

31 October 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 September 2018 Quarterly Report – Appendix 4C.**

- **Total revenue and orders on-hand of \$1,144,000, including invoiced revenue of \$792,000, for the quarter.**
- **Cash receipts from customers of \$738,000 in the September 2018 quarter. An additional \$667,000 received from the ATO for FY2017 R&D cash-back.**
- **The Company is in late-stage discussions on a number of strategic agreements in North America and internationally. Each of these potential agreements on which Aeris is focused is with counterparties who are leaders in their respective markets and have already provided good intelligence as to their sales potential with the Company's range.**
- **Continuing progress in core markets, with key wins in Asia, the Middle East, Europe and Australia.**
- **Scale-up in manufacturing and supply chain capability in anticipation of growth in revenue in several key international markets.**

### **Overview**

Aeris continues its 'accelerated growth' strategy, with a focus on monetising material investments to-date in product development, regulatory approvals, customer validation and global branding through the formation of partnerships with Original Equipment Manufacturers (OEMs), distribution partners, end customers, trade bodies and consulting specifiers in each of the core business units – AerisGuard consumables, AerisCoat Anti-Corrosion, and SmartHUB SmartENERGY and control.

The Company has invested in expanded training, technical services and marketing capability, together with applicable regulatory registrations and supply chain management in each of its key markets – Australia, the USA, the Middle East, South-East Asia and Europe.

### **Consumables and Corrosion**

The Company is focusing its resources on supporting its partners and platinum distributors with in-field technical services and product support, together with applicable regulatory registration. Aeris' scalable model continues to provide attractive margins by minimising the downstream cost of end customer acquisition, retention and servicing.

The Company continues to win both project and annuity business, and is actively partnering this business with companies that have both reach and depth, as well as an established presence with key customers and markets.

Aeris' one-step, water-based, long-life AerisCoat corrosion prevention solutions are attracting high levels of interest globally from well-respected OEMs in HVAC and heat exchangers, and on-site in large industrial, transport and manufacturing plants.

The Company is currently completing agreements to drive its proprietary technologies into vertical applications covering oil and gas, air-conditioning, refrigeration, transport, manufacturing and facilities management.

## **Real-Time Asset Monitoring and Control**

Aeris has expanded the technical capability of its SmartHUB ecosystem, which has seen validation and orders from key customer groups, each of which owns multiple assets across many sites and can be commercially rolled out.

The Company's proprietary system drives efficiency and improves asset performance delivering benefits that other building information and management systems, concentrating on data only, do not achieve. Each unit can provide full control of air-conditioning systems, including remote graphics interface, visualisation of space temperatures, unit status and alarms. This data, in conjunction with energy data and unit information, can be used as necessary for peak demand management and control through implementations of Aeris' SmartENERGY strategy.

## **Finance**

The Company will be providing a detailed update review of its activities and strategic direction at its forthcoming 2018 Annual General Meeting to be held at Aeris' office at Unit 5, 26-34 Dunning Avenue, Rosebery on Thursday, 29 November 2018, commencing at 11:00am.

In July 2018, the Company received a cash-back of \$667,000 from the Australian Taxation Office (ATO) for its research and development (R&D) activities for the financial year ended 30 June 2017. As previously reported, Aeris is assessing several options for further capital resources to underpin its growth requirements while, in parallel, developing trade agreements that will secure its future revenue growth.

The Company has received additional funding from Directors, as outlined in Aeris' previous ASX announcements. These funds are in the form of loans, and interest is tied to the ATO benchmark interest rate.

The Company is currently in commercial-in-confidence negotiations to provide a substantial expansion of its product distribution capability and will provide a market update in the event that these discussions are successfully concluded.

## **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 September 2018**

#### Consolidated statement of cash flows

	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1 Cash flows from operating activities</b>		
1.1 Receipts from customers	738	738
1.2 Payments for		
(a) research and development	(57)	(57)
(b) product manufacturing and operating costs	(285)	(285)
(c) advertising and marketing	(154)	(154)
(d) staff costs	(594)	(594)
(e) administration and corporate costs	(387)	(387)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	7
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income tax refund received (including R&D Tax Offset)	667	667
1.7 Government grants and tax incentives	-	-
1.8 Others (provide details if material)	1	1
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(68)</b>	<b>(68)</b>

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>2 Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2)	(2)
(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>	<b>(2)</b>	<b>(2)</b>
<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	2	2
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	100	100
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>	<b>102</b>	<b>102</b>
<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	158	158
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(68)	(68)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(2)	(2)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	102	102
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>190</b>	<b>190</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

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

Current quarter \$A'000	Previous quarter \$A'000
184	152
-	-
-	-
6	6
<b>190</b>	<b>158</b>

## 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
70
-
70

## 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.

Consultancy fees paid to Alex Sava

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
22
-
-
-
2
5
15

## 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	1,300
-	-
-	-

## 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
30
300
150
550
350
-
<b>1,380</b>

## 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 October 2018**