

31 January 2019

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 December 2018 Quarterly Report – Appendix 4C.**

### **Highlights**

- **Two share placements and a Share Purchase Plan took place in December 2018 and January 2019 raising a total of \$7,466,000 from a new cornerstone strategic investor group, professional investors and existing shareholders.**
- **The Company is now debt free. Directors' loans of \$1,500,000 have been converted to shares at the same price as the placements and SPP. The balance of the loans has been repaid from the proceeds of the placements.**
- **Total revenue and orders of \$882,000 for the quarter, including invoice revenue of \$671,000.**
- **Cash received from customers for the December 2018 quarter was \$386,000, with a payment of \$475,000 from one large customer expected in February 2019.**
- **International strategic alliance with Goodman Global Group, Inc., a division of Daikin Industries, Ltd. Q1 2019 launch in the USA across 210 stores and over 80,000 contractors.**
- **Strategic supply agreement signed with Bunzl, a global distributor of cleaning products, catering supplies, food production and health hygiene products.**
- **First sale to Encompass, one of the largest parts distributors in the USA, serving 50 states.**
- **Scale-up of manufacturing and supply chain capability in anticipation of growth in revenue in key international markets.**

### **Overview**

Aeris' mission is to leverage the proven technical leadership it has in advanced microbial control, mould prevention, corrosion protection and asset level energy efficiency into well-defined markets world-wide. The Company has successfully invested in securing leading global partners in each of its targeted segments, providing a highly-efficient sales channel and stock in trade channels close to their point of demand.

Aeris has scaled-up its ability to efficiently manufacture products close to end users, as well as the ability to technically train and support its large base of platinum partners, original equipment manufacturers (OEM), distribution partners, end customers and trade bodies.

### **Consumables and Corrosion**

In November 2018, the Company announced a global strategic alliance with the largest heating, ventilation and air-conditioning (HVAC) company in the world, Daikin Industries, Ltd (Daikin), through a partnership with Goodman Global Group, Inc. (Goodman), a leading manufacturer of air-conditioning equipment in North America. Goodman has over 220 company-owned stores and sells through over 1,000 third party distribution stores in the USA. Additionally, Goodman has also undertaken to supply the Aeris products into its network of over 1,000 dealers in over 60 countries globally.

The Company has recently added two experienced senior sales executives to its USA team. They will service the Goodman sales channel and concentrate on revenue generation with multiple partners throughout the USA. North America is the largest single market for air-conditioning consumables, with an annual revenue opportunity in Aeris' product categories exceeding \$250 million.

The Company has now entered into an agreement with a highly-regarded manufacturing partner. This now affords Aeris a direct USA-based manufacturing capability, a supply chain, and leverages its deep insight into the HVAC industry and trade in North America.

The Company has also put in place an important supply relationship and launched joint sales activity with Bunzl, a leading multinational distributor of cleaning and hygiene products to food service, hospitality, health care and facilities management. Bunzl has \$10 billion in revenue across 30 countries. Bunzl has recognised that Aeris brings novel and differentiated products to multiple segments of the Bunzl business. Aeris is now focussed on providing technical and marketing support, as well as joint client visits to enable a rapid growth in the Company's consumables sales for both parties.

Mould prevention and remediation is increasingly being recognised as both an important and large-scale market. The Company believes that it enjoys a substantial technical advantage over conventional products, including broad materials compatibility and 'long-last' residual protection. Aeris is pleased to announce that it has secured a distribution agreement with Carpet Cleaners Warehouse, the leading provider of consumables to the cleaning and remediation industry in Australia. The Company expects to conclude a number of additional strategic partnerships in both mould contamination assessment and remediation in the current half.

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

Aeris SmartHUB provides the Company's customers with cost-effective and highly-focussed data visualisation, a unique reporting tool, which additionally drives recurring sales on the Company's AerisGuard range of consumables by quantifying the benefits and outcomes in real-time. As illustrated by Aeris' marquee projects with The Dexu Group, Charter Hall Group and BlueScope Steel Limited, the Company's SmartHUB business development continues to leverage its cost advantage and scalability on an increasing series of smaller footprint buildings. These are typically where large-scale enterprise building management systems are not economical or technically feasible. SmartHUB is now being taken up by a number of Aeris' global strategic partners who recognise its multi-dimensional capability to control air-conditioning systems, including remote graphics interface, visualisation of space temperatures, unit status and alarms.

### **Finance**

On 12 December 2018 the Company successfully closed a share placement of \$4,000,000. It also launched a Share Purchase Plan, which was concluded in January 2019 and raised \$257,000. These raisings were at an issue price of \$0.17 per share, and were made to a new cornerstone strategic investor group, professional investors and existing shareholders. Aeris held an Extraordinary General Meeting (EGM) on 29 January 2019, at which shareholders approved an additional share issue at \$0.17 per share, and the placement was finalised on 31 January 2019 raising \$3,208,692.

Funds raised from the issues will provide expanded working and growth capital for the Company, with a focus on rapidly developing Aeris' commercial activity in North America, the world's largest market for HVAC. Additionally, following EGM approval, \$1.5 million of Directors' loans were converted to shares at the same price as the placement and Share Purchase Plan, being \$0.17 per share. Aeris is now net debt free.

The two placements were underpinned by strategic investors Stephen Girdis and James Hodgkinson, and interests associated with FDC Construction & Fitout, Moelis Australia and the Ray White Group. The Company is pleased to advise that Stephen Girdis and James Hodgkinson have now joined the Aeris advisory board, with a focus on leveraging their multi-decade expertise in the global property market.

The Company has now successfully addressed its capital needs and put in place strategic partners, each providing a highly-valuable path to market together with substantial industry expertise and

credibility. Aeris has made a number of important, high-profile industry hires in North America, bringing not only a strong commercial track record, but also a broad range of industry relationships, which will help underpin the Company's targeted expansion in the USA. Markets are now demanding safe and environmentally-friendly solutions that outperform toxic legacy products, and Aeris is now well placed to execute on its focus of scaling revenue.

## **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 December 2018**

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1 Cash flows from operating activities</b>		
1.1 Receipts from customers	386	1,124
1.2 Payments for		
(a) research and development	(83)	(140)
(b) product manufacturing and operating costs	(562)	(847)
(c) advertising and marketing	(239)	(393)
(d) staff costs	(370)	(964)
(e) administration and corporate costs	(527)	(914)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	9
1.5 Interest and other costs of finance paid	-	(4)
1.6 Income tax refund received (including R&D Tax Offset)	-	667
1.7 Government grants and tax incentives	-	-
1.8 Others (provide details if material)	1	2
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,392)</b>	<b>(1,460)</b>

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>2 Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(5)
(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>(3)</b>	<b>(5)</b>
<b>3 Cash flows from financing activities</b>		
3.1 Proceeds from share placement applications	7,209	7,209
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	2
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	950	1,050
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>8,159</b>	<b>8,261</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	190	158
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,392)	(1,460)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(3)	(5)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	8,159	8,261
4.5 Effect of movement in exchange rates on cash held	2	2
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>6,956</b>	<b>6,956</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
3,753	184
-	-
-	-
3,203	6
<b>6,956</b>	<b>190</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
29
-
-
-
-
14
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 two years, unless the loan is repaid and the facility is no longer required.

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

## 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
400
200
500
400
-
<b>1,540</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 January 2019**