

29 July 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 June 2022 Quarterly Activities Report and attaches its Quarterly Cash Flow Report – Appendix 4C.

Financial Results

- **The Company continues to implement focussed changes in its local and international distribution plans, with pleasing early commercial results from its new distributor network in China.**
- **Aeris' revenue for the quarter was \$427,015, a decrease of 32% on the previous quarter, in part reflecting key changes made to both the organisational structure and distribution arrangements, in line with the Company's new growth agenda. The gross margin for the quarter of 26% reflected financial adjustments, without which the result would be in the targeted range of 50%.**
- **Aeris' cash receipts were \$352,000 for the quarter. Cash and cash equivalents were \$5,303,375 at 30 June 2022.**

Operational Summary

- **The appointment of a new Chief Executive Officer, Andrew Just, has seen a re-focussing of the Company, with substantial changes made in resource allocation and the evolving Aeris strategy.**
- **The last Quarter of FY22 was highly active from an organisational perspective, with key advances made in operational structure and go-to-market planning. The Company's growth agenda is firmly leveraging the global macroeconomic factors that are clear trends, with an emphasis on Aeris' key alignment with the environmental, social and governance (ESG) priorities of its enterprise customers. Energy efficiency along with safe air and surfaces are powerful assists to ESG narratives around the globe, and Aeris' products and services are best in class to deliver on these needs.**
- **Aeris' Wholly Foreign-Owned Enterprise (WFOE) in Shanghai continues building its market development in China, with multiple distribution channels being put in place with high profile and well-established Chinese enterprises. The combination of Aeris' own presence and highly regarded partners now provides a broad range of government contract opportunities.**

Commentary

China

Aeris is successfully driving a number of key registrations and approvals in China based on developing market needs and direct feedback from its new distribution partners. Whilst this program has been impacted by various lockdowns across China, Aeris is targeting a number of approvals through the August and September timeframe, leading to material commercial opportunities. Existing approvals are now generating regular orders from China, which will be reflected in the coming quarters.

Australia

Aeris has now fundamentally re-organised its domestic business with new management and sales resources, with a sharper focus to more strongly support the Company's customers' growth using products aligned with their rapidly developing ESG programs.

Several products in Aeris' portfolio have been updated or replaced providing a stronger business case for the Company's distributors and customers to adopt the Aeris programs across its focus market segments of Energy Efficiency, Indoor Air Quality, HVAC&R, Hygiene and Mould remediation.

North America

Progress is being made with market development in the US, focussing on the Company's corrosion protection products used by manufacturers. This long sales cycle is ultimately justified by the steady recurring revenue nature of such accounts, and the first half of FY23 is expected to see more positive progress with these manufacturers. Aeris also achieved a Federal EPA approval upgrading the Company's Surface Treatment product to add a SARS-CoV-2 claim, adding further credibility to Aeris' disinfection claim set.

Environmental Hygiene

Aeris is pleased to report that its new Aeris Defence flagship hygiene product has now achieved an important and pivotal approval, with the Australian Therapeutic Goods Administration (TGA) approving Aeris Defence under new testing requirements for disinfectants that make specific residual claims. These new standards are being adopted in many of the international markets and have proven to be extremely difficult to achieve. The Company's proprietary Aeris Defence provides a combination of hospital-grade disinfectant/COVID-19 claim with compliant 24 hours residual efficacy (TGA approved). This residual claim sets Aeris Defence apart from competitors and commercial shipments will begin in August 2022.

Mould Remediation

Aeris launched Mould Pro, a product specifically targeted to address the current challenges with mould and mildew across the country, particularly following recent flood events. Mould Pro adds to the other Aeris products proven to have outstanding efficacy in addressing the presence and re-growth of mould and bacteria.

Aeris has now updated its mould remediation systems from both a technical and packaging point of view, and will promote these products for the commercial built environment to distributors and remediators with a renewed marketing and education program.

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

Energy efficiency is a critical need, which looks set to continue for many years to come. The Aeris product range in HVAC&R can deliver significant reductions in energy usage for these assets, delivering lighter carbon footprints and lower energy costs for customers. Aeris' integrated range of products offer advantages over alternatives with their residual action and cleaner environmental profile. The Company is advancing its marketing and partnerships to better serve these primary ESG related needs of lower energy use and safer air quality.

Aeris' corrosion protection technology continues to be a technical leader attracting interest from equipment manufacturers internationally, and Aeris is improving the marketing, sales and technical support to grow the Company's important original equipment manufacturers (OEM) business in this sector. The better environmental profile and assistance with energy cost savings are the driving benefits for adoption. The priority remains to grow the number of HVAC OEM utilising Aeris' corrosion protection products, with current opportunities in the US and South East Asia.

Finance and Operations

The Company's revenue for the quarter was \$427,015, being a decrease of 32% from the previous quarter. The commercial properties maintenance market continues to be subdued, flowing through to reduced product demand. Re-setting the marketing focus and leveraging the ESG agenda is a current business focus in order to build near-term and long-term growth.

Aeris' trading gross margins were in the targeted range of over 50%, but reduced in the trading period by various one-off adjustments to 26%. Research and Development (R&D) expenditure increased over previous quarters, illustrating the Company's commitment to innovation and improvement of its platform technologies. The R&D expenditure had been accelerated over previous quarters to update and extend Aeris' product portfolio. It is anticipated that these costs will now return to the previous baseline range, lowering the Company's cost base going forward. The organisation structure was updated in June 2022, resulting in a reduction of managerial positions and an increased focus on sales roles. Overall payroll

expenses for FY23 will hence be substantially reduced. Total operating expenses were reduced by 40% from the previous quarter. Strong efforts continue to reduce overhead costs, reduce inventory, and to collect debtors as quickly as possible.

Aeris' cash receipts were \$352,000 for the quarter. Cash and cash equivalents were \$5,303,375, accounts receivables were \$799,453 and inventory was \$1,262,798 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 \$70,000 were paid as follows: Maurie Stang (\$22,000), Jenny Harry (\$16,000), Steven Kritzler (\$16,000) and Abbie Widin (\$16,000). Property outgoings and other charges of \$2,000 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 \$3,000; and rent, corporate overheads, distribution and administration expenses of \$209,000 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 \$120,000 were paid to Novapharm Research (Australia) Pty Ltd of which Non-Executive Directors Messrs Stang and Kritzler are directors.

Summary

Aeris is now transitioning into the implementation phase of its strategic review whilst recognising the ongoing impact of the pandemic. The Company is now better aligning its product portfolio to support its customers in the ongoing world of the endemic and supply chain challenges. Importantly, the Company is targeting the re-positioning of its product offerings to very specific ESG needs of its corporate clients. Aeris believes that its investments in measurable improvements of the environmental impact of its products and its commitment to education and reporting will position the Company as a forward-looking partner for its global customers and distributors.

As the global supply chain challenges persist, not only in terms of supply, but also inflationary price pressures, the Company's strong partnerships with Australian manufacturing is providing effective reassurance for customers. In line with previous planning, the Company is currently evaluating further novel technologies to introduce to its portfolio, strengthening Aeris' capabilities in providing safe and energy efficient 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 energy usage, air quality, surface hygiene and asset performance. The Company's whole-of-system approach ensures that assets require less energy to run, perform better, are safer, last longer and cost less.

Aeris' products solve real world problems more effectively than conventional toxic chemicals and provide an integrated approach to driving the ESG goals of its customers and partners globally. 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")

30 JUNE 2022

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	352	3,474
1.2 Payments for		
(a) research and development	(172)	(588)
(b) product manufacturing and operating costs	(267)	(2,074)
(c) advertising and marketing	(219)	(598)
(d) staff costs and Directors' fees	(707)	(2,368)
(e) administration and corporate costs	(1,059)	(3,939)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other financial costs	(1)	(29)
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	(2,073)	(6,112)

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 or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(7)	(48)
(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)	(48)
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	7,392	11,486
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,073)	(6,112)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(7)	(48)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	(9)	(23)
4.6 Cash and cash equivalents at end of period	5,303	5,303

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	270	160
5.2 Term Deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Deposits at call	5,033	7,232
5.5 Cash and cash equivalents at end of quarter (item 4.6)	5,303	7,392

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	404
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)	(2,073)
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,303
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	5,303
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.6

- 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: 29 July 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.