

31 July 2017

Company Announcements Office
Australian Securities Exchange

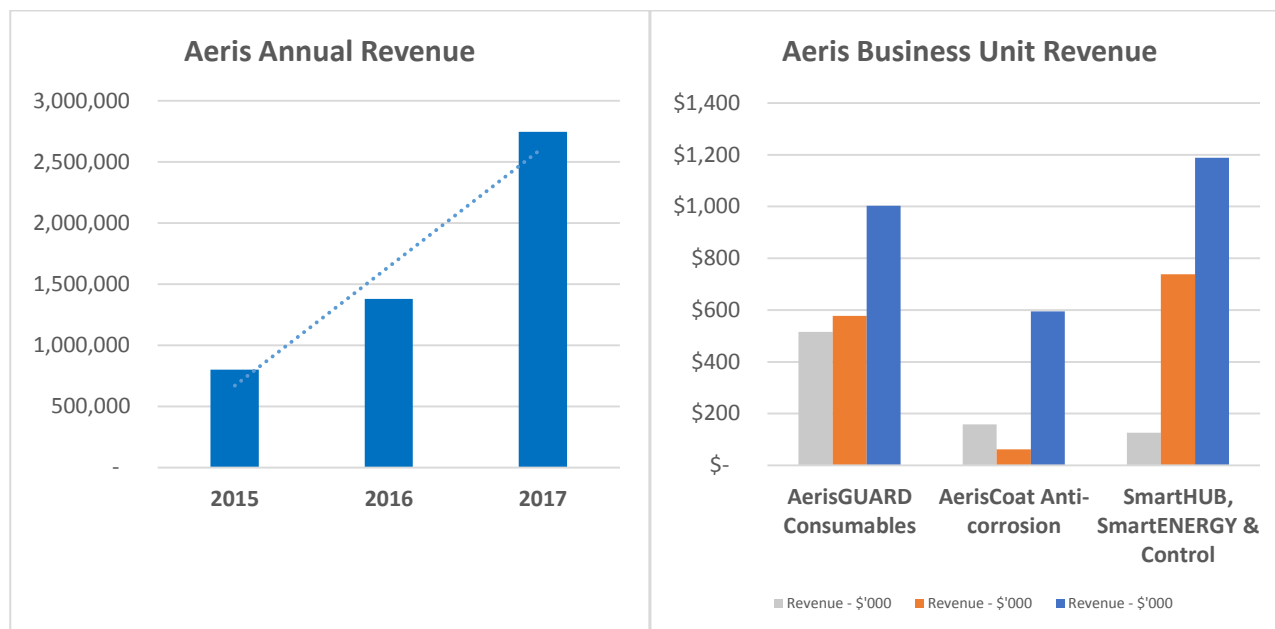
Appendix 4C Commentary: Accelerating Momentum into FY18

In accordance with ASX Listing Rule 4.7B, the Company attaches its June 2017 Quarterly Report – Appendix 4C.

Highlights

- Successful manufacturing scale-up and commercial launch of Aeris Smart HUB Ecosystem.
- Q4 FY17 cash receipts from customers of \$586,000 – distinct increase from Q1-Q3 FY17 run rate, demonstrating increased customer adoption and recurring sales. Additional cash received post 30 June 2017 in excess of \$200,000.
- \$1.79 million cash receipts for FY17, 118% increase from FY16. Sales accelerating as the Company moves firmly into the commercialisation and monetisation phase.
- 63% of FY17 revenue received from new Platinum Partners and key accounts, demonstrating growing opportunity as activity comes to scale. The balance of revenue is from existing accounts, which are both expanding and recurring.
- Strong positive lead indicators, including \$15 million plus visible opportunity pipeline rolling into FY18. Known contracted revenue in coming quarters is underwriting sales growth.
- Core products for each business unit – AerisGuard consumables, AerisCoat Anti-Corrosion, and Smart HUB SmartENERGY and control – now commercially launched and gaining traction in key global markets.

Q4 FY17 Operational Highlights



Consumables

The AerisGuard range of maintenance products not only clean and restore heat exchange coils for heating, cooling, refrigeration and transport back to 'as new' efficiency, they also protect them from re-contamination and maintain system efficiency for up to 12 months. In addition to hygiene, long-term anti-microbial and corrosion resistance, the Company's 'whole of system' approach offers duct and filter treatments, bio-active pan tablets, and a complete system for mould and bacterial resistance on all hard surfaces.

Aeris has focussed on a multiple-pronged strategy with its consumables products, with growing revenue in three main sectors.

1. Platinum Partners – The Company deals directly with these highly-specialised groups, who formally commit to annual minimum spend, and marketing activity to maintain access to products and the network. Aeris supports each Platinum Partner in a technical and commercial capacity, and uses this highly-trained ‘field force’ to service its key accounts globally.

During the quarter, the Company signed eight new Platinum Partnership agreements, received first orders and trained applicators in the following territories – India, USA West Coast, USA Chicago, Malaysia, the UAE, Dubai, Australia North and Australia South. Aeris is also in advanced discussions with, and has sent both proposals and draft agreements to, five other potential partners in Vietnam, the Philippines, Hong Kong, New Zealand and Australia.

2. Wholesale Distribution – The Company supplies product to, and is stocked on shelves of, leading speciality industrial wholesalers around Australia. These large groups give Aeris access to the wholesalers’ client bases and key accounts, and assist to support in the distribution of product to the Company’s customers that wish to purchase in smaller quantities and without annual minimum commitments.

During the quarter, Aeris made its first sales to two new wholesale groups in Australia, and is in advanced discussions with leading entities in the UK and the USA. This is in addition to the Company’s existing wholesale relationships and sales to Heatcraft Australia Pty Ltd (HVAC), Reece Limited (plumbing) and L&H Group (electrical / industrial).

3. Key Accounts – An important part of Aeris’ strategy as a ‘solution’ provider is a dedicated sales team working with key accounts to bring together product from the Company’s wholesale network and application expertise from Aeris’ Platinum Partners, making the Company a value-added partner to both parties.

During the quarter, Aeris won, and is in the process of contracting, a relationship with a multinational mining group for the deep cleaning and protecting of on-site camps in Australia. The first project, to be delivered in two phases, is for approximately \$500,000 and will be complete by the end of December 2017.

Corrosion

Corrosion is a cost that continually increases over the life cycle of assets, plant and equipment. Coastal and heavily-polluted air spaces can add up to 15% of ongoing running costs of ownership to assets, and is highly accelerated by the use of commonly applied acidic and alkaline cleaners, creating significant potential liability to the applicator. Corrosion can significantly increase breakdowns and reliability in addition to requiring ongoing maintenance.

AerisCoat OEM is a patented, permanent corrosion and biofilm resistant coil coating that provides long-term protection and world-leading marketing claims for original equipment manufacturers (OEMs), and is applied through dipping, spraying or rolling.

Aeris Corrosion Protection Plus is a world-leading corrosion-resistant coating, which does not require heat curing and can be applied on-site whilst providing a certified 19,000+ hours of protection.

1. AerisCoat OEM – During the quarter, the Company’s technical team conducted a production trial for a leading key global account. This customer has now made repeat, multi-tonne orders, the latest of which was shipped in June 2017. A further material order was received from this customer in July 2017.

Aeris continues to progress four other major global opportunities, which are currently in advanced technical and commercial discussions.

2. Aeris Corrosion Protection Plus – The Company has entered into a new Platinum Partner agreement with the leading independent national heavy vehicle repair network in Australia. Having already conducted significant product testing and validation, this group has now opened up the potential opportunity for Aeris’ product to be applied in over 35 sites around

Australia. Additionally, after multiple paid field validations over six months, a global air-conditioning OEM has begun to specify the Company as its recommended corrosion protection solution to its clients. This relationship has already resulted in multiple high-valued orders and a significant pipeline of quotations, and will leverage Aeris' national Platinum Partner network as preferred applicators.

Smart HUB, SmartENERGY and Control

The Company's proprietary Smart HUB devices and platform offer real-time control, optimisation, measurement and verification, data capture and visualisation, whilst being extremely cost effective for small and medium building footprints. The Smart HUB goes beyond existing controllers, being an all-in-one solution that has a low-cost and unparalleled ability to integrate with other platforms, such as Building Management Systems and sensors, meaning that it can integrate far more comprehensively at the asset level.

During the quarter, Aeris issued over \$3 million in quotations for Smart HUB, SmartENERGY and control opportunities, and continues to provide customers across its global markets with additional well-qualified proposals at an accelerating rate. The Company has an additional pipeline in excess of \$8 million.

Aeris won and / or commenced five major commercial projects during the June 2017 quarter:

- Smart HUB control and visualisation project for a Government Council in NSW – to be completed by Q1 FY18.
- SmartENERGY efficiency and control projects for a national utility – to be completed by Q1 FY18.
- SmartENERGY efficiency and control pilot projects for a national retailer – to be completed within H1 FY18.
- SmartENERGY efficiency and control pilot project for a national mall operator – to be completed within H1 FY18.
- SmartENERGY efficiency and control pilot projects for a national supermarket chain – to be completed within H1 FY18.

During the quarter, the Company successfully delivered a Smart HUB efficiency and control project (pilot) for a Queensland school, and two major control projects, one for a leading national real estate investment trust and another for a Queensland Government school.

Strategic Growth Opportunities and Execution Priorities

Each of Aeris' core divisions, being Consumables, Corrosion and Smart HUB, SmartENERGY and Control, are now demonstrating commercial uptake with a balanced, and near equal, momentum.

The Company's core strategic priorities in the September 2017 quarter are as follows:

Consumables

- Continued store and same-store growth across air-conditioning, refrigeration, industrial, electrical, cleaning and plumbing wholesale groups in Australia and beyond.
- Expansion of Platinum Partner base and acceleration of programme in key international markets.

Smart HUB, SmartENERGY and Control

- Commercial production scalability and production cost efficiency.
- Strong customer acceptance of the capability, return on investment and energy efficiency attributes of the Smart HUB Ecosystem, leading to successful delivery of current projects and scaled-up rollout across key customers.
- Endorsement by leading energy efficiency consultancies and multiple energy retailers.
- As a consequence of the commercial launch of Smart HUB, this technology is increasingly being specified in new contracts and projects internationally.

Corrosion

- Growing acceptance of the new generation of OEM coatings, with particular focus on the unparalleled performance and 'green' attributes of Aeris' coatings portfolio.
- Focus and resourcing on near-term OEM opportunities in the major global manufacturing regions.

- Expansion of specialist Platinum Partner programme into high value-added opportunities, including rollout of SolAir OEM coatings and control technologies.

Summary

The Company is now leveraging investments in its core product streams with a view to both driving deeper into existing customers, and leveraging its 'green' technologies into high-value contracts and geographies. Consistent with this strategy, Aeris is accelerating its efforts in two of the world's largest markets, being North America and the European Union.

In parallel, the Company is evaluating a regional-focussed manufacturing capability, allowing an optimised supply chain, and increasing scale and cost efficiencies both in production and transport. Aeris is targeting an accelerating rate of growth in sales in the December 2017 half-year.

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 June 2017

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	586	1,787
1.2 Payments for		
(a) research and development	(171)	(521)
(b) product manufacturing and operating costs	(519)	(1,272)
(c) advertising and marketing	(331)	(999)
(d) staff costs	(485)	(2,036)
(e) administration and corporate costs	(373)	(1,488)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	93
1.5 Interest and other costs of finance paid	(4)	(39)
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)	33	39
1.9 Net cash from / (used in) operating activities	(1,251)	(4,084)

	Current quarter \$A'000	Year to date (12 months) \$A'000
2 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(20)	(40)
(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	(20)	(40)
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	1	197
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	1	197
4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year	2,789	5,416
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,251)	(4,084)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(20)	(40)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1	197
4.5 Effect of movement in exchange rates on cash held	1	31
4.6 Cash and cash equivalents at end of quarter	1,520	1,520

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
515	534
1,000	2,250
-	-
5	5
1,520	2,789

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

Current quarter \$A'000
56
-
56

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.

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

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

Accounting services provided by Bright Accountants of which Mr Peter Bush is a related party.

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
264
-
6
8
114
16
120

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.

Not Applicable

Total facility \$A'000	Amount drawn \$A'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
20
45
90
510
231
-
896

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 July 2017