

29 July 2016

Company Announcements Office  
Australian Securities Exchange

## QUARTERLY REPORT – APPENDIX 4C

In accordance with ASX Listing Rule 4.7B, the Company attaches its June 2016 Quarterly Report – Appendix 4C.

- **Record uplift in revenue, highest quarter of sales in Aeris' history.**
- **Invoices to customers in excess of \$846,000 and purchase orders received in excess of \$476,000, totalling over \$1.25 million for the June 2016 quarter.**
- **First production batch of proprietary Aeris Smart HUB devices received ahead of schedule, with early installations to commence immediately.**
- **Rapid commercial scaling of sales and geographic penetration into Australian wholesaler market.**
- **Highly-successful industry presentation and participation at the Air-Conditioning, Refrigeration and Building Services show in May 2016.**
- **Large-scale OEM adoption, with orders received in the June 2016 quarter and projected product requirements for these customers in excess of \$2 million annually.**
- **Engagement of North American Business Development Manager, Peter Redden, with early validation of large-scale opportunity in the US market for the Aeris portfolio.**
- **Scaling sales revenue in each business unit – AerisGuard consumables, SmartENERGY and OEM – together with the first installed Power Share Heads of Agreement executed and installed at Fresh Freight, a leading food processor.**
- **Increasing number of national key maintenance contractors, facility managers and end-users adopting the Aeris range of products as either the exclusive or preferred supplier.**
- **First material end-user sales from the newly-acquired IMECH building management and automation division to high-profile Australian REIT.**
- **Strategic partnership concluded with leading vendor of cloud-based energy and resource analytic platform, VRT Systems.**
- **Initial agreement for exclusive distribution of proprietary biofilm / legionella sensor for incorporation into the Aeris Smart HUB universe.**
- **Successful pre-commercial R&D user field trials of novel and next generation mould and odour remediation, ice-cream and food machine sanitation, and cooling tower water treatment.**
- **Launch of Maintenance Corrosion Protection Aerosol and Surface Cleaner / Sanitiser spray pack with outstanding customer response.**
- **Accelerating rates of adoption across AccorHotels Group and other major Asian hotels chains.**
- **Strong forward pipeline of validated revenue in Thailand, Singapore, Vietnam, the Philippines, Malaysia and Hong Kong through Aeris' subsidiaries and partners.**

## Finance

The financial year ended 30 June 2016 saw a pivotal acceleration of sales and adoption in each of Aeris' key business units. Consistent with the Company's stated objectives, an increasing investment was applied to sales and marketing resources, both geographically and by sector. Previously-announced strategic agreements have begun to produce accelerating and material recurring revenue together with an ever-broadening blue chip client base.

Significant investments were made during the June 2016 quarter, consistent with the Company's growth plans. Notwithstanding these investments, the revenue for June 2016 was the highest in Aeris' history, resulting in a pleasing net profit being generated in the month of June 2016. The Company has cash-on-hand of \$5.4 million as at 30 June 2016.

## **Smart Systems**

Aeris has now successfully created the first integrated SMART ecosystem for building efficiency and control. The Company is not only able to measure, verify, analyse, report and visualise on the broad spectrum of building management and energy efficiency systems, but uniquely and critically, is now able to act on this data and positively affect the changes necessary in virtually every dimension of Active Energy Efficiency.

Importantly, the Company has received feedback from consultants, customers, distributors and global facility management groups that this solution is not only highly attractive, avoiding multi-vendor solutions, but indeed, is entirely singular in its capability.

Since Aeris has now greatly broadened the availability of its 'clean, green, protect' consumables range, there now exists a true capability to add full 'Internet Of Things' cloud-based management and optimisation of these AerisGuard treated buildings.

The Company has now received a small-scale shipment of Aeris Smart HUB devices together with satellite devices, which have resulted in its first commercial agreements to implement the technology not only into buildings, but also into fleets of refrigerated trucks. Aeris is very regularly receiving high-calibre enquires for its Smart HUB ecosystem across multiple industries and applications. Each stage of the rollout of Aeris' Smart HUB technology will be carefully monitored and evaluated, both in terms of performance and opportunity.

Consistent with Aeris' position as an integrated, single-source supplier, the Company has concluded a strategic partnership with VRT Systems to deploy a cloud-based energy and resource analytic and visualisation platform. VRT has provided solutions throughout Australia, South East Asia and Japan, and has an outstanding customer base, including Lend Lease, Anglo Coal, Queensland Rail, Xstrata, Coca-Cola Amatil, BMA, Asahi Chemical, Australian Department of Defence, CSR, Rio Tinto, Queensland DTMR, and Power Reactor and Nuclear Fuel Corporation, as well as many small-to-medium enterprises.

Aeris has increasing demand from customers for an 'intelligent' solution to legionella detection and control, together with a capability of real time remedial response. To this end, the Company has negotiated a broad exclusive distributorship of a proprietary legionella and biofilm sensor, which will be integrated into its Smart HUB ecosystem, and married with a new and novel cooling tower water treatment technology. Whilst this is currently a development programme, Aeris is working with global leaders and organisations in this field towards a validated commercial offering.

The Company is pleased to report its first material end-user sales from the newly-acquired IMECH building management and automation division to high-profile Australian REIT. This business unit has a strong validated pipeline of large commercial clients, serving leading consultants, facility managers and REIT portfolios across Australia, Asia and beyond.

## **AerisGuard Consumable Range**

Aeris has now expanded its environmentally-friendly hygiene and protection product range to address not only the applications targeted, but, importantly, new presentations and pack sizes that support the wholesaler and distributor rollout. Beyond Heating Ventilation Air Conditioning (HVAC), the AerisGuard range has now been extended to a number of high-potential industrial, commercial and retail applications.

In Australia, Aeris has already begun implementing its wholesaler programme, with a rapid increase in the number of stores ranging AerisGuard along with growing month-on-month same-store sales.

Internationally, the Company is progressing strongly on its training and certification programmes for third party facility management personnel and engineers. This provides a growth platform targeting both customers, with their own maintenance staff, and large-scale corporate groups, which are increasingly switching to the AerisGuard environmentally-friendly systems.

Aeris has successfully commenced a number of pre-commercial R&D user field trials of novel and next generation mould and odour remediation, ice-cream and food machine sanitation, and cooling tower water treatment, and is pleased to have now launched the Maintenance Corrosion Protection Aerosol and Surface Cleaner / Sanitiser spray pack with outstanding customer response.

## **Aeris International**

A number of international clients have suggested an acceleration of Aeris' entry into the world's largest market, the USA. To this end, Aeris has engaged a leading business development manager, Peter Redden, who is based in New Jersey, USA. He has been working with a highly-regarded HVAC specialist to conduct the feasibility for Aeris USA, in respect of distribution channels and partners, key customers, competitors, market pricing and future trends. This assessment continues to be both favourable and supportive of a near-term entry into this market, based on Aeris' unique and proprietary technology, and its proven ability to satisfy a number of large-scale international customers in other geographies. Many of these customers have substantial operations in continental USA, and it is anticipated that Aeris will work with existing distribution channels and networks, with a small-scale representative operation supporting and servicing these vertical channels and distributors.

Aeris has achieved a growing forward pipeline of validated revenue in Thailand, Singapore, Vietnam, the Philippines, Malaysia and Hong Kong through its subsidiaries and partners. Consistent with the strategic agreement with AccorHotels Group and ongoing work with other leading hotel chains in the region, the Company is achieving a growing rate of adoption and implementation of the first phase consumables rollout. In parallel, Aeris is receiving strong interest in its Smart HUB systems, which will be leveraged initially on customers that have implemented Aeris' hygiene and maintenance product ranges across the region.

## **AerisGuard OEM**

A high level of investment has been undertaken in the development of the next generation of AerisGuard OEM products. This covers an extended range of proprietary HVAC coil coatings together with highly energy-efficient proprietary control systems. Beyond these innovations, the Company is currently trialling internationally a new product range, which, if successful, is likely to be a major paradigm shift in the USD\$500 million+ international HVAC coatings market. As a result of this ongoing investment, Aeris has now secured a number of OEM customers, from whom orders have been received, and projected product requirements by these customers are in excess of \$2 million annually.

## **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 2016**

#### 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	188	686
1.2 Payments for		
(a) staff costs	(446)	(1,615)
(b) advertising and marketing	(270)	(658)
(c) research and development	(229)	(447)
(d) product manufacturing and operating costs	(105)	(349)
(e) administration and corporate costs	(207)	(1,132)
(f) other, including working capital	(62)	(125)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	42	204
1.5 Interest and other costs of finance paid	(14)	(97)
1.6 Income tax refund received (including R&D Tax Offset)	-	71
1.7 Other income -		
(a) Insurance Claim	24	376
(b) Other income	1	4
<b>Net Operating Cash Flows</b>	<b>(1,078)</b>	<b>(3,082)</b>

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1.8 Net Operating Cash Flows (brought forward)</b>	(1,078)	(3,082)
<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	(9)	(159)
(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>	(9)	(159)
<b>1.14 Total operating and investing cash flows</b>	(1,087)	(3,241)
<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>	(1,087)	(3,241)
1.21 Cash at beginning of quarter/year	6,502	8,656
1.22 Exchange rate adjustments	(7)	(7)
<b>1.23 Cash at end of quarter</b>	<b>5,408</b>	<b>5,408</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	238
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 outgoings and other charges paid to Ramlist Pty Ltd of which Messrs M Stang and B Stang are Directors.	7
Property outgoings and other charges paid to Stangcorp Pty Ltd of which Messrs M Stang and B Stang are Directors.	-
R & D and other expenses paid to Novapharm Research (Australia) Pty Ltd of which Messrs M Stang, B Stang and S Kritzler are Directors.	93
Rent, Corporate overheads, distribution and administration expenses paid to Regional Healthcare Pty Ltd of which Messrs M Stang and B Stang are Directors.	73
Salary paid to Peter Bush, Chief Executive Officer and Alternate Director	51
Interest on Directors' loan - ATO benchmark rate	14

**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>
	-
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	52	247
Deposits at call	6	505
Term Deposits	5,350	5,750
Others	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>5,408</b>	<b>6,502</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 July 2016**