

30 January 2017

Company Announcements Office
Australian Securities Exchange

QUARTERLY REPORT – APPENDIX 4C

In accordance with ASX Listing Rule 4.7B, Aeris attaches its 31 December 2016 Quarterly Report – Appendix 4C. The highlights of the Company's activities during the quarter are as follows:

- **Strengthening commercial sales and a growing forward sales pipeline, with invoiced sales in excess of \$950,000, and committed purchase orders and work in progress in excess of \$430,000, resulting in an aggregate of booked and committed commercial activity in excess of \$1,380,000 for the December 2016 quarter.**
- **Pivotal and successful rollout of the new Aeris SmartHUB fleet efficiency system to leading logistics group, Fresh Freight. Minimum base contract value of no less than \$448,000 over five years, with potential for significant additional performance payments. Current data being generated demonstrates that efficiency and performance levels are tracking above estimates.**
- **Strategic relationship with Carrier Transicold Australia, a leading cold chain fleet vehicle manufacturer, with Carrier to commence marketing to its customers of an optimised SmartHUB system tailored for the refrigerated transport market, providing validation of system integrity through real time monitoring, and enhanced efficiency and fuel saving.**
- **Multiple successful installations of integrated, new generation Aeris SmartHUB system. Systems demonstrate outperformance in air-conditioning, refrigeration, solar thermal and OEM applications.**
- **Launch of AerisVIEW, the Company's Internet of Things (IOT)-enabled, and cloud-based energy and resource analytic platform, with integration into both Aeris SmartHUB and Tridium / Niagara ecosystems.**
- **Launch of corrosion platinum partner agreements with several leading remediation groups across Australia.**
- **Expanding rollout through Australian HVAC and refrigeration wholesaler market, along with engagement beyond air-conditioning into electrical services, plumbing, specialty cleaning, remediation, hospitality and food service.**
- **Rapidly growing adoption of the integrated AerisGuard hygiene system by maintenance contractors, facility managers and landmark end users as either the exclusive or preferred supplier.**
- **Increasing focus on the rollout of Aeris' novel and next generation mould and odour remediation.**
- **Widespread recognition from OEM manufacturers of the benefits of the proprietary capability of the fourth generation AerisCoat coatings range, with new shipments having commenced, forward commitments of over \$2 million per annum and an outstanding pipeline of prospective new customers.**
- **Strong customer and platinum partner engagement in the USA market. First USA orders received and initial distributors engaged.**
- **Progressing towards full launch in key European markets at high profile ISH 2017, the world's leading trade fair for building, energy and air-conditioning technology. Training completed and distributors in place.**
- **Continued growth and focus 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 December 2016 quarter has demonstrated pleasing revenue and pipeline growth in each of the Company's business units – AerisGuard consumables for HVAC hygiene, and specialty products for remediation and bacterial control, SmartENERGY ecosystem, and OEM advanced coatings for the prevention of corrosion, mould and biofilm. In parallel, Aeris has demonstrated that its new generation of connected, IOT-enabled devices have not only been successfully rolled out in multiple verticals, but indeed have, in each case, significantly outperformed the Company's internal models and projections.

Aeris' first commercial agreements have been signed and implemented in the cold chain logistics industry with a leading Australian group, Fresh Freight. This represents the Company's market entry into a global industry of in excess of five million refrigerated trucks. Early agreements, on a service model, have demonstrated a revenue opportunity of \$500 to \$1,500 per truck, per annum.

Aeris has made a substantial commitment to the development of an integrated and scalable ecosystem of SMART IOT devices. Based on customer, distributor and industry response, the Company is now positioned with a unique and proprietary offering that is on-trend with both the global need for energy efficiency and a recognition that the industrial internet (IOT) results in a unique delivery of a highly attractive and meaningful return on investment and technical outcome for customers.

Commensurate with delivering validated and measurable results, Aeris has now launched AerisVIEW, its IOT-enabled, and cloud-based energy and resource analytic platform, with integration into both Aeris SmartHUB and Tridium / Niagara ecosystems.

The Company's corrosion protection platform of onsite and OEM coatings, with commercial and retail opportunities, is now demonstrating high levels of potential for near-term growth. Fundamentally, the ability to have an environmentally-friendly, one-step application, with long-term, independent technical testing, is gaining support across the board through Aeris' wholesale, distributor, OEM, commercial and industrial channels. This technology has achieved widespread acceptance, and multiple projects have already been completed with leading manufacturers, local government schools, State Department of Infrastructure facilities, local government health facilities and juvenile correction centres.

The Company has been aggressively implementing a two-phase strategy in respect of its proprietary AerisGuard hygiene and service consumables range. The first part of the strategy was aimed at end-user customers, specifiers, consultants and facility management groups. In parallel, Aeris has put in place a rapidly evolving global network of wholesalers, distributors and 'Platinum Partners' to ensure not only the supply chain, but also technical support and training, and an ever-increasing brand and marketing profile for the Company as a disruptive innovator partnered with a clear understanding of the need for environmentally-friendly and safe products to outperform, whilst having a highly attractive return on investment.

The successful elimination and management of mould represents a global unmet need of sizeable proportion. Aeris has demonstrated unique, cost-effective and long-lasting management of mould and odour, and is intensifying its efforts to support its dealer and distribution network in the rollout of these technologies. Determined efforts are being made in key Asian markets and the Company's global hospitality target regions to have the AerisGuard technologies written into standards and specifications. Potential international customers are very regularly enquiring as to the application of the AerisGuard mould and hygiene system, pointing to demonstrable pull demand for this product.

Aeris has targeted a number of breakthroughs in the application of its OEM and onsite AerisCoat family of coatings. In addition to the high profile customers that have been secured to-date, the Company is in advanced discussions with additional industry players to implement its anti-microbial and anti-corrosion coatings in a novel and highly cost efficient way. The industry is moving toward further miniaturisation of coils, which places the AerisCoat solution in an ideal position as the technology of choice.

As previously announced, Aeris has been evaluating its near-term opportunities in the USA, having regard to the path to market, product requirements, value chain and key customers. As a

consequence of the favourable response from what is the world's largest market, the Company has initiated an immediate market entry. Aeris has received both orders and commitments from customers, dealers and wholesalers for its entire ecosystem of products and technologies, and is targeting material sales in calendar year 2017 from the USA market, with a launch in February 2017 at the ASHRAE 2017 Winter Conference and AHR Expo.

Following the establishment of Aeris' subsidiary in Europe, which has promising opportunities for each of the Company's platforms, Aeris has appointed dealers and value-added integrators, with a focus in March 2017 of a broad commercial launch at ISH 2017, the world's leading trade fair for building, energy and air-conditioning technology.

With the current scale-up of production of the new generation Aeris SmarHUB systems, and associated building management, visualisation, optimisation and control capabilities, the Company is now well positioned to leverage its SmarHUB technologies into existing hospitality clients throughout Asia and beyond. Aeris is targeting scale production of variants of the SmarHUB in the March 2017 quarter and is in discussions with high-profile industry leaders with a view to implementing the Company's unique capability in a number of large-scale projects.

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")

31 December 2016

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	244	492
1.2 Payments for		
(a) research and development	(103)	(243)
(b) product manufacturing and operating costs	(179)	(356)
(c) advertising and marketing	(361)	(519)
(d) staff costs	(611)	(1,040)
(e) administration and corporate costs	(311)	(675)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	25	62
1.5 Interest and other costs of finance paid	(20)	(32)
1.6 Income tax refund received (including R&D Tax Offset)	-	352
1.7 Government grants and tax incentives	-	-
1.8 Others (provide details if material)	2	4
1.9 Net cash from / (used in) operating activities	(1,314)	(1,955)

	Current quarter \$A'000	Year to date (6 months) \$A'000
2 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(5)	(16)
(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	(5)	(16)
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	41	196
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	41	196
4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year	4,924	5,416
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,314)	(1,955)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(5)	(16)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	41	196
4.5 Effect of movement in exchange rates on cash held	27	32
4.6 Cash and cash equivalents at end of quarter	3,673	3,673

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
268	207
3,200	4,500
-	-
205	217
3,673	4,924

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
141
-

122
19

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
234
-

4
132
98

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 financing from Directors. Interest is paid on these loans at ATO benchmark rates.

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

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
134
774
232
573
257
-
1,970

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: **30 January 2017**