

31 July 2020

Company Announcements Office
Australian Securities Exchange



QUARTERLY REPORTS

In accordance with ASX Listing Rule 4.7B, Aeris Environmental Ltd (Aeris or the Company) presents its June 2020 Quarterly Activities Report and attaches its Quarterly Cash Flow Report – Appendix 4C.

Highlights – Financial

- Revenue for June 2020 quarter (unaudited) of \$7,500,000, taking annual (unaudited) revenue for FY2020 to over \$14,750,000.
- January to June 2020 half year (unaudited) pre-tax profit of \$2,800,000 resulting in full year (unaudited) maiden annual profit of \$1,500,000.
- Sustained improvement in gross margin (61% in June 2020 quarter and 55% for FY2020) due to increased mix of higher-margin Aeris branded products.
- Cash receipts of \$5,800,000 for June 2020 quarter (FY2020 total \$14,339,000).
- Net cash from operations increase of \$2,355,000 after adjustment for balance sheet movements (including an increase in inventory of \$2,465,000 and an increase in trade debtors of \$2,142,000). Due to significant growth in demand for Aeris' products, there has been a substantial increase in both the level of inventory and in trade debtors.
- Completion of \$12,000,000 capital raising in June 2020 quarter. Strong participation from leading institutional and sophisticated investors. Aeris is debt free.

Highlights – Operational

- USA Environmental Protection Agency (EPA) fast-track for Aeris Active lodged in mid-May 2020. Aeris has received feedback from EPA, which indicates Aeris' application is progressing.
- Aeris has received strong interest from marquee customers across the USA, indicating strong demand (subject to EPA approval).
- Successful manufacturing of multiple batches of Aeris Active at a large volume contract manufacturing facility in the USA.
- Strategic alliance with a consortium of Chinese businesses, being Shanghai Taitrust Industrial Group Co., Ltd and Shanxi Tond Chemical Stock Limited Company (SZ:002360, Shenzhen stock exchange).
- Approvals for Aeris Active granted in Europe following relevant EN testing (European Standards), confirming key residual claims for COVID-19 and further demonstrating Aeris' product differentiation.
- Consumer channel orders were received from major global brands – Guardian Health and Beauty in Singapore, and Costco Wholesale Corporation in Japan.





Commentary

North America

In mid-May 2020 Aeris lodged a fast-track application for Aeris Active (proprietary residual hard surface disinfectant), with feedback from the EPA indicating that the Company's application is progressing through the review process. The fast-track, emergency approval with the EPA will be valid for 12 months in the USA. In parallel, Aeris is applying for permanent approval for both Aeris Active and a range of additional products.

The Company has focussed on its supply chain and logistics capability in North America, having now manufactured multiple batches of product at a large volume facility in Texas. Aeris received positive feedback from marquee customers across the USA, which are now awaiting EPA approval. The Company's USA capacity is significantly larger than Aeris' combined manufacturing capacity in Australia, and the Company's focus continues to be on addressing raw material and packaging inputs to Aeris' USA product manufacturing, in anticipation of the outcome of the EPA fast-track process.

As a consequence of the ongoing focus on air-conditioning as an important vector of virus transmission, there has been a strong demand for products that address both environmental and ventilation hygiene. The Company is now well positioned to extend its line of environmentally-friendly, AerisGuard-branded cleaners, treatments and hygiene products through multiple high-profile partners, and customers including Goodman, Motil for the USA Army, and many others.

China

During the 2019-20 financial year, Aeris received material revenue and orders for its products in China, notwithstanding sales being limited by supply chain issues, common to most companies because of the disruption caused by COVID-19.

The Company is now scaling up its production capability across a broad portfolio of Aeris products, including its proprietary paper-based disinfectant wipes. The Company is currently evaluating opportunities for certain large-volume domestic production in China, which will provide significant additional capacity and access to large-scale customers in the Chinese market.

Overall, Aeris intends to have Australian manufacturing, USA production for North America and Chinese capacity, and is now also examining European contract manufacturers to better service the European market.

Environmental Hygiene

The Company has built its position as the emerging global leader with a substantial and ongoing investment in regulatory and marketing studies. Corporate customers are increasingly recognising that they require 'evidence-based' proof of product performance, safety and environmental credentials.

Aeris is uniquely positioned with approved products that perform in a single application in 'dirty conditions', and with meaningful residual performance across a broad spectrum of applications and substrates.

Independent testing conducted in Australia by global firm AMS Eurofins, and further conducted in Europe by another leading laboratory, to EN testing (European Standards), confirm that Aeris Active achieved a pass on all relevant parameters and, specifically, on a seven-day residual COVID-19 claim, validating both the performance and differentiation of the Company's products.

Aeris has in place a growing number of distributors in Europe, with an initial focus on the United Kingdom and France, together with a growing range of additional customers and distributors throughout Europe, the Middle East and Africa.



Mould Remediation

Mould remediation continues to be a significant unmet need worldwide, with the USA EPA equating the risk from mould contamination to be comparable to that of asbestos in respect of human health. The Company's mould remediation system is being taken up by distributors and customers internationally because it provides not only a rapid mould kill, but also uniquely long-term residual protection on a full spectrum of hard and soft surfaces. During the quarter, Aeris successfully completed a large mould remediation project for a leading not-for-profit group in Sydney. Additionally, projects have commenced for a large university as well as a Government health service.

Corrosion Protection

The Company's water-based, long-lasting anti-corrosion products continue to grow in market share with high-profile customers in Australia, the USA, the Middle East and Asia. Aeris' sales in the current quarter include Carrier, one of the largest air-conditioner brands in the world, and the Company also supplied products to a leading customer in the oil and gas market.

Aeris believes that the potential to apply its novel coatings to multiple industrial and HVAC applications provides a significant growth opportunity for business activity and production levels to increase over time.

Finance and Operations

Revenue (unaudited) for the June 2020 quarter was \$7,500,000, taking annual revenue (unaudited) for the 2019-20 financial year to over \$14,750,000. The Company made a January to June 2020 half year (unaudited) pre-tax profit of \$2,800,000 resulting in a full year maiden annual profit of \$1,500,000. A sustained improvement was made in Aeris' gross margin (61% in the June 2020 quarter and 55% for the 2019-20 financial year) due to an increased mix of the Company's higher-margin branded products.

The cash receipts for the June 2020 quarter were \$5,800,000 and for the 2019-20 financial year were \$14,340,000. The net cash generated from operations increased by \$2,355,000. Balance sheet movements included an increase in inventory of \$2,465,000 and an increase in trade debtors of \$2,142,000. The significant growth in demand for Aeris' products has resulted in a substantial increase in both the level of inventory and in trade debtors.

The completion of the Company's \$12,000,000 capital raising in the June 2020 quarter followed strong participation from leading institutional and sophisticated investors. Aeris is debt free.

Related Party Transactions

Payments to related parties and their associates during the quarter were: property outgoings and other charges paid to Ramlist Pty Ltd, of which Non-Executive Directors Maurie and Bernard Stang are directors (\$14,000); marketing and operational services provided by Ensol Systems Pty Ltd and Teknik Lighting Pty Ltd, of which Non-Executive Director Maurie Stang is a shareholder (\$47,000); research and development, and other expenses, paid to Novapharm Research (Australia) Pty Ltd, of which Non-Executive Directors Maurie and Bernard Stang, and Steven Kritzler are directors (\$191,000); and rent, corporate overheads, distribution and administration expenses paid to Regional Healthcare Group Pty Ltd, of which Non-Executive Directors Maurie and Bernard Stang are Directors (\$105,000).



Summary

The Company continues to invest in broadening its range of environmental hygiene products, with a singular capability to provide end-to-end solutions to its distributors and their customers worldwide.

The AerisGuard brand is increasingly being specified by customers worldwide, including the USA Army, Saudi Aramco, NSW Health, St John's Ambulance and many more.

Aeris is now well capitalised, building its global leadership team, and successfully increasing its supply chain and production capacity internationally. The Company's capability to deal with the full spectrum of vectors of contamination with environmentally-friendly product demonstration validated and approval residual properties provides a platform for growth well into the future.

Aeris Environmental Ltd

Mr Maurie Stang
Chairman

Mr Peter Bush
Chief Executive Officer

This announcement was authorised by the Board of Directors.

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

Previously-Released Announcements

This ASX announcement refers, in part, to information extracted from the below-listed releases that are available for viewing via Aeris' website in the Investor section at www.aeris.com.au

- 03 July 2020: Market Update
- 05 June 2020: USA Update
- 31 March 2020: Business Update Investor Presentation
- 18 March 2020: Australian test confirms Aeris Active is effective against Coronavirus
- 05 March 2020: Aeris Active approved for sale in the UK
- 27 February 2020: Aeris Active - effective disinfection against virus deaths
- 18 February 2020: Singapore NEA lists Aeris Active effective for Coronavirus



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 JUNE 2020

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	5,800	14,339
1.2 Payments for		
(a) research and development	(217)	(639)
(b) product manufacturing and operating costs	(5,279)	(9,942)
(c) advertising and marketing	(178)	(948)
(d) staff costs	(563)	(2,420)
(e) administration and corporate costs	(1,191)	(2,491)
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)	(8)
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	(1,629)	(2,105)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(7)	(24)
(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	(7)	(24)
3 Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	12,042	12,042
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	(473)	(473)
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	11,569	11,569
4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,019	3,467
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,629)	(2,105)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(7)	(24)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	11,569	11,569
4.5 Effect of movement in exchange rates on cash held	(3)	42
4.6 Cash and cash equivalents at end of period	12,949	12,949

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	2,375	2,446
5.2 Term Deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Deposits at call	10,574	573
5.5 Cash and cash equivalents at end of quarter (item 4.6)	12,949	3,019

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	459
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	81
Property outgoings and other charges paid to Ramlist Pty Ltd of which Messrs M Stang and B Stang are Directors.	14
Marketing and operational services provided by Ensol Systems Pty Ltd and Teknik Lighting Pty Ltd of which Mr M Stang is a shareholder.	47
R & D and other expenses paid to Novapharm Research (Australia) Pty Ltd of which Messrs M Stang, B Stang and S Kritzler are Directors.	191
Accounting services provided by Bright Accountants of which Mr Peter Bush is a related party.	21
Rent, corporate overheads, distribution and administration expenses paid to Regional Healthcare Group Pty Ltd of which Messrs M Stang and B Stang are Directors.	105

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)	(1,629)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	12,949
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	12,949
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	7.95

- 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?

Not applicable

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

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: **31 July 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.