 31 December 2022.

Summary

The Company remains net-debt-free and operating expenses are being strictly managed. Resource allocation is focussed on demonstrating the value of Aeris' products to customers and this approach is proving successful in growing business opportunities. Investment has been made to expand the Company's product offering with a view to delivering comprehensive solutions to meet its enterprise customers' needs.

Aeris believes there is a material opportunity for an expanded range of differentiated products in international markets, in particular in China. The Company is highly focussed on customer demand, distributor engagement and annuity revenue to underpin Aeris' future growth. The clear and ongoing feedback in all key markets is that an integrated approach to ESG is the key demand of the Company's customers, and Aeris' focus and new products are fully directed at this opportunity.

Aeris Environmental Ltd

Maurie Stang
Chairman

Andrew Just
Chief Executive Officer

This review of operations was authorised by the Company's Board of Directors.

About Aeris Environmental Ltd

The Company markets environmentally-friendly technology that drives energy usage reductions and measurable improvements in air quality, surface hygiene and asset performance. Aeris' whole-of-system approach ensures that systems perform better, are safer, last longer and cost less to run.

The Company's products solve real world problems more effectively than conventional toxic chemicals and inefficient devices. Combining Aeris' unique enzyme formulations with world-leading device technology, the Company provides carbon reductions, cleaner air to breathe, safer surfaces, and long-term protection of assets and surfaces from bacterial and viral growth.

Aeris Environmental Ltd

ABN 19 093 977 336



CORPORATE DIRECTORY

ABN 19 093 977 336

DIRECTORS	Maurie Stang, Non-Executive Director and 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
REGISTERED OFFICE	Level 1, 5/26-34 Dunning Avenue Rosebery, NSW 2018
SHARE REGISTER	Computershare Investor Services Pty Ltd
STOCK EXCHANGE LISTING	Aeris Environmental Ltd shares are listed on the Australian Securities Exchange ASX code: AEI
BANKERS	ANZ Banking Group

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Aeris Environmental Ltd

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Aeris Environmental Ltd (the Company) and its controlled entities together with the consolidated financial report for the half year ended 31 December 2022.

DIRECTORS AND CHIEF EXECUTIVE OFFICER

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 Director and Chairman)	
Steven Kritzler (Non-Executive Director)	
Abbie Widin, (Non-Executive Director)	Since 2 March 2021
Jenny Harry (Non-Executive Director)	Since 21 April 2021
Andrew Just (Chief Executive Officer)	Since 28 March 2022

PRINCIPAL ACTIVITIES

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

- 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.

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 2022 that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

REVIEW OF OPERATIONS

The total ordinary revenue for the half-year to 31 December 2022 was \$1,080,806 (31 December 2021: \$1,755,653). The net loss before tax for the half-year to 31 December 2022 was \$1,978,029 (31 December 2021: \$3,405,433).

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 2022.

DIVIDENDS

No dividends were proposed, declared or paid during the half year period and up to the date of this report (2021: Nil).

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



Maurie Stang

Non-Executive Director and Chairman

Sydney, 27 February 2023

Aeris Environmental Ltd

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2022

	Notes	December 2022 \$	December 2021 \$
Ordinary revenue	2	1,080,806	1,755,653
Cost of sales		(508,390)	(878,725)
Employee benefits expense		(760,204)	(1,455,630)
Occupancy expense	3	(190,686)	(196,613)
Depreciation and amortisation expense	3	(58,885)	(72,626)
Other general and administration		(741,738)	(1,706,882)
Sales, marketing and travel		(192,647)	(287,892)
Distribution expense		(220,248)	(302,580)
Product registration, patents, trade marks and R&D expenditure	3	(354,965)	(241,432)
Financial expense		(31,072)	(18,706)
Loss before income tax expense		(1,978,029)	(3,405,433)
Income tax expense relating to ordinary activities		263,816	-
Loss after income tax expense for the half-year		(1,714,213)	(3,405,433)
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation loss		(1,131)	29,264
TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR		(1,715,344)	(3,376,169)
Loss for the half-year attributable to:			
Owners of Aeris Environmental Ltd		(1,714,213)	(3,405,433)
Non-controlling interest		-	-
		(1,714,213)	(3,405,433)
Total comprehensive loss for the half-year attributable to:			
Owners of Aeris Environmental Ltd		(1,715,344)	(3,376,169)
Non-controlling interest		-	-
		(1,715,344)	(3,376,169)
EARNINGS PER SHARE	7	Cents	Cents
Basic loss per share		(0.70)	(1.40)
Diluted loss per share		(0.70)	(1.40)

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 2022

	Notes	December 2022 \$	June 2022 \$
Cash and cash equivalents	4	3,876,309	5,303,142
Trade and other receivables		1,115,246	1,092,418
Inventories		1,218,340	1,262,798
Other current assets		164,334	310,401
TOTAL CURRENT ASSETS		6,374,229	7,968,759
NON-CURRENT ASSETS			
Plant and equipment		87,116	109,255
Right-of-use assets		160,455	-
Trade and other receivables		-	-
TOTAL NON-CURRENT ASSETS		247,571	109,255
TOTAL ASSETS		6,621,800	8,078,014
CURRENT LIABILITIES			
Trade and other payables		1,581,890	1,392,668
Lease liabilities	5	33,060	-
Provisions		109,848	92,481
TOTAL CURRENT LIABILITIES		1,724,798	1,485,149
NON-CURRENT LIABILITIES			
Lease liabilities	5	106,783	-
Provisions		-	-
TOTAL NON-CURRENT LIABILITIES		106,783	-
TOTAL LIABILITIES		1,831,581	1,485,149
NET ASSETS		4,790,219	6,592,865
EQUITY			
Equity		62,520,726	62,520,726
Reserves		1,783,378	1,861,906
Accumulated losses		(59,513,885)	(57,793,452)
Non-controlling interest		-	3,685
TOTAL EQUITY		4,790,219	6,592,865

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 2022

	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	Non- controlling Interest \$	Total Equity \$
At 1 July 2022	62,520,726	(57,793,452)	1,861,906	3,685	6,592,865
Loss for the half year	-	(1,714,213)	-	-	(1,714,213)
<i>Other comprehensive income for the half year</i>					
Foreign currency translation differences	-	-	(1,131)	-	(1,131)
Total comprehensive loss for the half-year	-	(1,714,213)	(1,131)	-	(1,715,344)
<i>Transaction with owners in their capacity as owners</i>					
Shares issued to consultants		-	-	-	-
Exercise of performance rights		-	-	-	-
Director's fees paid by issue of ordinary shares	-	-	-	-	-
Share based payments	-	-	(77,397)	-	(77,397)
Disposal of Investment in AC Pte Ltd		(6,220)		(3,685)	(9,905)
At 31 December 2022	62,520,726	(59,513,885)	1,783,378	-	4,790,219
At 1 July 2021	62,430,276	(50,663,025)	1,700,432	3,685	13,471,368
Loss for the half year	-	(3,405,433)	-	-	(3,405,433)
<i>Other comprehensive income for the half year</i>					
Foreign currency translation differences	-	-	29,264	-	29,264
Total comprehensive loss for the half-year	-	(3,405,433)	29,264	-	(3,376,169)
<i>Transaction with owners in their capacity as owners</i>					
Shares issued to consultants	-	-	-	-	-
Exercise of performance rights	-	-	-	-	-
Director's fees paid by issue of ordinary shares	-	-	-	-	-
Share based payments	-	-	117,971	-	117,971
At 31 December 2021	62,430,276	(54,068,458)	1,847,667	3,685	10,213,170

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 2022

	December 2022 \$	December 2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	1,447,354	2,348,802
Payments to suppliers and employees (inclusive of GST)	(2,941,796)	(5,098,346)
R&D tax offset	117,660	-
Interest received	10,761	2,456
Other income	-	10,000
Net cash provided by / (used in) operating activities	<u>(1,366,021)</u>	<u>(2,737,088)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(59,680)	(35,155)
Net cash used in investing activities	<u>(59,680)</u>	<u>(35,155)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net increase / (decrease) in cash held	(1,425,701)	(2,772,243)
Cash at the beginning of the half-year	5,303,142	11,485,616
Effects of exchange rate changes on cash and cash equivalents	(1,131)	29,264
Cash at the end of the half-year	<u><u>3,876,309</u></u>	<u><u>8,742,637</u></u>

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 2022

1 Statement of Accounting Policies

(a) Financial Reporting Framework

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

The Half Year Financial Report should be read in conjunction with the annual financial report of Aeris Environmental Ltd as at 30 June 2022. 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 2022 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 Group 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 Group made operating losses of \$1,978,029 before tax for the half-year to 31 December 2022 (2021: \$3,405,433). The net assets position has moved from \$6,592,865 as at 30 June 2022 to \$4,790,219 on 31 December 2022. Net cash burn from operating activities for the half year ended 31 December 2022 was \$1,366,021 (31 December 2021: net cash burn of \$2,737,088).

The cash balance as at 31 December 2022 was \$3,876,309 (30 June 2022: \$5,303,142).

The Directors are of the opinion that the Group will have adequate resources to continue to be able to meet its obligations as and when they fall due. For this reason they continue to adopt the going concern basis in preparing the Half Year Financial Report.

(b) Changes in Accounting Policies

The accounting policies that have been adopted in the preparation of this Financial Report have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2022 Financial Report.

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

An assessment has been performed and determined that during the half year ended 31 December 2022, no significant adjustments were required in relation to the adoption of these new standards.

The adoption of all other 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.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

	December 2022	December 2021
	\$	\$
2 Revenue		
Revenue from sales and services	1,016,970	1,693,299
Financial revenue	14,908	2,456
Other revenue	48,928	59,898
Total revenue	<u>1,080,806</u>	<u>1,755,653</u>

3 Expenses

Loss from ordinary activities before income tax expense includes:

Depreciation and amortisation	58,885	72,626
Product registration, patents, trade marks and R&D expenditure	354,965	241,432
Rental and occupancy expenses	190,686	196,613
Impairment loss (included in other general and administration expenses)	43,995	746,246

	December 2022	June 2022
	\$	\$

4 Cash and Other Financial Assets

Cash and Cash Equivalents

Cash at bank and on hand	178,722	269,723
Deposits on call	3,697,588	5,033,419
	<u>3,876,309</u>	<u>5,303,142</u>

5 Current and non-current lease assets and liabilities

The Group had recognised 'Right-of-Use Asset' and associated 'Lease Liability' in the 2023 financial year for the office space leased in Townsville and Sydney following AASB 16 for accounting of leases. During the half year ended 31 December 2022, A new lease was signed for a office space in Townsville and renewed its lease in Sydney. Following this decision, the Group has recorded a new 'Right-of-Use Asset' and 'Lease Liability' to that effect.

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

6 Segment Reporting

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

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

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

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

Intersegment Transactions

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

Intersegment Receivables, Payables and Loans

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

Operating Segment Information of the Consolidated Entity:

For half year ended 31 December 2022	Australia	International	Inter-segment eliminations	Consolidated
	\$	\$	\$	\$
Revenue				
Sales	921,661	95,309	(31,723)	985,247
Other income	63,149	687	-	63,836
Total revenue	<u>984,810</u>	<u>95,995</u>	<u>(31,723)</u>	<u>1,049,082</u>
Expenses				
Cost of goods sold	475,500	32,890	(31,723)	476,667
Operating expenses	2,299,810	177,055	73,581	2,550,445
Total expenses	<u>2,775,310</u>	<u>209,945</u>	<u>41,857</u>	<u>3,027,112</u>
Loss before tax	<u>(1,790,500)</u>	<u>(113,950)</u>	<u>(73,581)</u>	<u>(1,978,029)</u>
For half year ended 31 December 2021	Australia	International	Inter-segment eliminations	Consolidated
	\$	\$	\$	\$
Revenue				
Sales	1,638,069	124,701	(138,800)	1,623,970
Other income	51,291	11,063	-	62,354
Total revenue	<u>1,689,360</u>	<u>135,764</u>	<u>(138,800)</u>	<u>1,686,324</u>
Expenses				
Cost of goods sold	863,253	84,943	(138,800)	809,396
Operating expenses	3,953,799	222,103	106,459	4,282,361
Total expenses	<u>4,817,052</u>	<u>307,046</u>	<u>(32,341)</u>	<u>5,091,757</u>
Loss before tax	<u>(3,127,692)</u>	<u>(171,282)</u>	<u>(106,459)</u>	<u>(3,405,433)</u>

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

6 Segment Reporting (continued)

Segment Assets and Liabilities

Segment Assets and Liabilities	Assets		Liabilities	
	31/12/2022	30/06/2022	31/12/2022	30/06/2022
	\$	\$	\$	\$
Australia	6,584,931	8,082,525	3,392,094	3,253,077
International	1,890,789	1,866,847	4,834,729	4,637,634
Total	8,475,720	9,949,372	8,226,822	7,890,711
Intersegment elimination	(2,071,102)	(1,871,538)	(6,612,423)	(6,405,562)
Consolidated	6,404,618	8,077,834	1,614,399	1,485,149

7 Earnings Per Share

	December	December
	2022	2021
	\$	\$
Basic loss per share (cents)	(0.70)	(1.40)
Diluted loss per share (cents)	(0.70)	(1.40)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	245,644,551	243,827,837
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	245,644,551	243,827,837
Options and rights eligible for conversion into ordinary shares in future		
Options	550,000	550,000
Rights	150,000	1,011,600
	<u>700,000</u>	<u>1,561,600</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.

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

8 Related Party Transactions

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

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

(a) Regional Health Care Group Pty Ltd	December 2022	December 2021
The Company and its controlled entities incurred cost for services provided by Regional Health Care Group Pty Ltd.	\$	\$
Office and administration expenses	74,520	89,563
Rent	14,783	28,567
Distribution expenses	22,855	15,419
Corporate services	35,035	41,750
	<u>147,194</u>	<u>175,299</u>

The Company and its controlled entities provided services and sold products to Regional Health Care Group Pty Ltd.

<u>10,957</u>	<u>26,398</u>
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	December 2022	June 2022
	\$	\$
Balance receivable at the end of the reporting period *	(100,465)	(112,517)
Balance payable at the end of the reporting period *	42,246	39,192

Mr M Stang is director and shareholder of Regional Health Care Group Pty Ltd.

(b) Novapharm Research (Australia) Pty Ltd and its Controlled Entities	December 2022	December 2021
The Company and its controlled entities incurred cost for services provided by Novapharm Research (Australia) Pty Ltd for research and development and other operational expenses	\$	\$
	<u>119,722</u>	<u>91,430</u>
	<u>119,722</u>	<u>91,430</u>

The Company and its controlled entities provided supply chain services to Novapharm Research (Australia) Pty Ltd.

<u>11,057</u>	<u>17,200</u>
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	December 2022	June 2022
	\$	\$
Balance receivable at the end of the reporting period *	6,532	5,364
Balance payable at the end of the reporting period *	127,927	76,184

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

(c) Ensol Systems Pty Ltd	December 2022	December 2021
The Company and its controlled entities incurred cost for operational services provided by Ensol Systems Pty Ltd.	\$	\$
	<u>5,150</u>	<u>10,489</u>
	<u>5,150</u>	<u>10,489</u>

The Company and its controlled entities provided administrative services to Ensol Systems Pty Ltd.

<u>-</u>	<u>12,388</u>
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	December 2022	June 2022
	\$	\$
Balance receivable at the end of the reporting period *	-	-
Balance payable at the end of the reporting period *	-	-

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

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

8 Related Party Transactions (continued)

(d) Teknik Lighting Solutions Pty Ltd	December 2022	December 2021
The Company and its controlled entities incurred marketing and operational cost through Teknik Lighting Solutions Pty Ltd.	\$ 109	\$ 2,720
	<u>109</u>	<u>2,720</u>
 The Company and its controlled entities provided administrative services to Teknik Lighting Solutions Pty Ltd.	 <u>-</u>	 <u>1,656</u>
	December 2022	June 2022
	\$	\$
Balance receivable at the end of the reporting period *	-	54
Balance payable at the end of the reporting period *	-	-
 Mr M Stang is the shareholder of Teknik Lighting Solutions Pty Ltd.		
(e) Ramlist Pty Ltd	December 2022	December 2021
The Company and its controlled entities incur expenses for rent and utility outgoings through Ramlist Pty Ltd.	\$ 8,533	\$ 7,137
	<u>8,533</u>	<u>7,137</u>
	December 2022	June 2022
	\$	\$
Balance payable at the end of the reporting period *	856	-
 Mr M Stang is a director and shareholder of Ramlist Pty Ltd.		
(f) Vectus Biosystems Limited	December 2022	December 2021
The Company and its controlled entities incurred accounting services through Vectus Biosystems Limited.	\$ 6,907	\$ -
	<u>6,907</u>	<u>-</u>
 The Company and its controlled entities provided accounting services to Vectus Biosystems Limited.	 <u>-</u>	 <u>12,810</u>
	<u>-</u>	<u>12,810</u>
	December 2022	June 2022
	\$	\$
Balance receivable at the end of the reporting period *	-	12,916
Balance payable at the end of the reporting period *	1,486	-
 Mr M Stang is Non-Executive Director and shareholder of Vectus Biosystems Limited.		

(g) Gryphon Capital Pty Ltd	December 2022	December 2021
The Company and its controlled entities provided marketing services and sold products to Gryphon Capital Pty Ltd.	\$ 9,479	\$ -
	<hr/> 9,479	<hr/> -
	December 2022	June 2022
Balance receivable at the end of the reporting period *	\$ 8,329	\$ -

Mr M Stang is director and shareholder of Gryphon Capital Pty Ltd.

(h) Stangcorp Pty Ltd	December 2022	December 2021
The Company and its controlled entities sold products to Stangcorp Pty Ltd.	\$ 158	\$ 158
	<hr/> 158	<hr/> 158
	December 2022	June 2022
Balance receivable at the end of the reporting period *	\$ 158	\$ -

Mr M Stang is director and shareholder of Stangcorp Pty Ltd.

** Outstanding balances at the end of the reporting period (31 December 2022 and 30 June 2022) are unsecured, interest-free and settlement occurs in cash.*

9 Events Subsequent to the Reporting Date

There have been no matters or circumstances, which have arisen since 31 December 2022 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2022, of the consolidated entity;
- (b) the results of those operations; or
- (c) the state of affairs, in the financial years subsequent to 31 December 2022, of the consolidated entity.

Aeris Environmental Ltd

DIRECTORS' DECLARATION

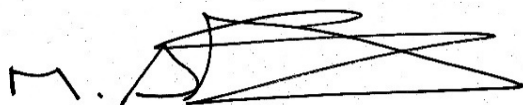
Directors' Declaration

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 2022 and of its performance for the financial half-year ended on that date; and
- 3 there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

A handwritten signature in black ink, appearing to be 'M. Stang', written over a faint, illegible stamp or background.

Maurie Stang
Non-Executive Director and Chairman

Sydney, 27 February 2023

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

To the Directors of Aeris Environmental Ltd

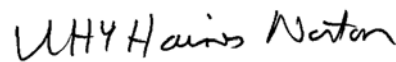
I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2022, there have been:

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

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



Mark Nicholaeff
Partner
Sydney
27 February 2023



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”), and the entities it controlled during the half-year (together “the Group”), which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes, and the directors’ declaration.

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 Group’s financial position as at 31 December 2022 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor’s Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor’s review report.


Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2022 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*.

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.

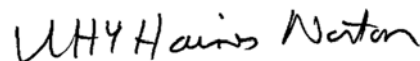


Mark Nicholaeff

Partner

Sydney

Dated: 27 February 2023



UHY Haines Norton

Chartered Accountants



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