

30 July 2015

Company Announcements Office
Australian Securities Exchange

QUARTERLY REPORT – APPENDIX 4C

In accordance with ASX Listing Rule 4.7B, the Company attaches its June 2015 Quarterly Report – Appendix 4C.

- **Preferred supplier agreement with Momentum Energy.**
- **First SmartENERGY purchase order from Rexel Holdings.**
- **Highest quarter of revenue in the last six years.**
- **Unprecedented sales pipeline with successful customer engagement.**
- **NSW Government Energy Savings Scheme (ESS) accreditation.**
- **Successful share Placement and proposed Directors' loan conversions.**
- **Over 1.2 tonnes of duct coating manufactured and shipped to commercial customers.**
- **Exhaust hood coating receives HACCP Australia Food Safety Certification and has been nominated as a finalist in the innovation category of the 2015 Food Magazine Awards.**

Financial Update

During the June 2015 quarter Aeris Environmental Ltd (Aeris or the Company) (ASX:AEI) had cash receipts of \$415,000, and received purchase orders and invoices in excess of \$460,000, resulting in Aeris' highest quarterly sales performance in the last six years.

The Company has over \$8,650,000 cash-on-hand and an unprecedented sales pipeline, and it continues to successfully engage with many of the region's largest customers, with targeted significant commercial sales expected in the remainder of 2015.

Share Placement

Aeris received \$5,020,000 through a Placement of 10,040,000 new AEI shares, at \$0.50 per share. In addition to the Placement, shareholder approval will be sought at a General Meeting to enable the Directors to convert \$1,500,000 of their loans into AEI shares at the Placement price of \$0.50 per share.

The Placement was strongly supported by sophisticated and institutional investors in Australia, together with a significant cornerstone investment from a leading fund based in Hong Kong.

SmartENERGY

Further to SmartENERGY's recently-announced NSW Government ESS accreditation, Aeris and Ecovantage continue to work with the NSW Office of Environment and Heritage, and the Independent Pricing and Regulatory Tribunal to quantify the number of Energy Savings Certificates, which are effectively tradable for cash subsidies, resulting from the installation of the Company's SmartENERGY system in the high-profile northern NSW proof of concept site for a national retailer.

Aeris is now progressing a strategic relationship with a leading mechanical services contractor to promote the Aeris SmartENERGY solution to their broad spectrum of high-profile national customers throughout Australia. It is anticipated that the first commercial installations deriving from this relationship will be undertaken in the September 2015 quarter.

The Company is pleased to announce that it has entered into a preferred supplier agreement with Momentum Energy Pty Ltd (Momentum), a retailer of commercial and residential electricity in Victoria, NSW and South Australia. Owned by the State of Tasmania, Momentum is one of Australia's leading clean energy businesses and, through its Hydro Tasmania project, is the largest producer of renewable energy in Australia and the nation's largest water manager.

During the quarter, Aeris conducted product training with the specialist key account management teams in NSW and Victoria, and the two groups have now jointly called on commercial and technical decision makers in a number of key Momentum accounts, including two large hospital groups and a major tertiary education campus.

Aeris and Rexel Holdings Australia (Rexel) successfully launched a pilot project during the quarter to co-ordinate sales activity targeting key Rexel corporate accounts, with a view to integrating SmartENERGY business development into the broader Rexel Energy Solutions offering. Rexel is a leading electrical wholesaler, with over 2,300 branches operating in 37 countries and global sales in excess of €12 billion, and an Australia-wide network of fully-qualified, accredited and trusted local electrical contractors. This joint sales effort has resulted in Aeris receiving an initial purchase order for the installation of SmartENERGY on the first site for a large fresh produce logistics company, with numerous facilities both in Tasmania and Victoria. The SmartENERGY solution, when applied to the refrigerated warehouse facilities of the customer, resulted in a 41% annual return on their investment.

The Company is rapidly building relationships with, and a strong sales pipeline across, key targeted vertical markets, being hospitals, health care centres, shopping centres, food retailers, office buildings, and commercial and Government sectors in each of its key markets of Australia, New Zealand, Singapore, Hong Kong, Thailand and the Philippines.

The Aeris SmartENERGY portfolio will be featured at the Bangkok Refrigeration, Heating, Ventilation and Air-Conditioning 2015 trade event to be held in Bangkok, Thailand in August 2015 and at the International Green Building Conference in Singapore in September 2015.

AerisGuard Biological Coil Remediation

Aeris' unique biological coil remediation represents an immediate point of entry to a cross section of leading customers in each of the Company's targeted vertical markets. This creates a 'trusted' beachhead for the adoption of the complete SmartENERGY solution. The immediate and measurable benefits of Aeris' environmentally-friendly, uniquely-effective coil remediation and treatment range not only meet the highest standards, but also extend the life of the HVAC coils, alongside material improvements in the carbon footprint, system efficiency, indoor air quality and performance. This builds on the recent specification by a national retail chain and large-scale health authority for ongoing use in its facilities across a large Australian state. The Company continues to build its key accounts in the high-end facilities management sector, with a number of Government and private sector tender specifications being prepared for submission.

Coatings for HVAC OEM

Aeris has positioned itself strongly for significant growth in the OEM HVAC coatings market. As a result of its ongoing engagement with leading manufacturers, Aeris now has an extensive range of innovative products to address the needs of the global HVAC manufacturing sector. Each of the products within the AerisGuard portfolio delivers significant value and added properties to its customers, which allow the 'clean, green, protect' positioning into each of the consumer, commercial

and industrial HVAC equipment sectors. Aeris has scaled-up its manufacturing capability and distribution with a view to supporting the Company's customers, supply chains and product offerings.

Coatings for HVAC Ducts

Aeris shipped in excess of 1.2 tonnes of its anti-microbial duct sealing coating to customers in Australia in the June 2015 quarter, as well as sending its first quotations and pre-commercial shipments to Asian and United States-based customers. This product provides a number of tangible benefits to the duct cleaning and maintenance industry. Of particular note is the environmentally-friendly formulation, lack of odour and volatile offgas, long-term mould resistance, together with advanced duct sealant properties.

Coatings for Commercial Kitchen Exhaust Hoods

The Company has now filed for intellectual property protection on its novel range of commercial exhaust hood products. These coatings deliver significant economic savings in workflow, with a labour reduction in excess of 80%. This is a regulated market with ongoing compliance requirements and the AerisGuard solution is already recognised by way of HACCP Australia Food Safety Certification. Aeris has been nominated as a finalist in the innovation category of the 2015 Food Magazine Awards being held in Sydney on 7 August 2015.

First shipments of the AerisGuard product are being dispatched to key customers in Australia, Asia and the United States. Industry statistics point to a global market of in excess of 20 million commercial exhaust hoods. Key to Aeris' success will be the adoption by the industry of the AerisGuard coating and Standard Operating Procedures, and the Company is making significant investment in building and supporting an international distributor and applicator network.

Aeris continues to expand its business development and sales team, and extend its capabilities and presence in a number of key Asian markets. The Company is leveraging a positive and growing reputation with the leading asset and facilities management, electrical, energy retail, HVAC and refrigeration sectors, which are the key paths to widespread acceptance and adoption of its products.

Third party and commercial validation of the performance of the Company's product portfolio is being achieved on an ongoing basis, allowing Aeris to target material rates of adoption in the 2015-16 financial year.

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 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")

30 June 2015

Consolidated statement of cash flows

Cash flows related to operating activities

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	415	820
1.2 Payments for		
(a) staff costs	(322)	(894)
(b) advertising and marketing	(106)	(441)
(c) research and development	(71)	(379)
(d) product manufacturing and operating costs	(106)	(240)
(e) administration and corporate costs	(229)	(739)
(f) other, including working capital	(54)	23
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	31	70
1.5 Interest and other costs of finance paid	(55)	(170)
1.6 Income tax refund received (including R&D Tax Offset)	-	21
1.7 Other income -		
(a) Export Market Development Grant	-	-
(b) Other income	-	-
Net Operating Cash Flows	(497)	(1,929)

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net Operating Cash Flows (brought forward)	(497)	(1,929)
Cash flows related to investing activities		
1.9 Payment for purchases of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(8)	(28)
(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) -	-	-
Net investing cash flows	(8)	(28)
1.14 Total operating and investing cash flows	(505)	(1,957)
Cash flows related to financing activities		
1.15 Repayment of convertible notes	-	-
1.16 Proceeds from share placement	5,020	10,025
Proceeds from exercise of options	63	63
1.17 Proceeds from borrowings	-	715
1.18 Repayment of borrowings	(250)	(250)
1.19 Dividends paid	-	-
1.20 Share Issue Cost	(44)	(80)
Net financing cash flows	4,789	10,473
Net increase (decrease) in cash held	4,284	8,516
1.21 Cash at beginning of quarter/year	4,373	162
1.22 Exchange rate adjustments	(1)	(22)
1.23 Cash at end of quarter	8,656	8,656

Payments to directors of the entity and associates of the directors	Current quarter
Payments to related entities of the entity and associates of the related entities	\$A'000
1.24 Aggregate amount of payments to the parties included in item 1.2	211
1.25 Aggregate amount of loans to the parties included in item 1.10	-

1.26 Explanation necessary for an understanding of the transactions

	Current quarter \$'000
Property outgoings and other charges paid to Ramlist Pty Ltd of which Messrs M Stang and B Stang are Directors.	-
Property outgoings 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 Kritzler are Directors.	79
Rent, Corporate overheads, distribution and administration expenses paid to Regional Healthcare Pty Ltd of which Messrs M Stang and B Stang are Directors.	92
Interest on Directors' loan - ATO benchmark rate	40

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.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	0	0
3.2 Credit standby arrangements	3,000	2,515

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	200	117
Deposits at call	6	106
Term Deposits	8,450	4,150
Others	-	-
Total: cash at end of quarter (item 1.23)	8,656	4,373

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 July 2015**