



30 April 2014

Company Announcements Office  
Australian Securities Exchange

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

In accordance with ASX Listing Rule 4.7B, the Company attaches its March 2014 Quarterly Report – Appendix 4C.

#### **Commentary**

During the March 2014 quarter Aeris Environmental Ltd (Aeris or the Company) had a 6% net reduction in normalised cash outflow and an 8% decrease in net operating loss, as compared to the December 2013 quarter. The Company was the recipient of a \$35,000 Export Market Development Grant in the March 2014 quarter. Cash receipts for the current quarter reflect the sales from the historically-quiet December quarter and some customer-derived timing issues of shipments. As announced in the Half Yearly Report, the Company anticipates a strong June 2014 quarter, with a number of new customers to support future growth.

In regards to the previously-announced orders received in the December 2013 quarter, approximately \$281,000 of these orders have been produced but not yet shipped, with half of that balance being due to a local issue impacting the Company's customer in the Philippines. This issue now appears to have been resolved and Aeris is anticipating shipping the balance in the near-term. The Company also expects a number of additional material orders from other new distributors in Asia.

Consistent with its Asia Pacific focus, the Company's executives have spent considerable time meeting with potential customers in the Philippines, Singapore, China and Thailand. These meetings with both end customers and distributors are expected to drive revenue increases during the balance of the 2014 calendar year.

Aeris has produced additional bioactive polymers that have performed well in technical trials and is currently in final discussions with a manufacturer of the bioactive pellets, which are the pre-cursor to commercial manufacturing of the AerisGuard polymers. In parallel, the Company is targeting the receipt of launch orders from customers utilising the novel AerisGuard technology in several healthcare applications.

In relation to the mould remediation product range, the Company has provided the final draft of a Distribution Agreement to a valuable new customer that is targeting consumer sales in several international markets. It is anticipated that its first orders will be placed upon final execution of this Agreement.

The Company has provided samples of two novel and new AerisGuard products for use in large-scale applications. In each case, these products hold multi-million dollar market potential and have performance attributes that are pointedly better than the existing products that they are aimed at replacing.

Aeris is pleased to report that an independent, infield energy-saving study has been conducted at a substantial commercial site in Australia. The study was undertaken in collaboration with a large energy retailer, and demonstrated significant energy savings and a new approach to the utilisation of the AerisGuard technology. Aeris will be providing the market with further information about the results, implications and commercial strategy arising out of this independent valuation of the AerisGuard energy performance solution as outcomes evolve.



In relation to OEM coatings, the Company has received verbal confirmation from a significant customer, and is anticipating executing a formal agreement and receiving initial purchase orders in the coming months.

Aeris continues to be engaged in discussions focussing on growth opportunities in terms of both resources and commercial markets. The activities outlined in the Half Yearly Report are still a high priority focus of the Company, and the recent independent and definitive energy study is expected to provide a substantial source of income for Aeris.

**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 March 2014**

### Consolidated statement of cash flows

#### Cash flows related to operating activities

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	56	224
1.2 Payments for		
(a) staff costs	(120)	(348)
(b) advertising and marketing	(41)	(74)
(c) research and development	(81)	(519)
(d) product manufacturing and operating costs	(27)	(79)
(e) administration and corporate costs	(127)	(372)
(f) other, including working capital	81	7
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	2
1.5 Interest and other costs of finance paid	(26)	(55)
1.6 Income tax refund received (including R&D Tax Offset)	-	56
1.7 Other income -		
(a) Export Market Development Grant	35	35
(b) Other income	-	-
<b>Net Operating Cash Flows</b>	<b>(249)</b>	<b>(1,123)</b>

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1.8 Net Operating Cash Flows (brought forward)</b>	(249)	(1,123)
<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>	(249)	(1,123)
<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	350	2,250
1.18 Repayment of borrowings	-	(1,100)
1.19 Dividends paid	-	-
1.20 Others	-	-
<b>Net financing cash flows</b>	350	1,150
<b>Net increase (decrease) in cash held</b>	101	27
1.21 Cash at beginning of quarter/year	101	180
1.22 Exchange rate adjustments	3	(2)
<b>1.23 Cash at end of quarter</b>	<b>205</b>	<b>205</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	78
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.	-
R & D expenses paid to Novapharm Research (Australia) Pty Ltd of which Messrs M Stang, B Stang and S Kritzer are Directors.	14
Rent, Interest, Corporate overheads, distribution and administration expenses paid to Regional Healthcare Pty Ltd of which Messrs M Stang and B Stang are Directors.	37
Interest on loan from Directors - ATO benchmark rate	26

**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	2,250	1,850

**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	50	96
Deposits at call	155	5
Bank overdraft	-	-
Others	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>205</b>	<b>101</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: **30 April 2014**