

31 January 2014

Company Announcements Office  
Australian Securities Exchange

#### **QUARTERLY REPORT – APPENDIX 4C**

In accordance with ASX Listing Rule 4.7B, the Company attaches its December 2013 Quarterly Report – Appendix 4C.

#### **Commentary**

During the December 2013 quarter Aeris Environmental Ltd had an 11% net reduction in normalised cash outflow as compared to the September 2013 quarter. The Company also enjoyed a 5% decrease in net operating loss when compared to the same period for the prior year. In December 2013, the Company consolidated a number of loans from related parties. The net result, after repaying part of the arrears and bringing up to date various creditors' payments, is a cash-at-bank balance at the end of the quarter of \$101,000, with additional unused lines of credit available to the Company. Aeris received orders to the sum of \$332,000 from Japan, the Philippines and Singapore during the quarter. These orders went into production in January 2014 and will be shipped out shortly.

As previously reported, Aeris has been actively focusing on the commercialisation of its broad technology portfolio. The Company is well advanced in negotiating potential transactions in the Asia Pacific region and Australia, and is targeting a material increase in revenues.

The Company has come to in-principle agreements with a number of large-scale distributors and re-sellers for its HVAC and cold storage product lines, and believes that these commercial agreements, when fully scaled-up, will produce significantly more revenue than the licence previously assigned to Mycologia Pty Ltd for Cold Storage.

The Company has produced its first finished pre-production samples of its novel bioactive (polymer) films. Initial testing has been positive. The market opportunity is global and the Company is now targeting well-defined customers that have direct access for these emerging product lines.

Aeris continues to work on mould remediation, with particular focus on a new application for porous surfaces, such as curtains, carpet, soft furnishing and dry walls, for which the Company is unaware of any direct competitor. This product range targets residential, commercial and consumer applications, and current feedback from potential customers, including Lonza, has been favourable.

Aeris is awaiting the finalisation of a significant contract in Asia, which, if successful, would be the Company's first large-scale energy performance contract. The proven energy reduction capability of the AerisGuard systems has provided the potential for contracts across the region with products that are already approved and validated. If successful, this business would be scaled-up in the 2014 calendar year.

Despite the current significant political turmoil in Thailand, the Company has received a number of OEM coating orders from Asia, the USA and the Middle East, and continues to put significant effort into the micro-channel opportunity.

Consistent with the Company's commercialisation strategy, Aeris' management team has identified and prioritised its market opportunities, and, notwithstanding its limited resources, continues to make meaningful progress in achieving its strategic goals.

The Company will provide a more complete update in the 2014 Half-Year Report.

**Aeris Environmental Ltd**

**Peter Bush**  
Chief Executive Officer

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Name of entity

**Aeris Environmental Ltd**

ABN

**19 093 977 336**

Quarter ended ("current quarter")

**31 December 2013**

### Consolidated statement of cash flows

#### Cash flows related to operating activities

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	59	168
1.2 Payments for		
(a) staff costs	(113)	(228)
(b) advertising and marketing	(14)	(33)
(c) research and development	(362)	(438)
(d) product manufacturing and operating costs	(27)	(52)
(e) administration and corporate costs	(111)	(245)
(f) other, including working capital	(48)	(74)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	1
1.5 Interest and other costs of finance paid	(15)	(29)
1.6 Income tax refund received (including R&D Tax Offset)	-	56
1.7 Other income -		
(a) Rent received	-	-
(b) Other income (licensing revenue)	-	-
<b>Net Operating Cash Flows</b>	<b>(631)</b>	<b>(874)</b>

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1.8 Net Operating Cash Flows (brought forward)</b>	(631)	(874)
<b>Cash flows related to investing activities</b>		
1.9 Payment for purchases of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.10 Proceeds from sale of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material) -	-	-
<b>Net investing cash flows</b>	-	-
<b>1.14 Total operating and investing cash flows</b>	(631)	(874)
<b>Cash flows related to financing activities</b>		
1.15 Repayment of convertible notes	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	1,700	1,900
1.18 Repayment of borrowings	(1,100)	(1,100)
1.19 Dividends paid	-	-
1.20 Others	-	-
<b>Net financing cash flows</b>	600	800
<b>Net increase (decrease) in cash held</b>	(31)	(74)
1.21 Cash at beginning of quarter/year	136	180
1.22 Exchange rate adjustments	(4)	(5)
<b>1.23 Cash at end of quarter</b>	<b>101</b>	<b>101</b>

<b>Payments to directors of the entity and associates of the directors</b>	<b>Current quarter</b>
<b>Payments to related entities of the entity and associates of the related entities</b>	<b>\$A'000</b>
1.24 Aggregate amount of payments to the parties included in item 1.2	422
1.25 Aggregate amount of loans to the parties included in item 1.10	-

1.26 Explanation necessary for an understanding of the transactions

	<b>Current quarter \$'000</b>
Property outgoing and other charges paid to Ramlist Pty Ltd of which Messrs M Stang and B Stang are Directors.	1
Interest, property outgoing and other charges paid to Stangcorp Pty Ltd of which Messrs M Stang and B Stang are Directors.	12
R & D expenses paid to Novapharm Research (Australia) Pty Ltd of which Messrs M Stang, B Stang and S Kritzer are Directors.	267
Rent, Interest, Corporate overheads, distribution and administration expenses paid to Regional Healthcare Pty Ltd of which Messrs M Stang and B Stang are Directors.	142
Interest on loan from Directors - ATO benchmark rate	-

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	Not applicable
2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest	Not applicable

**Financing facilities available**

Add notes as necessary for an understanding of the position.

	<b>Amount available \$A'000</b>	<b>Amount used \$A'000</b>
3.1 Loan facilities	0	0
3.2 Credit standby arrangements	2,000	1,500

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	96	131
Deposits at call	5	5
Bank overdraft	-	-
Others	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>101</b>	<b>136</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	n/a	n/a
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~/does not\* (delete one)~~ give a true and fair view of the matters disclosed.

Sign here: *Robert Waring*

(Director/Company Secretary)

Print name: **Robert J Waring**

Date: **31 January 2014**