

30 April 2018

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 2018 Quarterly Report – Appendix 4C.

- **Total revenue and orders of \$884,000 have been received for the quarter, with a number of sales and shipments impacted by the holiday period, and shipped early in the June 2018 quarter.**
- **There were record cash receipts of \$1,070,000 in the March 2018 quarter.**
- **Strategic engagement has occurred with global trade market leaders targeting broad customer access and penetration.**
- **There has been continued expansion of the Company's distribution footprint, with receipts from 35 customers in the March 2018 quarter.**
- **Successful USA market development activity has taken place, and orders in the key USA market across consumables, corrosion and SmartHUB have been received, with near-term trade, wholesale and platinum partner roll-out.**
- **High-profile representation at the National Air Duct Cleaners Association meeting and exposition in Palm Springs, and at the leading AHR Expo in Chicago.**
- **Aeris has been expanding its sales pipeline, and has contracted platinum partners, which is driving demand across industrial hygiene, coating products and SmartHUB.**
- **The Company has had continuing progress in core markets, with key wins in Asia, the Middle East, Europe and Australia.**

Overview

Aeris' focus during the March 2018 quarter was on building its existing sales channels, and successfully accelerating its key growth platforms such as corrosion, mould and hygiene. In parallel, the Company has been developing relationships with international leaders that have existing paths to market and can exert substantial influence on customers to adopt Aeris' 'clean, green' technologies. The Company is now actively engaging technical specialists to support these large-scale partners, with particular emphasis on the USA market and a number of initiatives that are rolling out in calendar year 2018. In each of Aeris' core technology platforms, the Company has identified and engaged with distribution partners that have the capability to access large-scale customer groups, and have the ability to influence their product choice and usage.

Consumables and Corrosion

Aeris' one-step, water-based, long-life AerisCoat corrosion prevention solutions are attracting high levels of interest from existing corrosion control applicators, both at the original equipment manufacturer (OEM) and on-site levels. The Company is currently negotiating agreements to drive its proprietary technologies into vertical applications covering oil and gas, air-conditioning, refrigeration, transport, manufacturing and facilities management.

As previously announced, following the award of a Master Service Agreement, and the successful implementation of the AerisGuard room remediation and deep cycle hygiene for Sodexo, Aeris has seen material orders and a pipeline of opportunities for its solutions to be utilised for the built environment for on-site camps, mining, temporary housing, facilities management, and offshore oil and gas industries.

The Company's platinum partnership programme has over 25 partners confirmed in Australia, Asia, Europe, the Middle East and now the USA. Each partner has a minimum target activity, scaling up (typically \$100,000, with mature partners averaging \$200,000 per annum), as well as an existing business with customers, and a core capability in hygiene, HVAC maintenance and facilities management.

Aeris has, during the quarter, successfully launched its e-commerce platform with a leading multi-national wholesale group, Rexel Group (Rexel). In addition to trade branches in hundreds of locations, Rexel has a broad fulfilment capability that allows the Company to efficiently supply not only its own customers, but that of Rexel, the leading electrical wholesaler with a potential opportunity of 2,000 branches in 32 countries.

Control

The Company has now expanded its controls capability with the near-term launch of its own range of Aeris IntelliHUB 'smart' thermostats and controllers. With targeted international sales of over \$2 million in the first year, this portfolio adds significant value to the Company's key platinum partners, with applications in the SmartHOME, commercial office, hotel, healthcare and industrial verticals.

Aeris' SmartHUB ecosystem has now seen validation in key customer groups, and is currently being scaled into a commercial rollout directly through wholesale and platinum partners.

Finance

As previously reported, the Company is utilising a line of credit from its Directors. Aeris believes that an increasing proportion of its sales will come through its strategic distribution partners. To this end, the Company continues its near-term revenue generation from existing customers together with forward commitments from large-scale global and strategic relationships, thereby providing a growing annuity stream of revenue, and a vector towards profitability.

Aeris is expecting a cash-back from the Australian Taxation Office for its research and development activities for the financial year ending 30 June 2018. The Company is assessing a number of options for further capital resources to underpin its growth requirements while, in parallel, developing trade agreements that will secure its future revenue growth.

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 March 2018

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	1,070	2,212
1.2 Payments for		
(a) research and development	(44)	(232)
(b) product manufacturing and working capital	(471)	(865)
(c) advertising and marketing	(117)	(661)
(d) staff costs	(536)	(1,453)
(e) administration and corporate costs	(355)	(1,193)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	11
1.5 Interest and other costs of finance paid	(15)	(28)
1.6 Income tax refund received (including R&D Tax Offset)	-	425
1.7 Government grants and tax incentives	-	-
1.8 Others (provide details if material)	2	5
1.9 Net cash from / (used in) operating activities	(465)	(1,779)

	Current quarter \$A'000	Year to date (9 months) \$A'000
2 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(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)	-	-
2.6 Net cash from / (used in) investing activities	(3)	(20)
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	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings (from Directors)	600	600
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	600	600
4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year	189	1,520
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(465)	(1,779)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(3)	(20)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	600	600
4.5 Effect of movement in exchange rates on cash held	(1)	(1)
4.6 Cash and cash equivalents at end of quarter	320	320

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
314	183
-	-
-	-
6	6
320	189

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
69
-
69

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.

Operational services provided by Teknik Lighting Solutions Pty Ltd of which Mr M Stang is a shareholder.

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 Group Pty Ltd of which Messrs M Stang and B Stang are Directors.

Current quarter \$A'000
106
-
15
4
13
74

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.

Loan facilities are provided by Non-Executive Directors Messrs M and B Stang and Mr S Kritzler. These are unsecured loans with interest payable at ATO benchmark rates and has a maturity term of 2 years.

Total facility \$A'000	Amount drawn \$A'000
1,500	600
-	-
-	-

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
40
150
100
475
300
-
1,065

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 April 2018**