

30 April 2020

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 2020 Quarterly Report – Appendix 4C.

### Highlights – Financial

- **Successful \$12 million capital raising, with strong demand from leading institutional and sophisticated investors. The Company is currently debt free, cash flow positive and profitable.**
- **Record sales revenue of \$4,020,000 in the March 2020 quarter, with revenue for the nine months to 31 March 2020 of \$7,250,000.**
- **Booked revenue for the month of April 2020 (Q4 FY2020) in excess of \$4,150,000, with more than \$2,000,000 of additional orders received. Revenue run rate for FY2020 is now in excess of \$13,000,000.**
- **Growing improvement in gross margin (48% in March 2020 quarter, as against 37% for FY2019) due to increased mix of higher margin Aeris-branded products. It is anticipated that with increased production efficiency, the Company's margin will continue to increase.**
- **Cash receipts of \$4,017,000 for the March 2020 quarter. Positive net cash from operations was an increase of \$1,052,000.**

### Highlights – Operational

- **Expansion of the Aeris Board, with the appointment of Michael Ford, currently the Chief Financial Officer (CFO) of News Corp Australia. Michael has over 30 years of experience in strategy and finance roles, and is a former Group CFO of QBE Insurance and Deputy CFO of the Commonwealth Bank of Australia.**
- **The Company is on track to increase production, both domestically and internationally. Demand for the entire portfolio is accelerating and Aeris is investing resources by way of added capacity, as previously outlined.**
- **AerisGuard, Aeris Active and Actisan ranges are achieving fast-track international registration and approvals, providing increasing potential global upside.**
- **The Company's network of strategic distributors, wholesalers and customers now provides an accelerated path to market across the entire portfolio of environmental hygiene, mould remediation, corrosion prevention and energy efficiency.**
- **A key account win in North America – 45,000 heating, ventilation, and air-conditioning (HVAC) systems at more than 50 military bases around the US using Aeris' Multi-Enzyme Coil Cleaner.**
- **Pivotal North American manufacturing now coming on-line, with a Q3 2020 launch of the Company's branded range.**
- **Aeris is in detailed negotiations in China with potential partners, covering key core**



- **environmental hygiene, HVAC maintenance, indoor air quality and SmartHUB ranges.**
- **Mould remediation and consulting projects worth in excess of \$1,000,000 delivered year-to-date, with significant work in progress, and a revenue pipeline where the Company is the head contractor.**
- **Multiple new project wins for Aeris corrosion protection services.**

## Commentary

### North America

The COVID-19 pandemic in North America is currently resulting in demand for the Company's environmental hygiene products in excess of current domestic capacity. Aeris has commissioned significant additional production, raw materials and packaging supply, well in excess of its current Australian output.

The Company has accelerated its sales, logistics and manufacturing partnerships in North America, and is now in the position to extend its line of environmentally-friendly AerisGuard-branded cleaners, treatments and hygiene products through several key partners, and customers including Goodman.

As a consequence of COVID-19, and the onset of summer in North America, Aeris expects a strong focus on environmental and ventilation hygiene, as ongoing scientific publications and media reports have focused on the impact HVAC and surfaces have on virus transmission.

In addition to the Company's growing presence in trade stores, with both branded and white label chemistry, Aeris has recently commenced a strategic partnership with Motili, a large, national service business (a division of Goodman Manufacturing). Motili is currently performing maintenance service on over 45,000 HVAC systems at more than 50 military bases around the US using the Company's Multi-Enzyme Coil Cleaner.

Motili President, Karl Pomeroy, states:

"Motili chooses Aeris Environmental for the broad product offering of highly-effective, safe for the applicator, safe for the equipment and friendly to the environment family of products. The Aeris Multi-Enzyme Coil Cleaner we are using at present presented a new way to effectively clean HVAC coils while offering a safe, VOC-free environment for our applicators and our country's military personnel, all while posing zero risk to the environment. Aeris Environmental has been able to meet our product timeline demand, and we find the staff knowledgeable and highly responsive to our needs, even helping us create a complex delivery schedule by location."

### China

The Company is in late-stage, detailed negotiations in China with additional strategic potential partners, covering Aeris' core environmental hygiene, HVAC maintenance, indoor air quality and SmartHUB ranges.

The Company has already received material orders and revenue for its products, and China is expected to be an increasingly-large and successful market for Aeris' technology and operations. Whilst the supply of the Company's environmental hygiene products has been focussed on Australia, additional production capacity in Australia, the US and now China, will enable Aeris to address the growing stream of orders arising from its Chinese distributors.

### Mould Remediation

The Company's investment in a unique suite of detection, assessment, quality control, remediation of mould products and management of mould has resulted in a number of consulting projects in excess of \$1,000,000 delivered year-to-date, with significant work in progress and a revenue pipeline where Aeris is the head contractor. The Company is now



well placed to leverage its proprietary technologies into the global mould remediation market, targeting the industrial, commercial and consumer markets.

Now that production capacity continues to expand, Aeris is able to supply the increasing demand for its proprietary mould remediation technologies. The Company is receiving endorsements from global insurance loss adjusters, and its platinum and wholesale partners. Aeris has been appointed as the lead contractor for several major mould remediation projects and has recently been named as the selected partner to a number of facilities managed by Queensland Heath.

### **Corrosion Protection**

The Company continues to attract high-profile customers for its advanced in-field service coatings, primarily for HVAC coils and equipment, including the latest micro-channel coil architecture. Additionally, its unique and long-life factory coatings continue to be applied by leading OEMs in the region. Aeris' 'on-site' corrosion protection system is now being expanded to hundreds of retail locations in Australia and the Company expects to soon expand to thousands, globally.

Aeris is currently engaged with a number of multi-national corporations, with a view to integrating the Company's technology into their sales channels and production processes.

### **Finance and Operations**

Aeris had record sales revenue of \$4,020,000 in the March 2020 quarter, with nine months revenue to 31 March 2020 of \$7,250,000, and additional substantial unfulfilled purchase orders on-hand at the end of the quarter. Booked revenue in the month of April 2020 (Q4 FY2020) was in excess of \$4,150,000, with more than \$2,000,000 of additional orders received. The Company's current revenue run rate for FY2020 is now accelerating to be in excess of \$13,000,000. Cash receipts of \$4,017,000 have been received from customers for the March 2020 quarter and positive net cash received from operations was \$1,052,000.

Aeris' growing improvement in gross margin (being 48% in the March 2020 quarter as against 37% for FY2019) is due to an increased mix of higher margin Aeris-branded products. It is anticipated that with greater production efficiency the margin will continue to increase.

In April 2020, the Company completed a successful \$12 million capital raising with strong demand from leading institutional and sophisticated investors. Aeris is currently debt free, cash positive and profitable. In view of the significant changes to the Company's shareholder base since the last Top 20 shareholder list was released to the market in the 2019 Annual Report, and in order to include the changes from the capital raising, below is an updated Top 20 shareholder listing.

### **Summary**

Aeris is now accelerating its activities across all its local and international business units. The Company's forward order book continues to grow strongly, and the production capability is being enhanced serving each of Aeris' priority markets of Australia / New Zealand, the US, China, South East Asia, Europe, the Middle East and Africa.

The forward outlook for the second half of the 2020 calendar year and beyond is underpinned by the Company's stronger financial position, growing demand and increased production capacity in multiple sites across the globe.

### **Aeris Environmental Ltd**

#### **Peter Bush**

Chief Executive Officer (CEO)



For further information, please contact:

**Peter Bush** – CEO

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### **For all Shareholders: Aeris is to present at Virtual Health Conference**

The Company is pleased to provide an opportunity for its shareholders and investors to view a virtual presentation by its CEO, Peter Bush, who will present at the NWR Virtual Health Conference on Friday, 1 May 2020.

Event: NWR Communications Virtual Health Conference

Presenting: Peter Bush

Time / Date: 9:00am AEST, 1 May 2020

The event is free and investors can register online to view the presentation here: [https://us02web.zoom.us/webinar/register/WN\\_2qcRMbSFTCWLXUDcTCTIhg](https://us02web.zoom.us/webinar/register/WN_2qcRMbSFTCWLXUDcTCTIhg)

### **About Aeris Environmental Ltd (ASX:AEI)**

Aeris develops, manufactures and markets proprietary, environmentally-friendly technology that drives measurable improvements in asset performance and sustainability. The Company's whole-of-system approach ensures that systems perform better, are safer, last longer and cost less to run.

Aeris' products solve real world problems more effectively than conventional toxic chemicals. Uniquely based on validated, green formulations, the Company's enzymes and treatments with residual protection provide long-term remediation, and prevention of mould, bacteria growth, corrosion and improved hygiene.

AerisVIEW, the Company's cloud-based visualisation network, is uniquely scalable across all climate-controlled environments, including buildings of all sizes, and also vehicles. The Aeris solution delivers dramatic and proven energy savings, alongside documented benefits to system efficiency, and independently validated indoor air quality with proven immediate improvements in sustainability and cash flow savings.

# AERIS ENVIRONMENTAL LTD

## March 2020 Quarterly Report Appendix

### Statement of Shareholdings as at 27 April 2020

The names of the 20 largest holders of fully paid ordinary shares are listed below:

Rank	Shareholder	Number of Shares	% Holding
1	Maurie Stang	20,809,160	8.59
2	J P Morgan Nominees Australia Pty Limited	18,592,094	7.67
3	Bernard Stang	17,893,084	7.39
4	Link Traders (Aust) Pty Ltd	16,586,757	6.85
5	National Nominees Limited	12,056,044	4.98
6	HSBC Custody Nominees (Australia) Limited	9,406,904	3.88
7	Steven Kritzler <S Kritzler Family A/C>	8,331,609	3.44
8	Potski Pty Ltd <Potski Super Fund A/C>	8,009,345	3.31
8	Girdis Superannuation Pty Ltd <Girdis Super Fund A/C>	8,009,345	3.31
9	Development Management & Constructions Pty Ltd	4,952,353	2.04
10	BNP Paribas Noms Pty Ltd <DRP>	4,498,944	1.86
11	Medituper Pty Ltd <Medi Consumables P/L S/F A/C>	4,272,281	1.76
12	Steven Kritzler <S&J Kritzler Super Fund>	2,921,176	1.21
13	Wakil Family Group Pty Ltd <Ron Ton Fashions P/L R/F A/C>	2,577,497	1.06
14	Henderson International Pty Limited <Henderson Super Fund A/C>	2,425,500	1.00
15	Kefford Holdings Pty Ltd <The Kefford Family A/C>	2,357,425	0.97
16	Pulitano Family Superannuation Pty Ltd <Pulitano Family SF A/C>	2,355,018	0.97
17	Treplo Pty Limited <Stevanne Superannuation A/C>	2,300,000	0.95
18	Bennelong Resources Pty Limited <John Egan Super Fund A/C>	2,275,000	0.94
19	Radley Investment Co Pty Ltd <John Dalley Super Fund A/C>	2,274,284	0.94
20	Netwealth Investments Limited <Wrap Services A/C>	2,135,292	0.88
	<b>Total of Top 20 Holdings</b>	<b>155,039,112</b>	<b>64.00</b>
	<b>Other Holdings</b>	<b>87,217,870</b>	<b>36.00</b>
	<b>Total Ordinary Shares</b>	<b>242,256,982</b>	<b>100.00</b>



## Appendix 4C

### Quarterly cash flow 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 2020**

#### Consolidated statement of cash flows

	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1 Cash flows from operating activities</b>		
1.1 Receipts from customers	4,017	8,539
1.2 Payments for		
(a) research and development	(17)	(422)
(b) product manufacturing and operating costs	(1,675)	(4,663)
(c) advertising and marketing	(322)	(770)
(d) staff costs	(533)	(1,857)
(e) administration and corporate costs	(417)	(1,300)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	4
1.5 Interest and other costs of finance paid	(1)	(7)
1.6 Income tax refund received (including R&D tax offset)	-	-
1.7 Government grants and tax incentives (EMDG benefit)	-	-
1.8 Others (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>1,052</b>	<b>(476)</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>2 Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2)	(17)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) 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>(17)</b>
<b>3 Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
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>-</b>	<b>-</b>
<b>4 Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	1,918	3,467
4.2 Net cash from / (used in) operating activities (item 1.9 above)	1,052	(476)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(2)	(17)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	51	45
<b>4.6 Cash and cash equivalents at end of period</b>	<b>3,019</b>	<b>3,019</b>

## Consolidated statement of cash flows

<b>5 Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Cash on hand and at bank	2,446	846
5.2 Term Deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Deposits at call	573	1,072
<b>5.5 Cash and cash equivalents at end of quarter (item 4.6)</b>	<b>3,019</b>	<b>1,918</b>

  

<b>6 Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to related parties and their associates included in item 1	254
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
6.3 Explanation necessary for an understanding of these transactions	
Salaries paid to Peter Bush, Alternate Director and Chief Executive Officer	69
Property outgoings and other charges paid to Ramlist Pty Ltd of which Messrs M Stang and B Stang are Directors.	13
Marketing and operational services provided by Ensol Systems Pty Ltd and Teknik Lighting Pty Ltd of which Mr M Stang is a shareholder.	25
R & D and other expenses paid to Novapharm Research (Australia) Pty Ltd of which Messrs M Stang, B Stang and S Kritzler are Directors.	8
Accounting services provided by Bright Accountants of which Mr Peter Bush is a related party.	16
Rent, corporate overheads, distribution and administration expenses paid to Regional Healthcare Group Pty Ltd of which Messrs M Stang and B Stang are Directors.	123

## 7 Financing facilities available

Note: The term "facility" includes all forms of financing arrangements available to the entity

Add notes as necessary for an understanding of the sources of finance available to the entity

	<b>Total facility \$A'000</b>	<b>Amount drawn \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-

- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Not applicable

## 8 Estimated cash available for future operating activities

	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	1,052
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,019
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	3,019
<b>8.5 Estimated quarters of funding available</b> (Item 8.4 divided by Item 8.1)	2.87

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Level of net operating cash flows will vary with customer demand for Aeris products.

2 Has the entity 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?

A \$12.04 million share placement, before costs, was finalised on 9 April 2020.

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

Yes, at the date of this report, Aeris has sufficient cash to fund its growth plans and its business objectives.

## **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.

Date: **30 April 2020**

**Authorised for release to the market by the Aeris Board of Directors.**

## **Notes:**

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so
- 2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.