

31 January 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 December 2019 Quarterly Report – Appendix 4C.

Highlights – Financial

- Invoiced sales revenue of \$1,100,000 in December 2019 quarter, taking first-half 2020 revenue to over \$3,200,000.
- Purchase orders, commitments and revenue in third quarter of 2020 financial year (to March 2020) in excess of \$5,000,000.
- Ongoing improvement in gross margin to 55% (compared to 37% for 2019 financial year) due to increased mix of higher margin Aeris-branded products.
- Operating cash outflow (of \$1,551,000) includes \$875,000 increase in inventory and trade creditors on the Company's balance sheet, which will be realised as cash inflows later in 2020 financial year.
- Strong cash receipts of \$1,292,000 for December 2019 quarter. Balance sheet has \$4,300,000 of net tangible assets.

Highlights – Operational

- Aeris' non-toxic, broad spectrum (viricidal, bactericidal, fungicidal, sporicidal) disinfection products approved for sale by Chinese National Health Commission in March 2019, which is attracting significant demand due to current coronavirus outbreak i.e. Public Health Emergency of International Concern (PHEIC) in China.
- The Company's Technical Director, Steve Kritzler, was the keynote presenter at China National Disinfectant and Infection Control Forum in November 2019.
- Subsequent demand for disinfectants has been scaling significantly because of the current coronavirus PHEIC. Aeris is now increasing its production capacity.
- North America manufacturing is on track for a summer 2020 launch of the Company's branded range, in addition to the already-launched white-label products.
- Increasing use of Aeris' HVAC OEM coating products in Asia and the Middle East.
- Pleasing growth in key markets of the USA, South East Asia, China and Australia, with customer recognition of financial benefits, effectiveness, safety, and environmental and health benefits from the Company's portfolio of solutions.

Commentary

North America

North America is the single largest market for HVAC maintenance consumables, with an addressable market in excess of \$250,000,000 per annum. Aeris, with its well established and high-profile sales, logistics and manufacturing partners is now prepared for a 2020 summer launch of the Company's full line of environmentally-friendly, AerisGuard-branded cleaners, treatments and hygiene products into North America. This will not only improve Aeris' margins, but also allows vertical expansion together with a broadening of platinum partner applicators, covering on-site corrosion, OEM corrosion, hygiene and facilities maintenance. The Company anticipates that there will be a growing and positive additional impact on margins as the core Aeris-branded range forms a greater part of the revenue mix going forward.

China

The Company's 'high performance', non-toxic, broad spectrum (viricidal, bactericidal, fungicidal, sporicidal) disinfection products, approved for sale by the Chinese National Health Commission in March 2019, are attracting higher than expected orders because of the current PHEIC. Aeris is currently negotiating additional manufacturing capacity in anticipation of significant and growing global demand. The Company has been in detailed discussions in China with a number of potential partners in significant verticals, covering the full spectrum of Aeris' product portfolio. The team has presented at major conferences and has been hosted in China on multiple occasions.

Mould Remediation

As a result of the Company's successful and proprietary long-lasting mould remediation technologies, supported by in-house project management, Aeris has delivered several successful projects following the original Townsville project. The Company has been engaged in multiple high-profile mould remediation and consulting projects for leading builders, property owners and occupational hygienists.

Additionally, Aeris continues with its successful engagement with Sodexo on the Company's remote mining camp hygiene operators and planning is underway to begin the next round of remediation, including a significant addition in scope to include off-camp residential housing.

Due to the tragic bushfire season in Australia, and after successful validation of product suitability, Aeris is proud to be assisting with the remediation of various private and public residences using a combination of the Company's cleaning products.

Aeris continues to focus on supporting and developing its global network of distributors and applicators for the Company's unique suite of detection, assessment, quality control and remediation of mould. Aeris believes that it is on a trajectory to leverage its proprietary technologies into the global mould remediation market, targeting the industrial, commercial and consumer markets worldwide.

Corrosion Protection

The Company continues to advance its strong prospects for large-scale application for both factory and in-field coatings. The Aeris solution is targeted at the full spectrum of factory OEM and on-site service for HVAC, including the latest micro-channel coil architecture. The Company is currently engaged with multiple USA and global corporations, with a view to integrating Aeris' technology into their sales channels and production processes.



Finance and Operations

The Company invoiced sales revenue of \$1,100,000 in the December 2019 quarter, taking revenue in the first half of 2020 to over \$3,200,000. In addition to this, Aeris enjoys material purchase orders and commitments in excess of \$5,000,000. There is an ongoing improvement in gross margin to 55% (compared to 37% for the 2019 financial year) due to the increased mix of higher margin Aeris branded products. Operating cash outflow (of \$1,551,000) includes an \$875,000 increase in inventory and trade creditors on the Company's balance sheet, which will be realised as cash inflows in future periods.

Aeris has \$4,300,000 in net tangible assets on its balance sheet, including over \$5,100,000 in cash, inventory and receivables.

Summary

The Company continues to develop a global path to market and channel partners, with a view to driving sales of its key product portfolios in each of the priority markets, being the USA, China, South East Asia, Europe and Australia / New Zealand.

The forward outlook for the 2020 calendar year remains strong, with a focus on the North American summer sales season for which Aeris has invested significantly in domestic USA production and enhanced supply chain with leading distributors and channel partners. The Company is now rolling out plans for a more direct presence in China, with increasing demand driven by the current PHEIC and a rapidly-developing interest in 'clean, green' technologies.

Aeris Environmental Ltd

Peter Bush

Chief Executive Officer

Michael Kotowicz – Investor Relations

Wentworth Place Group

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About Aeris Environmental Ltd

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 cloud-based visualisation network, is uniquely scalable across all climate-controlled environments, including buildings of all sizes and vehicles. The Company's 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.



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 2019

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	1,292	4,522
1.2 Payments for		
(a) research and development	(266)	(405)
(b) product manufacturing and operating costs	(1,308)	(2,988)
(c) advertising and marketing	(232)	(448)
(d) staff costs	(638)	(1,324)
(e) administration and corporate costs	(397)	(883)
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	(2)	(6)
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)	-	-
1.9 Net cash from / (used in) operating activities	(1,551)	(1,528)

	Current quarter \$A'000	Year to date (6 months) \$A'000
2 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(8)	(15)
(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)	-	-
2.6 Net cash from / (used in) investing activities	(8)	(15)
3 Cash flows from financing activities		
3.1 Proceeds from SPP and share placements	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
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 quarter/year	3,483	3,467
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,551)	(1,528)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(8)	(15)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	(6)	(6)
4.6 Cash and cash equivalents at end of quarter	1,918	1,918

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	846	1,462
5.2 Term Deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Deposits at call	1,072	2,021
5.5 Cash and cash equivalents at end of quarter (item 4.6)	1,918	3,483

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

Current quarter \$A'000
82
-

- 6.3 Explanation necessary for an understanding of these transactions

Salaries paid to Peter Bush, Alternate Director and Chief Executive Officer

82

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

Current quarter \$A'000
255
-

- 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.

5

Marketing and operational services provided by Ensol Systems Pty Ltd and Teknik Lighting Pty Ltd of which Mr M Stang is a shareholder.

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R & D and other expenses paid to Novapharm Research (Australia) Pty Ltd of which Messrs M Stang, B Stang and S Kritzler are Directors.

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Accounting services provided by Bright Accountants of which Mr Peter Bush is a related party.

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Rent, corporate overheads, distribution and administration expenses paid to Regional Healthcare Group Pty Ltd of which Messrs M Stang and B Stang are Directors.

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8 Financing facilities available

Add notes as necessary for an understanding of the position.

	Total facility \$A'000	Amount drawn \$A'000
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.		
Not Applicable		

9 Estimated cash outflows for next quarter

	\$A'000
9.1 Research and development	60
9.2 Product manufacturing and operating costs	800
9.3 Advertising and marketing	150
9.4 Staff costs	450
9.5 Administration and corporate costs	300
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	1,760

10 Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)

	Acquisitions	Disposals
10.1 Name of entity	n/a	n/a
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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 2020**