

21 August 2018

Mr E Onyura
Senior Adviser, Listings Compliance (Sydney)
ASX Compliance Pty Limited
20 Bridge Street, Sydney NSW 2000

Dear Elvis

I refer to your letter of 15 August 2018 and to the issues you raised in relation to the Company's Appendix 4C Quarterly Report, and respond to each of your questions and requests for information below.

1. Does the Company expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

The Company may have negative operating cash flows for some quarters during the coming year, and at various levels, as it continues to ramp up its marketing and sales activities of its various products. As noted in the commentary to the Appendix 4C released to ASX on 31 July 2018, Aeris is gaining traction with its work on commercialising its suite of products, with sales and cash flow accelerating. The Company has received \$547,000 from its customers so far in the September 2018 quarter and a research and development (R&D) cash-back of \$667,000 was received in July 2018. Accordingly, Aeris will be cash flow positive for the September 2018 quarter based on expected quarterly outgoings of \$914,000.

As recently announced, the Company has signed a supply agreement with Impreglon Australia Pty Ltd (Impreglon), an international company with 35 years' experience in the metal finishing industry. Pursuant to the terms of the agreement, Impreglon will exclusively purchase and apply the AerisCoat corrosion protection and prevention products to all HVAC, refrigeration units and coils that are processed at its Australian operations. Based on current negotiations, Aeris expects to announce a number of other more significant collaboration agreements in the coming months, which will make the Company cash flow positive on an ongoing basis.

Aeris continues to benefit from Government taxation incentives and / or funding programmes. In July 2018 the Company received a cash-back of \$667,000 from the Australian Taxation Office for its R&D activities for the financial year ended 30 June 2017. Aeris plans to lodge its 2018 claim early and, accordingly, expects to receive an amount of approximately \$450,000 (under its 30 June 2018 R&D cash-back claim) in the December 2018 quarter. Based on discussions with the Company's advisers, Aeris is very confident that it will continue to be successful in securing funding incentives from the Government.

With the increase in anticipated receipts from customers for the September 2018 quarter mentioned above and the R&D cash-back refund, the Company expects the September 2018 quarter to be cash flow positive. Aeris also expects the December 2018 quarter to be cash flow positive.

2. **Has the Company taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?**

The Company has a very supportive shareholder base, including a number of large sophisticated investors. Aeris has continuous active dialogue with a number of brokers and institutional fund managers regarding its opportunities and activities, and believes that, if the Board forms the view that a capital raising is appropriate, a capital raising would be well supported by brokers, institutional fund managers and existing large shareholders.

3. **Does the Company expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?**

Yes, the Company does expect to be able to continue its operations to meet its core operating requirements through 2018 and beyond, based on the advances in its business, as summarised in its various releases to ASX.

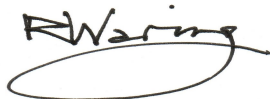
4. **Please confirm that the Company is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.**

Aeris confirms that it is in compliance with ASX Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.

5. **Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy, or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.**

The Company confirms that Aeris' responses to the questions above have been authorised and approved in accordance with its published Continuous Disclosure Policy and by its Board.

Yours sincerely
Aeris Environmental Ltd

A handwritten signature in black ink, appearing to read "RWaring", with a large, loopy flourish underneath.

Robert J Waring
Company Secretary



15 August 2018

Mr Robert Waring
Company Secretary
Aeris Environmental Ltd
5/26-34 Dunning Avenue
Rosebery NSW 2018

By email

Dear Mr Waring

Aeris Environmental Ltd (the “Company”): Appendix 4C Query

I refer to the Company’s Appendix 4C quarterly report for the period ended 30 June 2018 lodged with ASX Market Announcements Platform and released on 31 July 2018 (the “Appendix 4C”).

ASX notes that the Company has reported:

- negative net operating cash flows for the quarter of \$759,000;
- cash at the end of the quarter of \$158,000; and
- estimated cash outflows for the next quarter of \$914,000.

It is possible to conclude, based on the information in the Appendix 4C, that if the Company were to continue to expend cash at the rate indicated by the Appendix 4C, the Company may not have sufficient cash to continue funding its operations. In view of that, ASX asks the Company to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does the Company expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has the Company taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does the Company expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that the Company is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.
5. Please confirm that the Company’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

20 Bridge Street
Sydney NSW 2000

PO Box H224
Australia Square NSW 1215

Customer service 13 12 79
asx.com.au

Please also provide any other information that the Company considers may be relevant to ASX forming an opinion on whether the Company is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 3pm AEST on 21 August 2018. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Company's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Company's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at elvis.onyura@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to the Company's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that the Company's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading Halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Company's securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Kind regards

[Sent electronically without signature]

Elvis Onyura

Senior Adviser, Listings Compliance (Sydney)