

29 January 2016

Company Announcements Office  
Australian Securities Exchange

## QUARTERLY REPORT – APPENDIX 4C

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

- **Aeris has received its first pre-production device – its breakthrough SMART HUB.**
- **The Company's launch of its partnership with AccorHotels Group has focussed on Aeris' proprietary, environmentally-friendly and remediation-enhanced energy efficiency, and improved indoor air quality.**
- **The Company has announced its strategic rollout plan with Spotlight Retail Group.**
- **Aeris joins the Large Format Retail Association as the only HVAC energy efficiency company.**
- **The Company has announced its agreement with Coils International Group (C.I. Group Public Company Limited) for the supply of novel OEM Coatings.**
- **Material commercial agreements are progressing with large-scale local and international customers representing a revenue opportunity pipeline in excess of \$10 million.**
- **It has been agreed to establish an Aeris subsidiary, Aeris Technology Asia, which aims to leverage strategic partnerships with leading Asian groups.**
- **Aeris has targeted Platinum Partnerships in Brazil, southern Europe, the United States, Singapore, Malaysia, Indonesia, Thailand, the Middle East and New Zealand.**

## Commentary

Aeris Environmental Ltd (Aeris or the Company) is pleased to announce that it has received the first pre-production units of its breakthrough SMART HUB system, which will underpin the next generation of the SmartENERGY platform. This system has unprecedented capability to deliver bi-directional communication and energy efficiency in multiple systems within the building environment. Extensive consultation and development input has been undertaken with leading customers, distributors, consultants and HVAC specialists, and it is anticipated that commercial installations will begin in multiple international markets in the current half year.

The Company has developed the SMART HUB system in conjunction with a leading telecommunications group and the relevant approvals for the majority of global markets will be in place at the time of the launch. To Aeris' knowledge, no system currently available on the world market will have the broad ability to bring intelligence, reporting, communication, verification and control across multiple protocols, providing a true 'Internet of Things' capability combined with cost effectiveness.

During the December 2015 quarter the Company announced its strategic relationship with AccorHotels Group, which, following a series of successful implementations of the Aeris solution in hotels across the Asia Pacific region, has initiated its launch phase activity with a focus on Thailand, Japan, Singapore, Malaysia, Indonesia, South Korea, Vietnam, Laos and Cambodia. Aeris is in ongoing discussions with a view to broadening the scope of the arrangement to include other key international markets.

Further to the recent announcement of a rollout with the Spotlight Retail Group, the Company continues discussions with a number of large-scale and multi-site retailers across Australia, New Zealand and the Asia Pacific region. Aeris has been recognised as the leader in its field and has pivotal registrations from the Office of Environment and Heritage, and other bodies, for the inclusion of SmartENERGY as a Registered Energy Saving Activity, further adding to the credibility and business case of the Aeris solutions.

Subsequent to the Company's invitation to join the prestigious Large Format Retail Association, Aeris has now been invited to present the keynote address at The Burgess Rawson LFRA 2016 WA Forum. Energy efficiency is a key driver of both cost control and carbon reduction for the largest retailers in the region.

As previously announced, the Company has developed a new range of products for OEMs with highly-differentiated capability, including long-term corrosion control, anti-microbial resistance, self-cleaning capability and highly-desirable hydrophilic (water shedding) features. The Aeris coatings have been the subject of extensive independent testing, and Aeris is now targeting multiple global HVAC manufacturers.

The Company continues to make strong progress in its businesses of speciality coatings for mould, ducts and kitchen exhaust hoods, and its AerisGuard HVAC and cool room remediation range. Several senior commercial and technical visits have been made to key accounts in Australia and the region, and Aeris expects that the orders and subsequent revenue from these activities will begin in the coming quarters.

As previously outlined to the market, the Company has been focussed on a three-pronged strategy of investing in the acquisition of large-scale customers, putting in place regional and geographically-diverse Platinum Partners, and enhancing its in-field sales and service delivery capability, particularly in anticipation of the near-term launch of its SMART HUB system.

Aeris is pleased to advise that it is finalising the establishment of a wholly-owned subsidiary, established in Singapore, called Aeris Technology Asia. This collaboration is with a leading specialist HVAC group, with a large customer base across Singapore, Malaysia and Indonesia. In parallel, the Company is extending its activity in Thailand, South America, northern Europe and the United States. Aeris will provide more details on new agreements as they are finalised.

Commercial sales of AerisGuard HVAC consumables and specialty coatings have been made to channel partners and customers in Hong Kong, New Zealand, Singapore, Taiwan, Thailand, the Philippines, Japan and the Middle East during the December 2015 quarter. The Company received purchase orders and invoices in excess of \$378,000 for the quarter, which do not reflect any of the significant agreements with customers that are now eventuating as a result of Aeris' focus on its major projects. Similarly, receipts were a very modest \$102,000, with some of the larger international orders delayed as the Company puts in place its new manufacturing and supply chain alongside the foreshadowed launch of the SMART HUB, and this has been impacting sales of SmartENERGY in recent months as Aeris wishes to have a single communications platform globally, affording multiple benefits to both the Company, and the energy efficiency needs of Aeris' customers and partners.

The Company has over \$7,236,000 cash-on-hand, a pipeline of near-term revenue opportunities and ongoing engagement with many of the region's largest customers. Aeris today is in a unique position as the owner of multiple disruptive technologies that address real financial, environmental and strategic goals for global organisations. The broad portfolio of patents and know-how, covering in-field HVAC remediation, OEM coatings, corrosion protection, water treatment, biostatic polymers and SmartENERGY, has made the Company the 'trusted partner' for environmentally-friendly energy and system efficiency, improved Indoor Environment Quality, carbon reduction and the extension of asset life through remediation, not replacement.

Aeris has made very strategic decisions about its priorities and resource allocation across both product development and commercialisation. Momentum is now gathering strongly, and the Company continues to invest in projects that can drive both widespread adoption and commensurate financial returns for its shareholders.

## **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")

**31 December 2015**

#### 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	102	289
1.2 Payments for		
(a) staff costs	(364)	(674)
(b) advertising and marketing	(157)	(282)
(c) research and development	(54)	(139)
(d) product manufacturing and operating costs	(57)	(122)
(e) administration and corporate costs	(301)	(642)
(f) other, including working capital	(122)	(157)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	54	114
1.5 Interest and other costs of finance paid	(33)	(68)
1.6 Income tax refund received (including R&D Tax Offset)	71	71
1.7 Other income -		
(a) Insurance Claim	69	298
(b) Other income	1	2
<b>Net Operating Cash Flows</b>	<b>(791)</b>	<b>(1,310)</b>

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1.8 Net Operating Cash Flows (brought forward)</b>	(791)	(1,310)
<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	(8)	(104)
(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>	(8)	(104)
<b>1.14 Total operating and investing cash flows</b>	(799)	(1,414)
<b>Cash flows related to financing activities</b>		
1.15 Repayment of convertible notes	-	-
1.16 Proceeds from share placement	-	-
Proceeds from exercise of options	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Share Issue Cost	-	-
<b>Net financing cash flows</b>	-	-
<b>Net increase (decrease) in cash held</b>	(799)	(1,414)
1.21 Cash at beginning of quarter/year	8,030	8,656
1.22 Exchange rate adjustments	5	(6)
<b>1.23 Cash at end of quarter</b>	<b>7,236</b>	<b>7,236</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	151
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
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 Kritzler are Directors.	21
Rent, Corporate overheads, distribution and administration expenses paid to Regional Healthcare Pty Ltd of which Messrs M Stang and B Stang are Directors.	94
Interest on Directors' loan - ATO benchmark rate	35

**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	<b>Current quarter \$'000</b>
Directors' loan repaid by issuing shares (as approved at the Company's AGM held on 30 November 2015)	1,500

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	1,015

**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	58	253
Deposits at call	78	77
Term Deposits	7,100	7,700
Others	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>7,236</b>	<b>8,030</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: **29 January 2016**