

Appendix 4D

Half year report for the six months ended on 31 December 2004

Name of entity

AERIS TECHNOLOGIES LTD ABN: 19 093 977 336

Half year report for the six months ended on 31 December 2004 (comparatives for the six months ended on 31 December 2003).

Results for announcement to the market

Revenues from ordinary activities	down	19%	to	201,871
Profit (loss) from ordinary activities after tax attributable to members	up	178%	to	(1,147,382)
Profit (loss) from extraordinary items after tax attributable to members		-		-
Net profit (loss) for the period attributable to members	up	178%	to	(1,147,382)
Dividends (distributions)		Amount per security		Franked amount per security
Final and interim dividends		Nil ¢		Nil ¢
Previous corresponding period		Nil ¢		Nil ¢

Brief Explanation of figures

Expanding Global Distribution Network

In August 2004 Aeris was pleased to welcome Trane as its authorised distributor in Thailand and Indo China. Trane is a 5 billion US dollar Fortune 500 global leader in heating, ventilation and air-conditioning (HVAC) service and systems. Trane has a significant global presence with 28 manufacturing locations around the world. Trane is currently concluding the regional product registration requirements and expects to be able to start fully marketing the Aeris products to its customers in early 2005.

OEM

Aeris Technologies completed its twelfth trial at an OEM manufacturing plant in the six months to December 2004. The trials demonstrated to the customer the unique benefits of the AerisCoat system but represent only the start of the sales process and the Company expects revenue streams from OEM opportunities to commence in earnest in 2005.

New Commercial-Air Accounts

Over the last six months Aeris has announced that a number of leading accounts have chosen to use the AerisGuard commercial air solution.

Le Meridien Hotel in Dubai applied AerisGuard in all its 383 rooms and is part of the global Le Meridien group of 130 hotels and resorts in 56 countries; the Grand Hyatt hotel in Mumbai with 1,000 rooms and the Grant Hyatt hotel in Dubai with 1,400 rooms have also chosen the AerisGuard solution to be applied throughout the buildings. Additionally, the Oberoi Hilton resort in Mumbai has become a new AerisGuard customer.

Strategic Partnership in Australia

In December 2004 Aeris Technologies announced that it has entered into a strategic partnership with ChemDry Australia to become a national applicator of the AerisGuard Total Air Care Pack for home air-conditioning systems. A pilot program has recently been successfully concluded and the companies are now planning a national roll-out. ChemDry has over 200 franchises in Australia and is the world's leading cleaning service with operations in over 40 countries. There is a strong strategic fit between Aeris Technologies and ChemDry with both organisations addressing issues related to contamination of the indoor environment.

In December 2004 Aeris Technologies also commenced a broad media marketing campaign in support of its Australian residential applicators for the Total Air Care Pack. The campaign focused on newspaper, radio and direct mail and was complimented by a new consumer orientated website www.healthyair.com.au.

Regulatory

Gaining regulatory approval in the US and related markets for the AerisGuard products and their superior marketing claims continues to be a key priority for the Company. The process remains on target with pre-approval submission to the US EPA planned for early 2005. The Company and its expert EPA regulatory consultant will then continue to work closely with the EPA regulatory office to ensure the approval process is completed in a timely manner.

As previously reported the Company has extended the payment terms given to distributors in the US and certain related markets in recognition of the interim impact of the requirement for EPA approval. In line with the plan this represents a direct impact on short term revenue and cash flow.

Distributor Business Plans

In December 2004, the Company's US and French distributors presented to the Board a comprehensive business update of activities and opportunities in each region. The updates were very positive and were in line with the Board's expectations for growth in each market. Aeris's business plan has committed significant resources to ensuring that it converts these opportunities into sustainable revenue streams.

Finance

On 8 October 2004 Aeris announced that it raised \$3.196 million from issue of shares and will use the funds to support and expand its international regulatory efforts, to invest in the marketing and promotion of the Aeris and AerisGuard brands and to provide the Company with additional working capital to apply to its business objectives.

The first payment of \$50,000 relating to the Export Market Development Grant (EMDG) was received in the six months to December 2004, with a further payment of up to \$100,000 due in mid 2005 depending on available funds from Austrade for its EMDG Programme.

As detailed previously, sales revenues in the six months were impacted from the on-going regulatory processes in key markets and the initial stocking of distributors in the latter half of 2004 financial year.

Average monthly net operating cash outflow was \$212,000 for the six months. Cash on hand at 31 December 2004 was \$2.83 million. The Company has no debt, unused stand-by lines of credit in excess of \$250,000 and expects commercial revenue to re-commence in the near term.

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

NTA backing

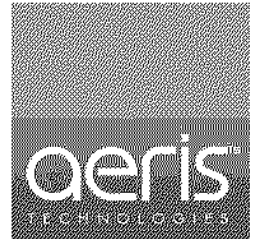
	31 Dec 2004	31 Dec 2003
Net tangible asset backing per ordinary share	8.54 cents	4.72 cents

Other comments

Refer to the attached Directors' Report included in the half-year financial report for other comments on results for the period.

- **Audit Review:** The report is based on the attached half-year financial report, which has been reviewed (audit review report attached).
- **Changes in control over entities:** There were no entities over which control has been gained or lost during the period
- **Details of dividends and dividend reinvestment plans:** No dividends have been declared or proposed
- **Details of associates of joint ventures:** Not applicable
- **Foreign entities:** Not applicable

Robert J Waring
Company Secretary
24 February 2005



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Aeris Technologies Ltd

ABN 19 093 977 336

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2004

CORPORATE DIRECTORY

Aeris Technologies Ltd

ABN 19 093 977 336

DIRECTORS

Maurie Stang (Chairman)
Huw Jones (Chief Executive Officer)
Steve Kritzler
Bernard Stang

SECRETARY

Robert J Waring

REGISTERED AND ADMINISTRATION OFFICE

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GPO Box D182, Perth WA 6000
Telephone: +61 8 9323 2000 Facsimile: +61 8 9323 2033

AUDITORS

Haines Norton

BANKERS

ANZ

STOCK EXCHANGE LISTING

Listed on Australian Stock Exchange Limited
ASX Code: AEI

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DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2004.

DIRECTORS

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

Maurie Stang (Non-Executive Chairman)

Huw Jones (CEO and Executive Director, appointed 17 February 2005)

Steve Kritzler (Non-Executive Director)

Bernard Stang (Non-Executive Director)

Howard Leibman (Non-Executive Director, resigned 17 February 2005)

REVIEW AND RESULTS OF OPERATIONS

The net result of operations after applicable income tax expense for the half-year was a loss of \$1,147,382 (2003 - \$413,052).

Expanding Global Distribution Network

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SUBSEQUENT EVENTS

The directors are not aware of any significant changes in the state of affairs of the Company occurring since the end of the half-year. Reference is made to the Company's announcement to ASX dated Monday 21st February 2005.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out in the attached statement from Haines Norton and forms part of the directors' report for the half year ended 31 December 2004.

Signed at Sydney this 24th day of February 2005 in accordance with a resolution of the directors.



M STANG

Director

STATEMENT OF FINANCIAL PERFORMANCE

Half-year ended 31 December 2004

		Consolidated	
	Note	December 2004	December 2003
		\$	\$
REVENUE FROM ORDINARY ACTIVITIES	2	201,871	249,101
ASX and ASIC expenses		(32,751)	(20,319)
Consulting and administration services		(161,360)	(26,347)
Cost of sales		(40,993)	(93,496)
Depreciation and amortization		(90,938)	(12,247)
Employee benefit expenses		(423,582)	(186,002)
Legal expenses		(1,947)	(6,777)
Marketing and travel		(325,504)	(230,365)
Occupancy expenses		(41,841)	(10,180)
Other expenses from ordinary activities		(154,432)	(73,526)
Patents		(300)	(2,850)
Product registration expenses		(75,605)	(44)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(1,147,382)	(413,052)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES		-	-
LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(1,147,382)	(413,052)
Basic earnings per share (cents per share) (loss)		(2.4)	(0.9)
Diluted earnings per share (cents per share) (loss)		(1.1)	(0.3)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

at 31 December 2004

		Consolidated	
	Note	31 Dec 04	30 Jun 04
		\$	\$
CURRENT ASSETS			
Cash assets		2,832,451	898,352
Inventories		292,021	187,974
Receivables	3	1,257,213	1,532,591
Other		41,159	28,188
TOTAL CURRENT ASSETS		4,422,844	2,647,105
NON-CURRENT ASSETS			
Plant and equipment		117,628	125,595
Intangible assets	4	5,523,329	5,438,432
TOTAL NON-CURRENT ASSETS		5,640,957	5,564,027
TOTAL ASSETS		10,063,801	8,211,132
CURRENT LIABILITIES			
Payables		218,929	480,437
Provisions		35,595	15,460
Interest-bearing liabilities		10,873	7,881
TOTAL CURRENT LIABILITIES		265,397	503,778
NON-CURRENT LIABILITIES			
Interest-bearing liabilities		-	6,854
TOTAL NON-CURRENT LIABILITIES		-	6,854
TOTAL LIABILITIES		265,397	510,532
NET ASSETS		9,798,404	7,700,500
EQUITY			
Contributed equity	5	13,032,825	9,787,539
Accumulated losses		(3,234,421)	(2,087,039)
TOTAL EQUITY		9,798,404	7,700,500

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Half-year ended 31 December 2004

	Consolidated	
	December 2004	December 2003
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	257,960	103,571
Payment to suppliers and employees	(1,674,764)	(611,726)
Gain on foreign currency hedge	53,661	-
Export Market Development Grant	50,000	-
Interest received	43,537	31,115
Interest paid	(614)	(849)
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	<u>(1,270,220)</u>	<u>(477,889)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of assets	(40,967)	(10,540)
Purchase of investment	-	(71,511)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	<u>(40,967)</u>	<u>(82,051)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and exercise of options	3,375,700	1,494,300
Share issue expenses	(130,414)	(42,900)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>3,245,286</u>	<u>1,451,400</u>
NET INCREASE (DECREASE) IN CASH HELD	1,934,099	891,460
Add opening cash brought forward	898,352	1,016,370
CLOSING CASH CARRIED FORWARD	<u>2,832,451</u>	<u>1,907,830</u>

The accompanying notes form an integral part of these financial statements.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

31 December 2004

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

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 should be read in conjunction with the Annual Financial Report of Aeris as at 30 June 2004. It is also recommended that the half-year financial report be considered together with any public announcements made by Aeris during the half-year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

(c) Adoption of new accounting standards

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to International Accounting Standards Board (IASB) interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2005.

The consolidated entity management has analysed most of the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Pending Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following:

(i) Income tax

Under the Australian equivalent to IAS 12 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

(ii) Equity-based compensation benefits

Under the Australian equivalent to IFRS 2 Share-based Payment, equity-based compensation to employees will be recognised as an expense in respect of the services received. This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

31 December 2004

(iii) Research costs

Resulting from new accounting standard AASB138 no intangible assets arising from research will be recognised and all such expenditure will be recognized as an expense when incurred. Any previously capitalised research costs will be required to be adjusted to equity.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

2. REVENUE FROM ORDINARY ACTIVITIES

	31 Dec 04	31 Dec 03
	\$	\$
Revenue from sales	54,218	218,430
Interest revenue	43,992	30,671
Export market development grant	50,000	-
Gain on foreign currency hedge	53,661	-
	<u>201,871</u>	<u>249,101</u>

3. RECEIVABLES - CURRENT

	31 Dec 04	30 Jun 03
	\$	\$
Trade debtors	1,264,978	1,484,487
Provision for doubtful debts	(16,105)	(16,105)
	<u>1,248,873</u>	<u>1,468,382</u>
Other debtors	-	244
GST receivable	8,340	63,965
	<u>1,257,213</u>	<u>1,532,591</u>

The Company has agreed to extended payment terms for an amount owing of \$931,234 from its North American distributor in recognition of the need for EPA approval of its product for that market. The Directors have received external professional advice that this EPA approval will be received.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

31 December 2004

4. INTANGIBLE ASSETS

	31 Dec 04	30 Jun 04
	\$	\$
Intellectual property	4,896,600	4,952,454
Patents	259,738	219,862
Research and development	366,991	266,116
Costs carried forward	<u>5,523,329</u>	<u>5,438,432</u>

Research and development costs are charged to profit from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover these deferred costs. Deferred research and development expenditure is amortised over the period during which the related benefits are expected to be realized once commercial production has commenced.

During the current half year the Directors reviewed the appropriateness of the amortisation in the light of the expected revenue and profit stream.

5. CONTRIBUTED EQUITY

Movements in contributed equity

The movements in ordinary shares were as follows:

Details	Date	No. of shares	31 Dec 04	30 Jun 04
			\$	\$
Opening balance		45,292,755	9,787,539	9,623,289
Issue of shares from exercise of options at 20 cents per share	Jan-Jun 2004	821,250		164,250
Issue of shares from exercise of options at 20 cents per share	July-Dec 2004	901,000	180,200	
Placement of fully paid ordinary shares at 83 cents per share	Oct 2004	3,850,000	3,195,500	
Share placement costs	Oct 2004		(130,414)	
Closing balance		<u>50,043,755</u>	<u>13,032,825</u>	<u>9,787,539</u>

6. CONTINGENT ASSETS AND LIABILITIES

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

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

31 December 2004

7. SEGMENT INFORMATION

The Company's focus is the development, sale and distribution of products that address the problem of microbial contamination within modern air conditioning infrastructure. Additionally, the Company has developed a novel technology for the control of micro-organisms in bulk water systems such as air conditioning cooling towers.

The Company maintains a strong focus on Research and Development to continually broaden both its Intellectual Property position and its product portfolio. The economic Company operates in the biotechnology and life sciences sector in Australia and through overseas product distributors.

8. SUBSEQUENT EVENTS

No event has occurred subsequent to 31 December 2004 requiring disclosure in, or amendment to, these financial statements.

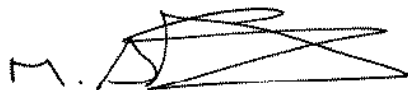
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Aeris Technologies Ltd, I state that:

In the opinion of the directors:

- a) the financial statements and notes of the Company:
 - i) give a true and fair view of the Company's financial position as at 31 December 2004 and the performance for the half-year ended on that date; and
 - ii) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board, Sydney, 24 February 2005



M STANG

Director

INDEPENDENT REVIEW REPORT

To the members of Aeris Technologies Ltd

Scope

We have reviewed the financial report of Aeris Technologies Ltd for the half-year ended 31 December 2004 as set out on pages 3 to 9. It includes the financial statements of Aeris Technologies Ltd Group ("The Consolidated Entity"), which incorporates Aeris Technologies Ltd (the disclosing entity) and the entities it controlled during the half year ended 31 December 2004. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities & Investment Commission.

Our review has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. A review is limited primarily to enquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

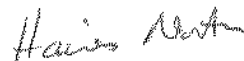
Statement

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 Technologies Ltd is not in accordance with:

- a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- b) other mandatory financial reporting requirements in Australia.



Mark Nicholaeff
Partner



Haines Norton
Chartered Accountants

Date: 24 February 2005

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AUDITOR'S INDEPENDENCE DECLARATION

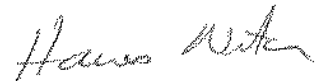
TO THE DIRECTORS OF AERIS TECHNOLOGIES LIMITED

In relation to our review of the financial report of Aeris Technologies Limited for the half-year ended 31 December 2004, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Mark Nicholaeff
Partner

24th February 2005




HAINES NORTON
Chartered Accountants

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