

31 October 2016

Company Announcements Office
Australian Securities Exchange

QUARTERLY REPORT – APPENDIX 4C

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

- **Strengthening commercial pipeline, with sales revenue to customers in excess of \$519,000, and committed purchase orders and work in progress in excess of \$557,000, proving an aggregate of booked and committed commercial activity in excess of \$1,075,000 for the September 2016 quarter.**
- **Cash-on-hand of \$4.9 million, including successful receipt of Australian Government R&D cash-back rebate of \$352,000.**
- **First fully-integrated Aeris Smart HUB, AerisGuard hygiene and anti-corrosion annuity Asset Upgrade Agreement, for a five-year term with guaranteed monthly payments and performance incentives, successfully delivered and invoiced to leading refrigerated logistics group, Fresh Freight.**
- **Strong partnership developing with leading HVAC and electrical wholesalers, including Heatcraft and Lawrence & Hanson, with accelerating sales and profile in both the Australian and international wholesale market.**
- **Scaling revenue growth and forward purchase orders in the key markets of Australia, New Zealand, Thailand, Singapore, Vietnam, the Philippines, Malaysia, Indonesia, Brunei and Hong Kong through Aeris' subsidiaries and partners.**

Commentary

The September 2016 quarter has seen an accelerating trend in and across Aeris Environmental Ltd's (Aeris or the Company) business units and markets, together with increasing trade and key customer adoption of the Aeris Smart HUB Ecosystem. It is important to note that in respect of both the domestic and international revenue recognition, there can be a significant lead time from commercial commitment from clients to finalisation, including the receipt of payment.

The Company is targeting an attractive blend of revenue into 2017, including sales to wholesalers, international partners and subsidiaries. Crucially, this will be supported by long-term annuity revenue agreements, which are off the customer's balance sheet and supported by leading financial institutions. This blend of revenue streams is targeted to deliver strong growth, greater predictability and leverages the attractive margins generated by Aeris' intellectual property portfolio.

The first commercial deliveries and installation of the Company's proprietary Smart HUB systems have generated extensive end-user, platinum partner and distributor demand. Aeris has extended the technical features of its Smart HUB Ecosystem to OEMs, SMEs and integrated capabilities, including optimisation, control, measurement and verification, metering and visualisation for the largest corporate installations.

As previously reported, the Company has undertaken an extensive review and analysis of the US market, and has now put in place a firm strategy for near-term market entry. Whilst there remains a lead time for project completion, the Asia Pacific market is developing rapidly, and an increasing number of installations have occurred across key customers, including Cushman & Wakefield, AccorHotels Group, Marriott Hotels, Hyatt Hotels and many others. Aeris is making pleasing progress in extending its capability in project delivery and implementation in its operations in Singapore, Thailand, Hong Kong and the Philippines, and via its Platinum Partners.

In Europe, the Company has established a fully-owned subsidiary, which has undertaken a series of training seminars and sales initiatives, leveraging its emerging base of global clients. Key regulatory approvals have recently been granted in Italy and Malta, a pre-cursor to the expected near-term approvals for Aeris' active hygiene products in major European markets.

The Company and its technology Smart HUB Ecosystem are rapidly being recognised as the emerging leader in energy and system efficiency, asset life cycle, green technologies, and validated corrosion and mould prevention. Fundamental to Aeris' differentiation and industry recognition is the Company's ability to drive meaningful and measurable outcomes whilst monitoring and reporting on each key parameter of importance to its customers. Smart HUB then leverages big data through proprietary visualisation capability to any device that the customer or its facility management group wishes to utilise.

Aeris anticipates further commercial developments in the period leading up to its forthcoming Annual General Meeting, which will expand on its achievements to-date, and lay out its strategy for 2017 and beyond.

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 subject to Listing Rule 4.7B

Name of entity

Aeris Environmental Ltd

ABN

19 093 977 336

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	248	248
1.2 Payments for		
(a) research and development	(140)	(140)
(b) product manufacturing and operating costs	(177)	(177)
(c) advertising and marketing	(158)	(158)
(d) staff costs	(429)	(429)
(e) administration and corporate costs	(364)	(364)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	37	37
1.5 Interest and other costs of finance paid	(12)	(12)
1.6 Income tax refund received (including R&D Tax Offset)	352	352
1.7 Government grants and tax incentives	-	-
1.8 Others (provide details if material)	2	2
1.9 Net cash from / (used in) operating activities	(641)	(641)

	Current quarter \$A'000	Year to date (3 months) \$A'000
2 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(11)	(11)
(b) businesses (item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(11)	(11)
3 Cash flows from financing activities		
3.1 Proceeds from issue of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	155	155
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	155	155
4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year	5,416	5,416
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(641)	(641)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(11)	(11)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	155	155
4.5 Effect of movement in exchange rates on cash held	5	5
4.6 Cash and cash equivalents at end of quarter	4,924	4,924

5 Reconciliation of cash and cash equivalents

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

5.1 Cash on hand and at bank

5.2 Term Deposits

5.3 Bank overdrafts

5.4 Deposits at call

5.5 Cash and cash equivalents at end of quarter (item 4.6)

Current quarter \$A'000	Previous quarter \$A'000
207	60
4,500	5,350
-	-
217	6
4,924	5,416

6 Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of loans to these parties included in item 2.3

6.3 Explanation necessary for an understanding of these transactions

Salaries paid to Peter Bush, Alternate Director and Chief Executive Officer

Interest on Directors' loan - ATO benchmark rate

Current quarter \$A'000
75
-

66
9

7 Payments to related entities of the entity and their associates

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of loans to these parties included in item 2.3

7.3 Explanation necessary for an understanding of these transactions

Property outgoings and other charges paid to Ramlist 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.

Rent, Corporate overheads, distribution and administration expenses paid to Regional Healthcare Pty Ltd of which Messrs M Stang and B Stang are Directors.

Current quarter \$A'000
162
-

4
120
38

8 Financing facilities available

Add notes as necessary for an understanding of the position.

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Credit standby arrangements include unsecured loans from Directors. Interest is paid on these loans at ATO benchmark rates.

Total facility \$A'000	Amount drawn \$A'000
-	-
3,000	1,015
-	-

9 Estimated cash outflows for next quarter

9.1 research and development

9.2 product manufacturing and operating costs

9.3 advertising and marketing

9.4 staff costs

9.5 administration and corporate costs

9.6 Other (provide details if material)

9.7 Total estimated cash outflows

\$A'000
128
504
239
556
298
-
1,725

10 Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)

10.1 Name of entity

10.2 Place of incorporation or registration

10.3 Consideration for acquisition or disposal

10.4 Total net assets

10.5 Nature of business

Acquisitions	Disposals
n/a	n/a

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: *Robert Waring*

(Director/Company Secretary)

Print name: **Robert J Waring**

Date: **31 October 2016**