

24 October 2023

Company Announcements Office
Australian Securities Exchange

QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C

In accordance with ASX Listing Rule 4.7B, Aeris Environmental Ltd (Aeris or the Company) presents its September 2023 Quarterly Activities Report and attaches its Quarterly Cash Flow Report – Appendix 4C.

Operational Summary

- **The Company delivered an improved first quarter of sales, increased from both the previous quarter and the prior corresponding period, while operating expenses lowered.**
- **During the quarter Aeris’ development of the “Energy Alliance” progressed, expanding the scope of products and services targeting the increased need for improved energy efficiency and performance, and the rapidly-growing requirements for baselining and reporting progress to shareholders and stakeholders.**
- **In China, testing and registration was completed for two of the Company’s products, including the innovative EnviroGuard air sanitisation unit. Market development work continues for this disruptive product, with commercial trials planned for the current quarter.**

Financial Results

- **Aeris’ revenue for the quarter was \$724,000 (an increase of 3% on the previous quarter and an increase of 85% on the prior corresponding period). The gross margin for the quarter of 50% is within the targeted range.**
- **The Company’s cash receipts were \$631,000 for the quarter. Cash and cash equivalents were \$1,999,000 at 30 September 2023.**

Commentary

Heating, Ventilation, Air-Conditioning and Refrigeration (HVAC&R)

Energy efficiency and indoor environmental quality (IEQ) are the principal drivers of the HVAC&R market segment, with the recent increases in energy prices motivating customers in the built environment to seek efficiencies in operating assets. This market contributes 44% of Aeris’ revenue and is characterised by annuity revenue.

Improving the efficiency of HVAC&R assets directly contributes to lower carbon emissions, a measurable benefit for organisations moving towards the environmental, social and governance (ESG) disclosure reporting that commences in the coming year. Commercial buildings are assessed via rating systems such as LEED (Leadership in Energy and Environmental Design), and these ratings include criteria such as energy efficiency and IEQ. The LEED certification provides a framework for healthy, highly-efficient, cost-saving buildings that offer ESG benefits. The Company recently completed a commercial programme at a leading Sydney office building, which successfully demonstrated a range of benefits and improvements in line with Aeris’ technical expectations. As part of this programme, the Company delivered five of Aeris’ new AtmosAir ionisation units, incorporated an advanced air quality sensor and the programme has resulted in a consistent, ongoing deliverable of excellent IEQ that is visible in real time via a digital dashboard.

The Company will continue to embrace global technologies that are adjacent and complementary to Aeris’ proprietary technology to expand the product offerings delivering energy efficiency and IEQ.

Specialty Services and Products

The IEQ Services team delivered a strong quarter of growth, three times higher than the prior corresponding period and ahead of the previous quarter. Key projects involving services for IEQ sampling and remediation were completed with government and commercial customers. Based on this demonstrated success, the Company is expanding the geographic footprint of Aeris' IEQ Services team offering, which will incorporate new markets in Australia.

Corrosion protection products delivered 13% of overall revenues and the Company continues to invest in this world class product range. Several new international customers were acquired, and a new format of "corrosion protection in a can" is currently undergoing field testing.

Australia and New Zealand

Aeris continues to develop the programmes related to delivering energy solutions that improve the profile of a building from an energy consumption, carbon neutrality and IEQ perspective. This market segment is expected to grow consistently over the coming years with the advent in 2024 of ESG disclosure reporting requirements that will mandate measurement and implementation of programmes for decarbonisation and progression towards net zero carbon emissions.

Typically, the HVAC&R assets of a building comprise almost one half of the total energy consumption and are thus a key target for efficiency improvements. The Company's technologies have consistently shown significant efficiency gains and are now complemented by additional technology that further improves energy efficiencies. Sales grew by 51% compared to the prior corresponding period.

The quarter also marked the launch of a new product for IEQ, the EnviroGuard PRO X air sanitiser. This novel device utilises several well-proven technologies in an innovative format and delivers a world first of real time air sanitisation. Aeris Bioactive Filter Treatment is integral to the four-part filter system of the device, enabling a unique claim for a biocidal filter. Aeris has now successfully applied the EnviroGuard PRO X system for applications in mould remediation, which are both effective and commercially attractive. This has generated strong interest from the mould remediation market and further field data is being generated to support promotion into this area. The evidence generated and growing customer demand will be leveraged for international market launches of EnviroGuard.

China

The Company secured another two direct product registrations with the National Health Commission for Purox Gel and Aeris Protect, completing Aeris' current list of product submissions. Active engagement with the Company's new manufacturing and distribution partners continues, with field testing underway for several products and collaboration on market development activities.

IEQ is a key vertical of focus, with new government standards driving changes to how buildings are operated from both an energy efficiency and environmental quality perspective. As the Central Government steers the country back to a stronger growth path, these standards are expected to be of higher importance for commercial enterprises. Aeris is developing solutions for the Chinese market that assist property managers to run facilities at lower costs and with improved environmental health outcomes. Testing and registration are now largely completed, and trials are commencing in the current quarter.

Hygiene is the second key vertical for the Chinese market, with active collaboration occurring with the Company's distribution and manufacturing partners. Aeris has core technology that is proprietary, and is being purchased and implemented across a range of applications with distribution and manufacturing partners in China.

North America

Aeris' corrosion protection range continues as the focus for the USA market, with trials continuing at three sites with three enterprise partners. In California the internal original equipment manufacturer (OEM) product testing has successfully been completed and current work is ongoing for establishing the production line equipment for application of the products. At the Houston, Texas trial site, the Company has now passed the six-month milestone successfully and continues with the field evaluation work. In New Jersey the government trial site has also successfully passed its initial milestone. Aeris will build on the field data to assist promotion to new prospects and will continue working closely with the OEM partner to trial the change to its manufacturing process.

Finance and Operations

The Company's revenue for the quarter was \$724,000, increasing by 3% from the previous quarter and increasing by 85% from the prior corresponding period. Aeris' gross margin of 50% for the quarter was within the targeted range. Total operating expenses were reduced by 30% from the previous quarter.

The Company's cash receipts were \$631,000 for the quarter. Cash and cash equivalents were \$1,999,000 at the end of the quarter.

Aeris is exploring future funding options and has certain additional facilities available if required.

Related-Party Transactions

Payments to Aeris' related parties and their associates during the quarter were: Non-Executive Directors' fees, totalling \$74,000, paid to Maurie Stang (\$25,000), Jenny Harry (\$17,000), Steven Kritzler (\$17,000) and Abbie Widin (\$15,000). Property outgoings and other charges of \$4,000 were paid to the Company's landlord, Ramlist Pty Ltd, of which Non-Executive Director Maurie Stang is a director; marketing and operational services provided by Ensol Systems Pty Ltd and Teknik Lighting Pty Ltd, of which Non-Executive Director Maurie Stang has an indirect beneficial interest through a trust, were \$1,000; and rent, corporate overheads, distribution and administration expenses of \$61,000 were paid to Regional Corporate Services Pty Ltd, of which Non-Executive Director Maurie Stang is a director. Contract research and development, and other expenses of \$17,000 were paid to Novapharm Research (Australia) Pty Ltd of which Non-Executive Directors Messrs Stang and Kritzler are directors. Accounting services of \$2,000 were paid to Vectus Biosystems Limited of which Non-Executive Director Maurie Stang is a director.

Summary

Aeris remains net debt-free and is progressively building a focused suite of products and services to address material market opportunities in the built environment. As the Company's customers and distributors respond to changing regulations, particularly for ESG-related requirements, Aeris has embraced new technologies and partnerships to enable a broader suite of solutions to offer to customers both at home and abroad.

The Company today is building its capabilities in addressing the need for improved environmental hygiene, indoor air quality and energy efficiency in the built environment. Aeris has now implemented an expanded range of offerings to focus on the needs expressed by its customers and distributors. These are aimed at achieving improved ESG outcomes, and include the creation of platforms to measure, report and verify compliance with the latest environmental energy efficiency rebates.

Aeris Environmental Ltd

Maurie Stang
Chairman

Andrew Just
Chief Executive Officer

The Company's Quarterly Activities Report was authorised by the Board of Directors.

About Aeris Environmental Ltd

The Company markets environmentally-friendly technology that drives energy usage reductions and measurable improvements in air quality, surface hygiene and asset performance. Aeris' whole-of-system approach ensures that systems perform better, are safer, last longer and cost less to run.

The Company's products solve real world problems more effectively than conventional products and services. Combining Aeris' unique product formulations with world-leading device technology, the Company provides carbon reductions through reduced energy needs, cleaner air to breathe, safer surfaces, and long-term protection of assets and surfaces from corrosion, biofilm and pathogens.



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")

30 September 2023

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	631	631
1.2 Payments for		
(a) research and development	(66)	(66)
(b) product manufacturing and operating costs	(272)	(272)
(c) advertising and marketing	(71)	(71)
(d) staff costs and Directors' fees	(270)	(270)
(e) administration and corporate costs	(543)	(543)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	9	9
1.5 Interest and other financial costs	(7)	(7)
1.6 Income tax refund received (including R&D tax offset)	-	-
1.7 Government grants and tax incentives	-	-
1.8 Others (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(590)	(590)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2 Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(11)	(11)
(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)	-	-
2.6 Net cash from / (used in) investing activities	(11)	(11)
3 Cash flows from financing activities		
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)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,600	2,600
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(590)	(590)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(11)	(11)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	1,999	1,999

Consolidated statement of cash flows

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	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	177	138
5.2 Term Deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Deposits at call	1,821	2,463
5.5 Cash and cash equivalents at end of quarter (item 4.6)	1,999	2,601

6 Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	159
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

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

	Total facility \$A'000	Amount drawn \$A'000
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

	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(590)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,999
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,999
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.4

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

8.6.1 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?

Not applicable

8.6.2 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?

Not applicable

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

Not applicable

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: **24 October 2023**

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.