

31 August 2017

Company Announcements Office
Australian Securities Exchange

Aeris Environmental Ltd (ASX:AEI) today releases its 2016-17 financial year results in the attached Preliminary Final Report (Appendix 4E).

Moving into accelerated growth phase in all key markets – turning cash flow positive in 2018

- **2016-17 financial year 99% revenue growth on prior corresponding period to \$2.88 million, validating Aeris' superior customer value proposition**
- **\$15 million pipeline of new sales opportunities**
- **Growing interest and engagement with a number of market-leading, international, potential distribution partners, leading end customers and consultants**
- **Contracted recurring revenue streams and operating cash flow targeted to turn positive in calendar year 2018 as growth accelerates**

Chief Executive Officer (CEO) Mr Peter Bush said, "The 2016-17 financial year was a milestone year for Aeris. It is pleasing to deliver a solid result that demonstrates our strong momentum. Having completed the "build phase", where we invested in our market-leading, superior technologies, strengthened our sales, marketing and international product registration position, and increased our distribution footprint, we effectively doubled our revenues and, importantly, built a solid foundation for long-term, sustainable and profitable growth.

"Our validated sales pipeline is over five times our 2016-17 financial year annual revenue and is growing strongly. In calendar year 2018, given our growth, we expect to turn operating cash flow positive (run rate), and begin to drive scale and operating leverage. The Company's growing base of contracted platinum partners with minimum sales requirements, together with our international distributors, customers and wholesale channels, underpin our growth trajectory.

"Aeris' proprietary technologies provide a complete range of environmental technology solutions that have positive impacts on asset life, energy efficiency and total cost of ownership. Key to our revenue growth and customer engagement is the Company's proprietary Smart HUB range, providing "internet of things" connectivity, control, optimisation, measurement and verification at a price point and functionality that address a substantial and timely global unmet need."

2016-17 Financial Year Operational Highlights

- Successful manufacturing scale-up and commercial launch of Aeris' Smart HUB Ecosystem
- 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
- Expansion of platinum partner base, with eight new contracted partners in the 2016-17 financial year, taking the total to 13, with many more pending
- Acceleration of programme in key international markets and high value-added opportunities
- Launch of strategic alliances with multiple international consultancies and energy retailers
- Rapidly-increasing adoption of AerisCoat OEM corrosion prevention and protection, along with unique mould and odour remediation product, Aeris Saniguard.

Aeris Environmental Ltd

Peter Bush
Chief Executive Officer

Investors

Michael Brown
Pegasus Advisory
+612 400 24 8080

Rule 4.3A

Appendix 4E

Preliminary final report for the financial year ended 30 June 2017

Name of entity

AERIS ENVIRONMENTAL LTD ABN: 19 093 977 336**Reporting period:** 30 June 2017**Previous period:** 30 June 2016**Results for announcement to the market**

| | | | | \$A'000 |
|---|----|--------|----|---------|
| Revenues from ordinary activities | up | 46.91% | to | 2,881 |
| (Loss) from ordinary activities after tax | up | 81.66% | to | (3,753) |
| (Loss) for the period attributable to owners of Aeris Environmental Ltd | up | 81.73% | to | (3,749) |

| Dividends (distributions) | Amount per security | Franked amount per security |
|-------------------------------|---------------------|-----------------------------|
| | Nil ¢ | Nil ¢ |
| Final dividend | | |
| Previous corresponding period | Nil ¢ | Nil ¢ |

Brief explanation of the above

The Group generated an ordinary revenue of \$2,881,000 and incurred an operating loss after income tax of \$3,753,000 in the year ended 30 June 2017. As at 30 June 2017, the Group had net assets of \$3,110,000 and cash balance of \$1,520,000.

This Appendix 4E should be read in conjunction with the Half Year Financial Report of the Group as at 31 December 2016 and the annual financial report for the year ended 30 June 2017, due to be released in September 2017. It is also recommended that the Appendix 4E be considered together with any public announcements made by the Group since commencement of the 2016-17 financial year in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

NTA backing

Net tangible asset backing per ordinary share

30-Jun-17
cents
1.97**30-Jun-16**
cents
3.55**Events occurring after Balance Date**

No matter or circumstance has arisen since 30 June 2017 that has significantly affected or may significantly affect the consolidated entities operations, the results of these operations, or the consolidated entities state of affairs in future financial years.

Details of entities over which control has been gained or lost during the period

Not Applicable

Foreign Entities details


Not Applicable

Dividends

No dividends were paid or proposed during the financial year.

Audit or Review details

This report is based on accounts that are in the process of being audited.



Sign here:
(Director/Company Secretary)
Print name: **Robert J Waring**

Date: **31 August 2017**

Preliminary Final Report – Appendix 4E

Accelerating Commercial Momentum across Key Markets and Products

Highlights

- \$1.8 million cash receipts for 2016-17 financial year, being a 120% increase from 2015-16 financial year. Sales accelerating as Aeris moves firmly into commercialisation / monetisation phase.
- 63% of 2016-17 financial year revenue received from new platinum partners and key accounts, demonstrating growing opportunity, as activity is scaled up. Balance of revenue from existing accounts, which are both expanding and recurring.
- Strong positive lead indicators, including a visible opportunity pipeline of over \$15 million rolling into 2017-18 financial year. Known contracted revenue in coming quarters underwriting sales growth.
- Rapid growth of platinum programme, with 12 signed partnership, and multiple pending, agreements, each with minimum annual purchase commitments.
- Aeris Smart HUB range is now in full commercial production, with multiple high-profile installations successfully completed.
- Two major flagship Building Management Systems and control projects successfully completed, with a strong forward pipeline.
- First large-scale sales of new generation of OEM corrosion coatings into key global accounts.
- Growing interest and engagement with a number of market-leading, international, potential distribution partners.
- Accelerating focus on core strategic markets of the USA, Europe and Asia Pacific region, with several large-scale projects in pipeline.

Commentary

The financial year ended 30 June 2017 has seen strong progress towards all the objectives of the Company's business plan, and each of the major product groups is now enjoying demonstrable customer acceptance, and distributor and trade engagement. Aeris is currently investing in scaling-up its commercial production capabilities, particularly with a multi-region focus on an optimal and cost-efficient supply chain.

During the 2016-17 financial year, the Company successfully embedded itself into the workflow and process of a number of key and large-scale customers, targeting annuity revenue and an extension of the range of Aeris' products that each of these customers has adopted. In this period the Company signed 12 platinum partnership agreements, received orders and trained applicators in the following territories – Australia, India, the USA, Malaysia and the United Arab Emirates, particularly Dubai. Aeris is also in advanced discussions with, and has sent both proposals and agreements to, five other potential partners in Vietnam, the Philippines, Hong Kong, New Zealand and Australia. These specific agreements are expected to produce in excess of \$2 million in revenue in the 2017-18 financial year.

In each abovementioned territory, Aeris is developing existing wholesale and distribution relationships, each of which has a strong customer base with sales and technical support capabilities. The Company believes that this is a scalable model that will continue to provide attractive margins by minimising the downstream cost of customer acquisition and servicing. In parallel, Aeris is continuing to build a base of direct global end customers where the Company will be managing strategic supply agreements. These may be fulfilled either directly or by one or more of Aeris' partners with a further increase in margin to the Company.

Across Aeris' key business units of hygiene consumables, corrosion resistant coatings and the Smart HUB ecosystem, the Company has, on top of its base business, a validated forward pipeline of over \$15 million worth of proposals, which are anticipated to grow over the coming quarters.

Aeris will provide a more detailed update on the full spectrum of its activities and progress both in terms of its achievements in the 2016-17 financial year and its future objectives for the 2017-18 financial year in its Annual Report to be lodged with the ASX in September 2017.

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.

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017

| | 30-Jun-17 \$'000 | 30-Jun-16 \$'000 |
|--|-----------------------------|-----------------------------|
| Revenues from operating activities | 2,746 | 1,378 |
| Interest revenue | 93 | 205 |
| Other income | 42 | 378 |
| Cost of goods sold | (1,038) | (350) |
| Depreciation, amortisation and impairment | (58) | (65) |
| Distribution expenditure | (184) | (85) |
| Employee benefits expense | (2,238) | (1,669) |
| Financial expenditure | (38) | (98) |
| Occupancy expense | (248) | (226) |
| Impairment expense | (675) | - |
| Other general and Administration | (1,071) | (820) |
| Product registration, patents, trade marks and R&D expenditure | (509) | (450) |
| Sales, marketing and travel | (1,000) | (687) |
| Loss from ordinary activities before income tax expense | (4,178) | (2,489) |
| Income tax credit relating to ordinary activities | 425 | 423 |
| Loss after tax | (3,753) | (2,066) |
| Other Comprehensive Income | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | |
| Foreign currency translation differences | 31 | (7) |
| Total Comprehensive Loss for the period | (3,722) | (2,073) |
| Loss for the period attributable to: | | |
| Owners of Aeris Environmental Ltd | (3,749) | (2,063) |
| Non-controlling interest | (4) | (3) |
| | (3,753) | (2,066) |
| Total comprehensive loss for the period attributable to: | | |
| Owners of Aeris Environmental Ltd | (3,718) | (2,070) |
| Non-controlling interest | (4) | (3) |
| | (3,722) | (2,073) |
| Earnings per share | | |
| Basic loss per share (cents per share) | (2.40) | (1.35) |
| Diluted loss per share (cents per share) | (2.40) | (1.35) |

Consolidated statement of financial position as at 30 June 2017

| | 30-Jun-17 \$'000 | 30-Jun-16 \$'000 |
|--------------------------------------|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 1,520 | 5,416 |
| Trade and other receivables | 1,445 | 1,192 |
| Inventories | 257 | 171 |
| Other | 114 | 135 |
| TOTAL CURRENT ASSETS | 3,336 | 6,914 |
| NON-CURRENT ASSETS | | |
| Plant and equipment | 156 | 151 |
| Trade and other receivables | 353 | - |
| TOTAL NON-CURRENT ASSETS | 509 | 151 |
| TOTAL ASSETS | 3,845 | 7,065 |
| CURRENT LIABILITIES | | |
| Trade and other payables | 497 | 448 |
| Provisions | 219 | 114 |
| Interest-bearing liabilities | - | 1,015 |
| TOTAL CURRENT LIABILITIES | 716 | 1,577 |
| NON-CURRENT LIABILITIES | | |
| Provisions | 19 | 11 |
| TOTAL NON-CURRENT LIABILITIES | 19 | 11 |
| TOTAL LIABILITIES | 735 | 1,588 |
| NET ASSETS | 3,110 | 5,477 |
| EQUITY | | |
| Contributed equity | 41,313 | 40,100 |
| Reserves | 1,354 | 1,181 |
| Accumulated losses | (39,562) | (35,813) |
| Non-controlling interest | 5 | 9 |
| TOTAL EQUITY | 3,110 | 5,477 |

Consolidated statement of changes in equity for the year ended 30 June 2017

| | Equity | Reserves | Accumulated Losses | Non-controlling interest | Total |
|--|---------------|--------------|-----------------------|-----------------------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2015 | 38,600 | 1,187 | (33,750) | - | 6,037 |
| Loss for the year | - | - | (2,063) | (3) | (2,066) |
| Other comprehensive loss | - | (7) | - | - | (7) |
| Total comprehensive loss for the year | - | (7) | (2,063) | (3) | (2,073) |
| Minority interest shareholding | - | - | - | 12 | 12 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Shares issued during the year | 1,500 | - | - | - | 1,500 |
| Value of employee services under ESOP | - | 1 | - | - | 1 |
| Balance at 30 June 2016 | 40,100 | 1,181 | (35,813) | 9 | 5,477 |
| Loss for the year | - | - | (3,749) | (4) | (3,753) |
| Other comprehensive income | - | 31 | - | - | 31 |
| Total comprehensive loss for the year | - | 31 | (3,749) | (4) | (3,722) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Shares issued during year | 1,213 | - | - | - | 1,213 |
| Value of employee services under ESOP | - | 142 | - | - | 142 |
| Balance at 30 June 2017 | 41,313 | 1,354 | (39,562) | 5 | 3,110 |

Consolidated statement of cash flows for the year ended 30 June 2017

| | 30-Jun-17 \$'000 | 30-Jun-16 \$'000 |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | 1,810 | 819 |
| Payment to suppliers and employees | (6,317) | (4,449) |
| Income tax credit received | 351 | 71 |
| Interest received | 93 | 205 |
| Interest paid | (38) | (98) |
| Other income | 42 | 378 |
| Net cash used in operating activities | (4,059) | (3,074) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Term Deposits | - | 4,800 |
| Purchase of assets | (65) | (159) |
| Net cash (used in) / provided by investing activities | (65) | 4,641 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of Shares | 197 | - |
| Net cash provided by financing activities | 197 | - |
| Net (decrease) / increase in cash held | (3,927) | 1,567 |
| Cash and cash equivalents at the beginning of the financial year | 5,416 | 3,856 |
| Effects of exchange rate changes on cash and cash equivalents | 31 | (7) |
| Cash and cash equivalents at the end of the financial year | 1,520 | 5,416 |
| Reconciliation of cash balance | | |
| | 30-Jun-17 \$'000 | 30-Jun-16 \$'000 |
| Deposits on call | 5 | 6 |
| Term Deposits | 1,000 | 5,350 |
| Cash on hand and at bank | 515 | 60 |
| | 1,520 | 5,416 |

Reconciliation of operating loss after income tax to net cash flows from operating activities

| | 2017 | 2016 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Operating loss after income tax | (3,753) | (2,066) |
| Non cash/non-operating items included in profit and loss | | |
| Depreciation, amortisation and impairment | 58 | 65 |
| Impairment of trade receivables | 675 | - |
| Share based payments | 142 | 1 |
| Changes in assets and liabilities | | |
| (Increase) in receivables | (1,280) | (1,049) |
| (Increase) in inventory | (86) | (124) |
| Decrease / (Increase) in other assets | 21 | (58) |
| Increase in trade creditors | 175 | 55 |
| Increase in employee entitlement provision | 113 | 53 |
| (Decrease) / Increase in other creditors and accruals | (124) | 49 |
| Net cash used in operating activities | (4,059) | (3,074) |

Earnings per security (EPS)

Calculation of the following in accordance with AASB 133: Earnings per Share

| | 30-Jun-17 | 30-Jun-16 |
|---|--------------------|--------------------|
| Net profit/(loss) - \$'000 (used to calculate basic EPS) | (3,749) | (2,063) |
| Interest on convertible equity portion | - | - |
| Net profit/(loss) - \$'000 (used to calculate diluted EPS) | <u>(3,749)</u> | <u>(2,063)</u> |
| Weighted average number of ordinary shares used in the calculation of the basic EPS | 156,329,954 | 152,977,902 |
| Convertible share options | - | - |
| Weighted average number of ordinary shares used in the calculation of the diluted EPS | <u>156,329,954</u> | <u>152,977,902</u> |
| Basic EPS – loss per share (cents) | (2.40) | (1.35) |
| Diluted EPS – loss per share (cents) | (2.40) | (1.35) |

Financial reporting by geographical segments

| | Australia | International | Intersegment elimination | Consolidated |
|---------------------|------------------|----------------------|-------------------------------------|---------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Segment revenue | 2,856 | 36 | (11) | 2,881 |
| Loss before tax | (4,175) | (26) | 23 | (4,178) |
| Segment assets | 3,933 | 59 | (147) | 3,845 |
| Segment liabilities | 2,551 | 1,926 | (3,742) | 735 |

Notes to the Consolidated Financial Statements**NOTE 1: Basis of Preparation**

This Financial Report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The Financial Report has been prepared on an accruals basis, and is based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

NOTE 2: Going Concern Basis

The Group has incurred an operating loss of \$3,753,000 for the year ended 30 June 2017 and has net assets of \$3,110,000. The operating cash burn rate for the year ended 30 June 2017 was \$4,059,000. The cash balance as at 30 June 2017 was \$1,520,000. If the 2018 cash burn rate continues during the year ended 30 June 2018, which it is not budgeted to do, there may be an uncertainty in relation to the Group's ability to continue as a going concern.

Certain of the Company's Non-Executive Directors have pledged to provide financial support to the Company for an amount of up to \$1,500,000, for at least the next 12 months from the date of the signed Annual Financial Report. Implementation of product marketing measures are expected to improve the cash burn rate significantly.

As a consequence of the above, the Directors are of the opinion that the Company will have adequate resources to continue to be able to meet its obligations as and when they fall due. For this reason they continue to adopt the going concern basis in preparing the Annual Financial Report.

NOTE 3: Accounting Policies

The Appendix 4E does not include notes of the type normally included within the Annual Financial Report, and therefore cannot be expected to provide a full understanding of the financial performance and financial position of the Group as in the full Annual Financial Report. The Appendix 4E should be read in conjunction with the Half Year Financial Report of the Group as at 31 December 2016 and the Annual Financial Report, due to be released in September 2017, for the year ended 30 June 2017. It is also recommended that the Preliminary Final Report be considered together with any public announcements made by Aeris Environmental Ltd during the year ended 30 June 2017 in accordance with the continuous disclosure obligations under the ASX Listing Rules and under the *Corporations Act 2001*.