

28 April 2017

Company Announcements Office  
Australian Securities Exchange

## **QUARTERLY REPORT – APPENDIX 4C**

In accordance with ASX Listing Rule 4.7B, Aeris Environmental Ltd (Aeris or the Company) attaches its March 2017 Quarterly Report – Appendix 4C.

- **Strong commercial results were achieved after the January 2017 holiday season, with invoiced sales in excess of A\$743,000, and committed purchase orders and work-in-progress in excess of A\$352,000, resulting in an aggregate of booked and committed commercial activity greater than A\$1,095,000 for the March 2017 quarter. Cash receipts were in excess of A\$709,000 for the March 2017 quarter.**
- **There was rapid acceleration of commercial sales / installations of Aeris Smart HUB in the Australian market. Purchase orders were received from a leading consultant in northern New South Wales for a local government council building, a Queensland school, a leading national retailer with over 50 sites and Australia's first fully-integrated energy solutions provider, nu-tility, which is backed by Impact Investment Group.**
- **The successful pilot installation of Smart HUB as a building management solution in a flagship hotel in Waikiki, Hawaii. The total opportunity for Aeris Smart HUBs for that single property alone is in excess of US\$425,000.**
- **The successful installation of Aeris Smart HUB at a hospital owned by Ramsay Sime Darby Health Care in Malaysia, extending Aeris' uptake in the global health care sector, a priority vertical given the 24-hour operation of such facilities.**
- **The formalisation of three hygiene and corrosion platinum partner agreements with leading groups across Australia. Each agreement requires minimum product purchases and marketing activity.**
- **The ongoing rollout through the Australian HVAC and refrigeration wholesaler market, along with engagement beyond air-conditioning into electrical services, plumbing, specialty cleaning, remediation, hospitality and food service.**
- **A successful pilot project utilising the Company's novel mould and odour remediation technology in hotel rooms for a leading multi-national hospitality group in Thailand.**
- **The adoption of Aeris enzymatic sanitising technologies for beer line remediation by a high-profile service group in a large leagues club and multiple pubs around Australia.**
- **Recognition from multiple air-conditioning coil manufacturers of the benefits of the new AerisCoat coatings range, with over 20 tonnes exported in the quarter and an outstanding pipeline of prospective new customers.**
- **Ongoing positive progress for the AerisGuard corrosion treatment, including use by a leading paper manufacturer and transport operator for vehicle chassis protection.**
- **Rapidly-scaling customer and platinum partner engagement in the United States of America (USA) market, with accelerating business development activity and quotations, including the product being accepted for use on a leading casino in Las Vegas (4,000 rooms), amongst others.**
- **Revenue growth and focus in the key markets of Australia, New Zealand, Thailand, Singapore, Vietnam, the Philippines, Malaysia, Indonesia, Brunei, Hong Kong and Europe through the Company's subsidiaries and partners.**
- **A global AerisGuard dealer congress is currently being conducted in Brisbane, with attendees from Australia, Asia, the USA and Europe, focusing on the immediate scale-up of commercial sales covering the full portfolio of Aeris' technologies.**

## Commentary

The March 2017 quarter saw the inflection of the Company's commercial strategy, with revenue and pipeline growth in each business unit – AerisGuard consumables, SmartENERGY ecosystem and original equipment manufacturers (OEMs). In parallel, Aeris has been focused on its international rollout and channel partner strategy, culminating in the April 2017 global dealer and platinum partner meeting in Queensland. Attendees are presenting their commercial scale-up strategies for each key market, being the USA, Canada, southern Europe, Australia, New Zealand, Thailand, Singapore, Vietnam, the Philippines, Malaysia, Indonesia, Brunei, Hong Kong and China.

The Aeris Smart HUB and AerisVIEW platforms have seen multiple successful installations across key markets, with commercial installations, including a purchase order from a leading engineering consultant in northern New South Wales for a local government council building, installations for potential multi-site rollout projects, including a school in Queensland, a pilot for a leading national retailer with over 50 sites and an emerging strategic partnership with Australia's first fully-integrated energy solutions provider, nu-tility, which is backed by Impact Investment Group. With commercial production now scaling up, the Company intends to leverage its global network of end-user customers, distributors, integrators, wholesalers and energy utility partners to build the Smart HUB ecosystem as the product of choice for both retrofit and new project installations.

Aeris' outstanding value proposition is supported by significant and validated energy efficiency and cost savings, yet also provides highly-desirable, additional core functionality as a controller with remote and real-time communication, allowing the Smart HUB to function as a building management system. The Company was commissioned by a leading USA-based HVAC group to assist its client, a global hotel chain, to design an innovative solution for its flagship hotel in Waikiki, Hawaii. Upon successful completion of this pilot, which has been exceeding expectations to-date, that property alone would earn Aeris in excess of US\$425,000.

With the current production of the new generation universal Aeris Smart HUB systems, and associated building management, visualisation, optimisation and control capabilities, the Company is now well positioned to leverage its technologies into multiple global vertical markets. Its recent projects in Malaysia for Ramsay Sime Darby Health Care prove that Aeris is able to deliver world-class technical solutions to leading customers around the globe.

The Company continues its two-phase strategy in respect of its proprietary AerisGuard consumables range, with direct end-user, specifiers, consultant and facility management business development, combined with a rapidly-evolving global network of distributors and platinum partners. This model is currently being implemented in Aeris' USA, European and Asian operations, and allows for a scalable and multinational supply chain.

Another area of the Company's core expertise lies in the safe and effective removal, and long-term prevention, of mould. The recurring sales of AerisGuard's novel coatings to leading remediation groups continue to grow. Aeris Saniguard, the Company's novel mould and odour prevention product for soft furnishings and carpets, was successfully piloted in multiple hotel rooms for a leading multi-national hospitality group in Thailand, and Aeris is experiencing growing commercial demand for this unique and highly-effective technology.

The marketing of the Company's ecosystem is focused on long-term customer retention, annuity income, and measurable system and environmental improvements, with both a capex and managed service model providing both dealers and customers with flexibility and a totally unique market offering. Under Aeris' Asset Upgrade Agreement managed service model, most customers will be cash-flow positive from day one, whilst enjoying multiple operating improvements and capabilities within their climate-controlled environments.

The Company is clearly now accepted as an emerging market leader by the trade, OEMs, global customers, facilities management organisations and consultants, with the proven capability of successfully addressing problems such as hygiene, mould remediation, corrosion prevention, controls, real-time system optimisation and data visualisation.

## Aeris Environmental Ltd

**Peter Bush**  
Chief Executive Officer

## **About Aeris Environmental Ltd**

Aeris develops, manufactures and markets patented, environmentally-friendly 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 prevention and remediation of mould, bacteria growth, corrosion and improved hygiene, with OEM, consumer and technical applications.

SmartENERGY provides dramatic and proven energy savings, 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 March 2017**

#### Consolidated statement of cash flows

	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1 Cash flows from operating activities</b>		
1.1 Receipts from customers	709	1,201
1.2 Payments for		
(a) research and development	(107)	(350)
(b) product manufacturing and operating costs	(397)	(753)
(c) advertising and marketing	(149)	(668)
(d) staff costs	(511)	(1,551)
(e) administration and corporate costs	(440)	(1,115)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	18	80
1.5 Interest and other costs of finance paid	(3)	(35)
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	6
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(878)</b>	<b>(2,833)</b>

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>2 Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(4)	(20)
(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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	(4)	(20)
<b>3 Cash flows from financing activities</b>		
3.1 Proceeds from issue of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	-	196
<b>4 Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year	3,673	5,416
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(878)	(2,833)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(4)	(20)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	196
4.5 Effect of movement in exchange rates on cash held	(2)	30
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>2,789</b>	<b>2,789</b>

**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

Current quarter \$A'000	Previous quarter \$A'000
534	268
2,250	3,200
-	-
5	205
<b>2,789</b>	<b>3,673</b>

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

Current quarter \$A'000
59
-

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

59
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**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

Current quarter \$A'000
299
-

Property outgoings and other charges paid to Ramlist Pty Ltd of which Messrs M Stang and B Stang are Directors.

24
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Marketing and operational services provided by Ensol Systems Pty Ltd of which Mr M Stang is a shareholder.

1
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R & D and other expenses paid to Novapharm Research (Australia) Pty Ltd of which Messrs M Stang, B Stang and S Kritzler are Directors.

88
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Rent, Corporate overheads, distribution and administration expenses paid to Regional Healthcare Pty Ltd of which Messrs M Stang and B Stang are Directors.

186
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## 8 Financing facilities available

Add notes as necessary for an understanding of the position.

	Total facility \$A'000	Amount drawn \$A'000
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.		

## 9 Estimated cash outflows for next quarter

	\$A'000
9.1 Research and development	105
9.2 Product manufacturing and operating costs	299
9.3 Advertising and marketing	171
9.4 Staff costs	494
9.5 Administration and corporate costs	250
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	1,319

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

	Acquisitions	Disposals
10.1 Name of entity	n/a	n/a
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

## 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: **28 April 2017**