

28 April 2022

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 March 2022 Quarterly Activities Report and attaches its Quarterly Cash Flow Report – Appendix 4C.

Financial Results

- **Aeris’ revenue for the quarter was \$624,000 (an increase of 12% on the previous quarter). The gross margin for the quarter, of 56%, compares favourably to 52% for the previous quarter and is in the targeted range, being in excess of 50%.**
- **The Company’s cash receipts were \$792,000 for the quarter. Cash and cash equivalents were \$7,392,000 at 31 March 2022.**
- **Aeris’ market capitalisation as at 27 April 2022 was \$18.6 million (a decrease of 23.8% from \$24.4 million at the end of the previous quarter), with 244,376,020 shares on issue.**
- **The pandemic market impact started to ease during the quarter, with the outlook of a long recovery road. Commercial site usage rates continue to be far lower than pre-pandemic levels, handbraking product demand. As commercial activity builds, and the Company strengthens its product focus, the demand outlook appears to be trending towards increasing market and customer activity.**

Operational Summary

- **Andrew Just joined Aeris as its new CEO on 28 March 2022 to lead the drive on the Company’s growth agenda and international expansion. Aeris is leveraging the key findings and priorities of its strategic review. This is now being implemented in terms of the Company’s product portfolio, pricing, support for its distribution and dealer network, and, importantly, its focus on delivering clean green solutions commensurate with its customers’ work flow and needs.**
- **Aeris’ Wholly Foreign-Owned Enterprise (WFOE) in Shanghai is working to grow revenue in China through a range of partnerships and distributors across several key verticals. The continuing lockdowns are somewhat extending the timeframes for product testing and registration. Independent regulatory testing to-date has returned positive and differentiated results. It is anticipated that certain regulatory approvals may be gained in the current quarter.**
- **Channels to market in China for several products have been identified, with coverage across wholesale, facilities management and trade stores.**

Commentary

China

The Company's WFOE in China, named Shanghai Aeris Environmental Technology Co., Ltd, is working to register and introduce Aeris' proprietary product portfolio to Government and targeted large-scale organisations. The required regulatory testing in China is progressing, albeit with delays due to the extended lockdown in Shanghai.

China is a key plank in the critical growth path for the Company's global revenue. Aeris has identified and engaged with a number of leading distributors in the Chinese market that have specific vertical market expertise and track records in scaling product into the key customer groups in this important market. The Company will update the market on forthcoming commercial agreements as orders and shipments commence from key Chinese partners.

North America

Aeris has significantly lowered its cost base in the USA market after the challenges experienced in a rapidly-changing regulatory environment as a consequence of the pandemic. The USA remains an attractive market as the internal review identified underserved vertical segment and customer needs. The Company has put in place representation to foster a targeted growth plan driven by customer insights.

Environmental Hygiene

The Australian Therapeutic Goods Administration (TGA) has provided new testing requirements that come into effect at the end of June 2022 for disinfectants that make specific residual claims. It is important to note that these standards are being progressively adopted in a number of key international regulatory jurisdictions. Aeris has undertaken third party approval by the National Association of Testing Authorities' (NATA) laboratory testing in relation to these new standards and current data now being finalised has been submitted to the TGA with results that suggest compliance with these new standards. The Company has focussed on its proprietary Aeris Defence range, which it believes provides a combination of hospital-grade disinfectant with compliant 24 hours residual (subject to TGA approval).

Mould Remediation

As a consequence of the record rainfall and flooding on the east coast of Australia, Aeris is reaching out to a number of organisations to provide its novel mould remediation technologies to these markets in line with the Company's previous success in providing proprietary solutions to the Townsville floods.

Aeris is currently working on updating its mould remediation systems from both a technical and packaging point of view, to meet the needs of large-scale remediation companies together with distributors and customers dealing with mould contamination in the full spectrum of the built environment (houses, hotels, shopping centres, commercial, mining and industrial). Further development is planned for the product range, including improved application methodologies, which the Company believes will support ongoing distributor acquisition in several key markets internationally with a focus on Australia, the Asia Pacific region, the USA and China.

Heating, Ventilation and Air-Conditioning (HVAC), and Corrosion Protection

In an endemic impacted world, HVAC hygiene and protection become an integral part of all back-to-work strategies, and Aeris believes these are vital ongoing markets for the Company. Aeris has an integrated range of products that offer advantages over alternatives with their residual action and cleaner environmental profile. The Company is now working with local and international distributors on improved training, technical support, and pricing to address this environmental, social and governance (ESG) growing market segment. With the ongoing

cycles of reinfection arising from the pandemic, Aeris' proprietary filter treatment will remain a focus for the Company in its global return-to-work portfolio.

Aeris' corrosion protection technology has been substantially focussed on HVAC applications. The Company's products have proven to be differentiated by a better environmental profile and by assisting with energy cost savings. Now the priority is to grow the number of HVAC original equipment manufacturers utilising Aeris' corrosion protection products. This aim is supported by the recommencing of international travel and the Company's plan to conduct plant trials and evaluations. Aeris believes that its corrosion protection technology has potentially-lucrative applications beyond HVAC, and intends to innovate formulations and packaging for new markets.

Finance and Operations

The Company's revenue for the quarter was \$624,000, increasing 12% from the previous quarter. Globally, commercial properties continue to be substantially underutilised, flowing through to reduce product demand. Taking advantage of return-to-work policies and building parallel revenue streams in other verticals will be key to Aeris' near-term growth.

The Company's gross margin of 56% for the quarter was improved from 52% in the prior quarter and is within Aeris' budgeted range. Research and Development (R&D) expenditure increased over previous quarters, illustrating the Company's commitment to innovation and improvement of its platform technologies. Total operating expenses were reduced by 40% from the previous quarter.

Aeris' cash receipts were \$792,000 for the quarter. Cash and cash equivalents were \$7,392,000 at the end of the quarter.

Related-Party Transactions

Payments to the Company's related parties and their associates during the quarter were: Non-Executive Directors' fees totalling \$290,500 paid to Maurie Stang (\$157,500), Jenny Harry (\$14,000), Steven Kritzler (\$105,000) and Abbie Widin (\$14,000). It is noted that Directors' fees for the 21-month period from 1 July 2020 were paid in cash during the quarter to Messrs Stang and Kritzler after strong opposition from some shareholders to having the fees paid through the issue of options at Aeris' Annual General Meeting held in January 2022. Property outgoings and other charges of \$19,000 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 \$4,000; and rent, corporate overheads, distribution and administration expenses of \$98,000 were paid to Regional Healthcare Group Pty Ltd, of which Non-Executive Director Maurie Stang is a director. Contract R&D and other expenses of \$166,000 were paid to Novapharm Research (Australia) Pty Ltd of which Non-Executive Directors Messrs Stang and Kritzler are directors.

Summary

Aeris remains well capitalised and net debt-free. The Company is progressively implementing resource allocations aligned with the outcome of its strategic review. A significant priority within this plan is to secure Aeris' Australian home market, test new products and presentations, and, importantly, re-establish revenue in the Chinese market where the Government's policy of zero COVID provides a near-term and significant opportunity for many of the proprietary products that the Company has developed. From a manufacturing standpoint, Aeris continues to work on improving its supply chain, lower its costs of raw materials, and foster a strong alignment with manufacturing partners to achieve local and international competitiveness. The Company is currently evaluating further novel technologies to introduce to its portfolio, strengthening Aeris' capabilities in providing safe environments through air quality, hygiene and ongoing protection.



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

Aeris develops, manufactures and markets proprietary, environmentally-friendly technology that drives measurable improvements in air quality, surface hygiene and asset performance. 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 formulations, the Company's enzyme treatments with residual protection provide cleaner air to breathe, safer surfaces, and long-term protection of assets and surfaces from bacterial and viral growth.



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 2022

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	792	3,122
1.2 Payments for		
(a) research and development	(201)	(416)
(b) product manufacturing and operating costs	(401)	(1,807)
(c) advertising and marketing	(153)	(379)
(d) staff costs and Directors' fees	(628)	(1,661)
(e) administration and corporate costs	(750)	(2,880)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other financial costs	(1)	(28)
1.6 Income tax refund received (including R&D tax offset)	-	-
1.7 Government grants and tax incentives	-	10
1.8 Others (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,342)	(4,039)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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	(5)	(41)
(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	(5)	(41)
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	8,743	11,486
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,342)	(4,039)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(5)	(41)
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)	(14)
4.6 Cash and cash equivalents at end of period	7,392	7,392

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	160	462
5.2 Term Deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Deposits at call	7,232	8,281
5.5 Cash and cash equivalents at end of quarter (item 4.6)	7,392	8,743

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	578
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)	(1,342)
8.2 Cash and cash equivalents at quarter end (item 4.6)	7,392
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	7,392
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	6

- 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: 28 April 2022

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.