

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

Operational Summary

- **The Company continues building on the capability of the “Energy Efficiency Alliance”, with engagement of enterprise customers, and a development programme aimed at the full spectrum of Aeris’ clients’ needs in focusing on energy reduction, carbon neutrality, Environmental, Social and Governance (ESG) reporting, and carbon certificate trading.**
- **The Company’s CEO has recently returned from China, having secured two key manufacturing partnerships, together with several leading distributors across several verticals, with initial production being received and an order shipped. In parallel, Aeris has achieved significant cost reductions in many of its product portfolios, leading to a more competitive position, both in the domestic Chinese market and internationally.**
- **Commercial launch of the novel EnviroGuard Pro X system to the Company’s customers in Australia and China is now underway. Recent independent validation testing has been highly favourable in both markets. It is anticipated that the specific technical requirements of the Chinese market and Aeris’ distributors will be completed in the current quarter. Recent initiatives by the Government in China have created a demand for companies to meet higher standards of indoor air quality (IAQ) and report on these, creating a near-term opportunity for the EnviroGuard Pro X system.**
- **The Heating, Ventilation, Air-Conditioning and Refrigeration (HVAC&R) product range demonstrated steady growth through the quarter, with customers experiencing both energy gains and air quality improvements through the programme. Additionally, the Company’s portfolio for mould remediation continues to strengthen, with a growing range of Aeris products focusing on this attractive market segment.**

Financial Results

- **The Company’s revenue for the quarter was \$702,328, an increase of 115% on the previous quarter. The gross margin for the quarter was 59%, an increase of 15% compared to the previous quarter and above the targeted range, being in excess of 50%.**
- **Aeris’ cash receipts were \$634,000 for the quarter. Cash and cash equivalents were \$2,601,000 at 30 June 2023.**

Commentary

HVAC&R

The Company's core market of HVAC&R grew by 82% compared to the prior quarter, driven by a healthy mix of both traditional products and new technologies. Customers have responded positively to the twin benefits of lowering energy consumption (reducing electricity bills) and improving the IAQ of their facilities. As landlords and businesses work to increase occupancy levels, this dual value proposition will continue to grow in ESG investments and reporting requirements.

Aeris is well positioned to help customers deliver on their environmental targets through optimisation of asset performance and reduction of carbon emissions. Unlike proxy decarbonisation programmes such as investment in reforestation, the Company's energy reduction portfolio acts on in-situ assets to improve running efficiencies and lower energy usage. Assessing and improving the thermal load on buildings is fundamental to saving energy costs. Aeris will be launching a series of new products that target further and meaningful reductions in energy usage, together with a programme of measurement and verification, aligned with the new requirements in generating offset carbon certificates.

The clear focus for the Company is to provide increased system performance, improved IAQ and superior environmental hygiene.

Specialty Services and Products

Aeris' IAQ and remediation division grew revenues by 195% compared to the prior quarter, and it has a strong level of project bookings for the next quarter. Focusing on commercial sites in Queensland, the team members are industry experts in air and surface sampling, protocol design and project execution for remediation. Government and local business investment is robust in this region, and the current footprint has a strong scope for ongoing growth.

The Company's proprietary range of corrosion protection products delivered 145% growth in the quarter, driven by international sales, with a mix of established and new customers. This continues to be an attractive segment, with long sales cycles followed by high customer retention rates. The Philippines and the USA are target markets for expansion in the coming year, with mid-stage trials performing well at several customer sites.

Australia and New Zealand

Aeris has a growing suite of energy solutions for the enterprise market, positioned for customers who have a clear mandate to improve their ESG outcomes as well as measure and report these priority activities. As the larger scale businesses define their base emissions levels and objectives, the comprehensive portfolio that the Company now provides positions Aeris with a unique capability to deliver outcomes for customers, whilst tailoring the priorities and focus to their specific needs.

Strong partnerships within industry are enabling the Company to offer a set of solutions that reach beyond its proprietary technology to offer benefits from adjacent technologies and products. This increase in the scope of Aeris' solutions expands the Company's addressable market considerably. Key to success is the delivery of real-world outcomes that demonstrate significant active reduction of energy consumption at customer sites, and Aeris continues to build on the list of those examples. Sales grew by 127% compared to the prior quarter in Australia and New Zealand.

China

Following the Company's recent meetings in China, Aeris is now actively engaged with highly-regarded distribution and manufacturing partners. These partners already enjoy significant scale and have entered into strategic agreements with the Company to develop a variety of key markets in which they can readily implement several of Aeris' products. Through the Company's new

manufacturing partners, Aeris will be able to price competitively to win share from undifferentiated local brands whilst still commanding a premium in the market due to its strength in technology and differentiated product set. Production partners have been chosen based on the quality and capabilities of their manufacturing, stability of business and access to distribution channels. All of these supplier partners hold Good Manufacturing Practice (GMP) licences and multiple International Organization for Standardization (ISO) accreditation levels. The first run of repacking bulk solution into finished product packaging has been successfully completed, and is now shipping to distributors and customers. Aeris' enhanced capability to manufacture in China strengthens the Company's competitiveness through offering a highly-efficient local supply chain.

Dual carbon targets are now in place for many Chinese companies, defined as a measured baseline carbon emissions level and a requirement to move towards net zero over the next seven years. Regardless of business growth, they cannot exceed their baseline emission levels, and this has created a strong commercial and regulatory imperative to rapidly become more energy efficient. In February 2023 the Chinese Government introduced new IAQ standards and as the economy improves on a provincial basis these standards will be progressively enforced. Aeris has several technology platforms available to help customers improve their IAQ and expects to introduce key products to the local market in the coming quarter.

Chinese consumers include a substantial segment who value foreign brands, including Australian quality and technology, and the Company's technology platform is well suited for several products that have healthy consumer markets in China. Work with local partners is underway to develop and test multiple new products for these segments.

North America

Two separate trials of Aeris' corrosion protection products have successfully passed the initial milestone goals and customer feedback is positive for implementing production line changes to accommodate the application requirements of the Company's products for this market.

In California, Texas and New Jersey Aeris has work at customer sites underway, and these enterprise customers have significant reach across the US market for HVAC&R coil manufacturing. This market has shown to have an extended sales cycle, but this is expected to yield long-term customers of significant scale.

Finance and Operations

The Company's revenue for the quarter was \$702,328 increasing by 115% from the previous quarter. Aeris' gross margin of 58.67% for the quarter was increased from 43.76% in the prior quarter and is inside the Company's budgeted range. Research and development (R&D) expenditure decreased over previous quarters. Total operating expenses, excluding provisions, increased by 136% from the previous quarter.

Aeris' cash receipts were \$634,000 for the quarter. Cash and cash equivalents were \$2,601,000 at 30 June 2023.

Related-Party Transactions

Payments to the Company's related parties and their associates during the quarter were: Non-Executive Directors' fees totalling \$80,000 paid to Maurie Stang (\$24,000), Jenny Harry (\$22,000), Abbie Widin (\$18,000) and Steven Kritzler (\$16,000). Property outgoings and other charges of \$1,000 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 \$141,000 were paid to Regional Healthcare Group Pty Ltd and Regional Corporate Services, of which Non-Executive Director Maurie Stang is a director. Contract R&D and other expenses of \$93,000 were paid to Novapharm Research (Australia) Pty Ltd, of which Non-Executive Directors Maurie Stang and Steven Kritzler are directors.

Summary

The Company today has put in place a product portfolio and alliance relationships that position Aeris in a market that is driven by ESG and regulatory requirements, across the small-to-medium enterprise (SME) markets, both locally and internationally. It is becoming increasingly difficult for customers to have in-house expertise in this rapidly-evolving landscape of environmental outcomes and reporting, which creates an opportunity for the Company.

Aeris has progressed its growth strategy by providing a broad portfolio of technologies and services that are both differentiated and market leading. The near-term customer imperative of saving energy costs is a growth driver and the solutions available from the Company are increasingly meeting this need.

Customer feedback continues to be positive and the addressable market has grown significantly as Aeris broadens its offering within the market. ESG goals have steadily grown, and the customer investment priorities in sustainability initiatives and resources are a clear signal of market appetite for the ESG programmes and environmental objectives that the Company can deliver. Aeris' strategic partnerships have seen meaningful progress during the quarter, securing strong supply partners both in Australia (technology and products) and in China (distribution and manufacturing).

The Company continues to be net debt-free and managing operating expenses successfully. Aeris' value proposition of delivering improved energy efficiency and enhanced environmental hygiene directly addresses a rapidly-growing market, globally.

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

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 products and services. Combining Aeris' unique product formulations with world-leading device technology, the Company provides carbon reductions through reduced energy needs, 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")

30 June 2023

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 | 634 | 2,721 |
| 1.2 Payments for | | |
| (a) research and development | (148) | (604) |
| (b) product manufacturing and operating costs | (352) | (1,183) |
| (c) advertising and marketing | (48) | (298) |
| (d) staff costs and Directors' fees | (345) | (1,220) |
| (e) administration and corporate costs | (512) | (2,513) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | - | - |
| 1.5 Interest and other financial costs | 9 | 26 |
| 1.6 Income tax refund received (including R&D tax offset) | - | 442 |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Others (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (761) | (2,629) |

| 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 | (4) | (73) |
| (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 | (4) | (73) |
| 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 | 3,367 | 5,303 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (761) | (2,629) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (4) | (73) |
| 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 | 2,601 | 2,601 |

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 | 138 | 163 |
| 5.2 Term Deposits | - | - |
| 5.3 Bank overdrafts | - | - |
| 5.4 Deposits at call | 2,463 | 3,204 |
| 5.5 Cash and cash equivalents at end of quarter (item 4.6) | 2,601 | 3,367 |

| 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 | 315 |
| 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) | (761) |
| 8.2 Cash and cash equivalents at quarter end (item 4.6) | 2,601 |
| 8.3 Unused finance facilities available at quarter end (item 7.5) | - |
| 8.4 Total available funding (item 8.2 + item 8.3) | 2,601 |
| 8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1) | 3.42 |

- 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 July 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.