

30 January 2024

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 December 2023 Quarterly Activities Report and attaches its Quarterly Cash Flow Report – Appendix 4C.

Operational Summary

- **Aeris delivered a strong second quarter of sales, increased from both the previous quarter (+23%) and prior corresponding period (+29%). Revenue grew faster than operating expenses and for the first half revenue was 49% higher than the first half of the prior fiscal year.**
- **During the quarter the Company's Energy Alliance initiative gained traction, focussing on the growing market for Scope 1 and Scope 2 energy efficiency improvements and reporting.**
- **In China, initial orders were received for recently-registered products, and channel partner product testing was successfully completed for the innovative EnviroGuard air sanitisation unit.**

Financial Results

- **Aeris' revenue for the quarter was \$887,000 (an increase of 23% on the previous quarter and an increase of 29% on the prior corresponding period). The gross margin for the quarter of 61% is within the targeted range.**
- **The Company's cash receipts were \$1,086,000 for the quarter. Cash and cash equivalents were \$1,698,000 at 31 December 2023.**

Commentary

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

As environmental, social and governance (ESG) momentum continues to build, both energy efficiency and indoor environmental quality (IEQ) are key factors in resulting ESG performances, which are mandated to commence disclosure reporting in 2024. Along with the reporting requirement, high energy prices serve as a strong motivator for enterprises to act on their consumption profiles. HVAC&R assets typically contribute over 45% of energy consumption and continue to be important targets for efficiency improvements. Aeris' sales of this product range doubled from the prior quarter.

The Company is focussed on integrating both its own and its third-party range of products and services to enable it to deliver what Aeris believes is the first end-to-end solution for both measurement and verification, and ongoing improvements in energy efficiency and IEQ.

Specialty Services and Products

IEQ Services continued its strong growth track, with revenue for the first half of the financial year being slightly above the prior full fiscal year. The Far North Queensland market has shown continued growth, and the Company is continuing to expand its capabilities to support the needs of its customers during this challenging period.

Aeris' corrosion protection products continue to be actively promoted, particularly into the coil manufacturing market, and maintain the world's highest level of performance as per CSIRO testing. The December 2023 quarter delivered further new customers and significant pipeline opportunities. Sales for this product range grew by 56% compared to the prior quarter.

Australia and New Zealand (ANZ)

The Energy Alliance initiative is focussed on the ANZ market in order to develop integrated and proprietary energy solutions for ANZ enterprise customers. The Company's strategy in this rapidly-growing enterprise market is to provide integrated software and network solutions, which, in parallel, drive increased core product sales, whilst helping Aeris' customers achieve their Scope 1 and 2 energy objectives.

The launch of the Company's new product for IEQ, the EnviroGuard PRO X air sanitiser, progressed well in its second quarter, growing 28% compared to the prior quarter. Aeris conducted a case study of the device at a severely mould-affected office site and the results were outstanding. Based on this performance there has been growing interest in this product from both mould remediators and enterprise customers who are trying to deal effectively with recurring mould issues. EnviroGuard has two unique features (an Aeris biocidal filter and active air sanitisation) and the product recently won a Good Design Award.

International

Shanghai Aeris Technology Co., the Company's wholly-owned subsidiary, is now generating direct sales, with December 2023 demonstrating a pleasing uptake. In parallel, the forward orders for fulfillment in the third quarter underpin the growth trajectory in China.

Sales to international customers and distributors continue to trend in a positive direction, supported by an updated and expanded product portfolio, with several new products to be launched in the first half of 2024.

Finance and Operations

Aeris' revenue for the quarter was \$887,000, increasing by 23% from the previous quarter and increasing by 29% from the prior corresponding period. The Company's gross margin of 61% for the quarter continue to improve and support Aeris' growth objectives. Total operating expenses were increased by 14% from the previous quarter.

The Company's cash receipts were \$1,086,000 for the quarter. Cash and cash equivalents were \$1,698,000 at the end of the quarter.

Related-Party Transactions

Payments to Aeris' related parties and their associates during the quarter were: Non-Executive Directors' fees, totalling \$77,000, paid to Maurie Stang (\$25,000), Jenny Harry (\$19,000), Abbie Widin (\$17,000) and Steven Kritzler (\$16,000). Property outgoings and other charges of \$1,000 were paid to the Company's landlord, Ramlist Pty Ltd, of which Non-Executive Director Maurie Stang is a director; and rent, corporate overheads, distribution and administration expenses of \$77,000 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 \$24,000 were paid to



Novapharm Research (Australia) Pty Ltd, of which Non-Executive Directors Messrs Stang and Kritzler are directors. Product purchases of \$22,000 were paid to EnviroGuard Technologies Pty Ltd, of which Non-Executive Director Maurie Stang is a director. Non-Executive Director Steven Kritzler has an indirect beneficial interest in EnviroGuard Technologies Pty Ltd through a trust.

Summary

Aeris remains net debt-free and is achieving a strong rate of sales growth as the Company's strategy is progressively executed. The focus of Aeris in 2024 is to combine and accelerate core organic growth of product sales with a new and strategically important capability of software and networking services. This energy efficiency focused marketplace provides the potential for an attractive return on investment for the Company's global customer and distributor base, and provides a unique value proposition that is already receiving excellent feedback from enterprise customers.

Aeris believes that there is a significant opportunity in the move from deemed energy efficiency subsidies to measurement and verification subsidies for the Company to provide superior and near-automated solutions to customers who must demonstrate measurable improvement to all their stakeholders on an ongoing basis.

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")

31 December 2023

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	1,086	1,717
1.2 Payments for		
(a) research and development	(96)	(162)
(b) product manufacturing and operating costs	(284)	(556)
(c) advertising and marketing	(63)	(134)
(d) staff costs and Directors' fees	(430)	(787)
(e) administration and corporate costs	(486)	(941)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	6	15
1.5 Interest and other financial costs	(7)	(14)
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	(273)	(863)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 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	(27)	(39)
(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	(27)	(39)
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	1,999	2,600
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(273)	(863)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(27)	(39)
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	1,698	1,698

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	522	177
5.2 Term Deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Deposits at call	1,177	1,821
5.5 Cash and cash equivalents at end of quarter (item 4.6)	1,698	1,999

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	201
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

- 8.1 Net cash from / (used in) operating activities (item 1.9)
- 8.2 Cash and cash equivalents at quarter end (item 4.6)
- 8.3 Unused finance facilities available at quarter end (item 7.5)
- 8.4 Total available funding (item 8.2 + item 8.3)
- 8.5 Estimated quarters of funding available**
(item 8.4 divided by item 8.1)

\$A'000
(273)
1,698
-
1,698
6.2

- 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: **30 January 2024**

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.