

28 April 2023

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

Operational Summary

- **Consistent with the Company’s focus on enterprise customers, energy efficiency and carbon neutrality, Aeris has now begun to initiate an energy efficiency alliance. This brings together an association of highly-capable participants in the field, which the Company believes will have powerful capabilities to help Aeris’ customers, address an opportunity, and take action to drive results across scope one, two and three imperatives.**
- **The Company is assembling an alliance of trusted partners to deliver across the spectrum of consulting, services, measurement and verification (M&V), products, and energy trading certificates. This has been initiated with some high-profile Australian clients, and Aeris believes this programme is very much targeted at “moving the dial” for Australia’s large-scale corporate enterprises, and their respective environmental, social and governance (ESG) needs.**
- **The Company has been appointed as a strategic distributor of the EnviroGuard Pro X system, which has been developed to integrate indoor air quality (IAQ), advanced sensors and the latest in environmental hygiene. Sales have been initiated and first deliveries to customers are expected in May 2023. This further extends Aeris’ IAQ portfolio that includes the Company’s heating, ventilation, air-conditioning and refrigeration (HVAC&R) products, AtmosAir Solutions and now EnviroGuard, providing Aeris with innovative products that supplement its proprietary portfolio.**
- **The AerisGuard HVAC&R remediation programme commenced, with multiple customer sites actioned in late March and early April 2023. These sites enjoyed excellent energy efficiency gains and hygiene improvements.**
- **The Company’s Wholly Foreign-Owned Enterprise (WFOE) in Shanghai accelerated its market development activities in China, including a launch event in Shanghai for the Aeris Hygiene range of products, including Aeris Clean, Aeris Protect, Citripro, Aeris Defence and Aerishield.**

Financial Results

- **Aeris’ revenue for the quarter was \$327,000 (a decrease of 47% on the previous quarter). The gross margin for the quarter was 44%, a decline of 16% compared to the previous quarter and below the targeted range, being more than 50%.**
- **The Company’s cash receipts were \$640,000 for the quarter. Cash and cash equivalents were \$3,367,000 at 31 March 2023.**

Commentary

HVAC&R

Aeris' focus on delivering energy efficiency gains and IAQ improvements is targeted at the core market of HVAC&R. These two measures can contribute to achieving ESG objectives by mitigating the adverse environmental effects of buildings, and enhancing the health and wellness of occupants. Furthermore, they can aid companies in meeting sustainability targets and compliance requirements, while attracting environmentally-aware customers, resulting in improved energy usage profiles and adherence to regulations. As energy costs rise and regulations become stricter, the Company's solutions will increase in value for the target enterprise market.

Following the successful case study of its AerisGuard energy and environmental programme in late 2022, Aeris' first customer sites were completed in late March and early April 2023. The results at these sites corroborated the case study findings, with excellent energy reductions and environmental quality improvements. Customer interest in the programme is highly positive and the current quarter is expected to be busy with the continuing roll-out of the programme.

In parallel, the Company has continued to develop its partnerships with leading technology providers to expand the range of solutions being offered to this market segment. Of particular interest to Aeris is the ability to supplement the Company's capability to deliver clean air from larger systems with a capacity to successfully clean and treat air in smaller settings, where the larger industrial solutions are not possible. In this way Aeris can completely address the needs of a facility regardless of layout or size. Leading technology has been identified in this space and a partnership agreement is expected in the next few months.

Surface Hygiene

The Company continues to include surface hygiene as a key element of indoor environmental quality (IEQ). Combining treatment of air, surface and skin is the most complete way of optimising the health of the built environment, and Aeris has world-class solutions for each element.

Specialty Services and Products

The Company's IAQ specialist team is currently overbooked and has a forward schedule of work that is busier than usual for this season. Most of the work is located in Far North Queensland and substantial government development projects in that region, combined with Aeris' accreditation as endorsed consultants to the Queensland Government, pave a strong roadmap to continuing growth for this part of the business.

The Company's best-in-class range of corrosion protection products is well purposed for air-conditioning component manufacturers and business development is ongoing, with several trials in play, predominantly in the USA.

Australia and New Zealand

With the increasing focus on ESG and baseline improvements, Aeris is positioning itself with a range of products and services focussed very much on energy efficiency and carbon neutrality, i.e. the environmental component of ESG. This is particularly relevant as the Company's clients are struggling with how to cost effectively and responsibly deliver on their commitments to shareholders, staff, customers and society. Aeris intends to position itself with proven and innovative solutions, and in association with specialist providers that can address every aspect of energy improvement and carbon neutrality, including the all-important factor of M&V.

The AerisGuard programme is being rolled out in Australia with enterprise customers who have energy containment mandates and ESG-related performance goals. Several locations in a supermarket chain have been completed and a hospitality group will commence the programme in this quarter.

China

The Chinese economic environment has started to improve, with macro-economic indicators evincing positive changes, with the consumer confidence and retail sales indices lifting. This is important for the Company's products given the Government's policy change in relation to health and the subsequent drop in Government spending on related products.

Aeris has been working diligently on securing the supply and distribution channel partners that will enable control of the brand and access the target market segments. This has involved the Company's WFOE, Shanghai Aeris Technology Co., Ltd, directly submitting product registrations to the Government and securing the capability through select partners to import bulk product for re-packing in Shanghai. Lowering unit costs has been a key driver to Aeris' business plan and further reductions are planned as sales develop.

The initial shipments of bulk product have been received, and test packaging runs are being conducted to validate re-packing formats and quality.

The cross-border e-commerce store was launched on schedule in late March 2023, offering a short list of key products to Chinese consumers. This e-commerce platform is one component of the brand-building activities for the Company in the Chinese market and Aeris is steadily working through its go-to-market plans.

North America

Trials are underway at several coil manufacturing companies with the Company's corrosion protection products, planned as a preparation step for the upcoming northern summer. These trials are lengthy in nature and the subsequent sales opportunities are valuable sources of steady recurring revenue. The initial trial, which commenced in late 2022, is continuing well, with positive customer feedback after the three-month milestone. This market segment is a high focus for the USA market, with corrosion protection being the leading product set in Aeris' market plan for HVAC&R.

Finance and Operations

The Company's revenue for the quarter was \$327,000, decreasing by 47.42% from the previous quarter. Aeris' gross margin of 43.81% for the quarter was reduced from 60.16% in the prior quarter and is outside the Company's budgeted range. Research and development (R&D) expenditure decreased over previous quarters. Total operating expenses were reduced by 17.6% from the previous quarter.

Aeris' cash receipts were \$640,000 for the quarter. Cash and cash equivalents were \$3,367,000 at 31 March 2023.

Related-Party Transactions

Payments to the Company's related parties and their associates during the quarter were: Non-Executive Directors' fees totalling \$63,000 paid to Maurie Stang (\$24,000), Jenny Harry (\$13,000), Steven Kritzler (\$13,000) and Abbie Widin (\$13,000). Property outgoings and other charges of \$16,000 were paid to Aeris' landlord, Ramlist Pty Ltd, of which Non-Executive Director Maurie Stang is a director; and rent, corporate overheads, distribution and administration expenses of \$45,000 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 \$66,000 were paid to Novapharm Research (Australia) Pty Ltd, of which Non-Executive Directors Maurie Stang and Steven Kritzler are directors.

Summary

The Company continues to steadily work through implementing its growth strategy, and remains confident, based on customer feedback, that its focus on ESG-related benefits is valued and holds great opportunities. In particular, the energy efficiency and carbon neutral objectives are resonating with the enterprise market, and Aeris is developing a strong solution offering to address those needs.

Allocation of resources is focused on the activities directly providing customer benefits, with multiple programme investments underway in the areas of energy reduction and ESG key performance indicators.

Substantial international opportunities are being developed, the key markets being China and the USA. These markets are being separately developed to minimise trade war impacts on supply chains.

Strategic partnerships are an important part of the Company's growth agenda, and excellent progress has been made both with technology suppliers to expand Aeris' offering and with supply chain partners to strengthen the Company's execution capabilities.

Aeris continues to be net debt-free and managing operating expenses carefully. The Company's value proposition of delivering improved energy efficiencies and IEQ continues to build strongly.

Aeris Environmental Ltd

Maurie Stang
Chairman

Andrew Just
Chief Executive Officer

Aeris' 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 toxic chemicals and inefficient devices. Combining Aeris' unique enzyme formulations with world-leading device technology, the Company provides carbon reductions, 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 March 2023

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	640	2,088
1.2 Payments for		
(a) research and development	(162)	(456)
(b) product manufacturing and operating costs	(313)	(831)
(c) advertising and marketing	(47)	(250)
(d) staff costs and Directors' fees	(282)	(875)
(e) administration and corporate costs	(669)	(2,001)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other financial costs	6	17
1.6 Income tax refund received (including R&D tax offset)	324	442
1.7 Government grants and tax incentives	-	-
1.8 Others (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(502)	(1,868)

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	(9)	(69)
(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	(9)	(69)
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	3,877	5,303
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(502)	(1,868)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(9)	(69)
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	3,367	3,367

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	163	180
5.2 Term Deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Deposits at call	3,204	3,698
5.5 Cash and cash equivalents at end of quarter (item 4.6)	3,367	3,877

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	190
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)	(502)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,367
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,367
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	7

- 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 2023**

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.