

31 July 2024

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 2024 Quarterly Activities Report and attaches its Quarterly Cash Flow Report – Appendix 4C.

Operational Summary

- **The Company continued on track for the fourth quarter of improving revenue, with an increase from the previous quarter (+1%) and from the prior corresponding period (+20%).**
- **Second half revenue was up 62% on the prior corresponding period and full year revenue increased by 56% on the prior year.**
- **Significant progress was made with both Aeris' core business and its Energy Alliance initiative, focussing on energy efficiency, and IAQ data collection and reporting. Importantly, the Company's expanding portfolio is positioned to allow Aeris to move towards being a key partner in its customers' journeys with ESG, energy and carbon.**
- **Operating expenses continued to be well controlled and results were in the targeted range.**

Financial Results

- **The Company's revenue for the quarter was \$841,000 (an increase of 1.4% on the previous quarter and an increase of 19.8% on the prior corresponding period). The gross margin for the quarter of 57.4% is within the targeted range.**
- **Aeris' cash receipts were \$1,047,000 for the quarter. Cash and cash equivalents were \$990,000 at 30 June 2024.**

Commentary

Heating, Ventilation, Air-Conditioning and Refrigeration (HVAC&R)

As environmental, social and governance (ESG) reporting becomes a fundamental priority for many companies, the need to measure, verify and act on energy reduction is growing. The cost effectiveness of the Company's HVAC&R range of remediation and hygiene will increasingly become core to achieving these essential outcomes. Further customer trials in the recent quarter documented both energy savings and indoor air quality (IAQ) improvements, adding to the evidence base for Aeris' programmes. The Company's sales of this product range grew by 23% from the prior quarter.

Specialty Services and Products

IEQ Services revenue more than doubled from the prior quarter and grew by 22% from the first half of the year. Year-on-year sales were 155% higher than the prior year. Acceptance as a direct supplier for Queensland Health was a significant success factor for this area.

Aeris continues to believe that the opportunities for its proprietary mould remediation portfolio provide an opportunity both domestically and internationally to position the Company for market leadership. Aeris is planning to launch new products in this category, which it believes will provide superior remediation, be more environmentally friendly, and solve the occupational health and safety impact of legacy technology in this market.

The Company's expanded portfolio of corrosion protection products is finding increased adoption in both the domestic and international markets. The quarter and year overall saw pleasing progress in the sales of the range, with the domestic wholesale channel and international manufacturers the highest focus. The quarter delivered further new customers and significant pipeline opportunities.

Australia and New Zealand

Aeris' expanding Energy Alliance initiative advanced materially during the recent quarter, with key enterprise customers committing to several commercial trials aimed at efficient measurement, and improvement of a range of energy and IAQ related data. The domestic market is the launch priority for this initiative, with the objective being the delivery of integrated energy and IAQ solutions for enterprise customers. These integrated solutions encompass software, network hardware and core product sales, all aimed at efficient and effective measurement, and improvement of emission baselines relating to Scope 1 and Scope 2 energy objectives.

The Company believes it has a compelling product portfolio enabling an end-to-end solution for this growing market demand, and is working on additional proprietary technologies, complemented by third party partners, to bring actionable and cost-efficient programmes to Aeris' customers.

Assisting the Company's IAQ programme is the innovative EnviroGuard PRO X air sanitiser, which enjoyed increasing sales, growing in the second half of the financial year by 43% compared to the first half. Domestic studies of device performance have been outstanding, with repeated successes of maintaining surface and air quality at challenging mould-affected sites.

International

China continued its positive traction with enterprise customer evaluations, where work on site with customers has yielded successful trials of Aeris' novel enzymes, and new environmentally-friendly and low toxicity disinfectant products. Local manufacturing partners are in place for blending and packing, with proprietary formulation remaining in Australia. Product development and prioritisation, based on channel partner feedback, continues to strengthen the sales pipeline in China, with several negotiations progressing that could provide a material growth opportunity in China.

During the quarter the Company activated a new channel partner in Latin America and fostered positive growth tracks from its partners in Asia.

Finance and Operations

Aeris' revenue for the recent quarter was \$841,000, increasing by 1.4% from the previous quarter and increasing by 19.8% from the prior corresponding period. The Company's gross margin of 57.4% for the quarter is within the targeted range and operating expenses were also within range.

Revenue for the full year was \$3,281,803, increasing by 55.5% from the previous year. Aeris' gross margin of 52.7% for the year is within the targeted range. Total operating expenses decreased by 8.2% compared to the previous year.

The Company's cash receipts were \$1,047,000 for the quarter. Cash and cash equivalents were \$990,000 at the end of the quarter.

Related-Party Transactions

Payments to Aeris' related parties and their associates during the quarter were: Non-Executive Directors' fees, totalling \$77,000, paid to Maurie Stang (\$25,000), Jenny Harry (\$19,000), Abbie Widin (\$17,000) and Steven Kritzler (\$16,000). Property outgoings and other charges of \$12,000 were paid to the Company's landlord, Ramlist Pty Ltd, of which Non-Executive Director Maurie Stang is a director; and rent, corporate overheads, distribution and administration expenses of \$398,000 were paid to Regional Corporate Services Pty Ltd, of which Non-Executive Director Maurie Stang is a director. Contract research and development, and other expenses, of \$17,000 were paid to Novapharm Research (Australia) Pty Ltd, of which Non-Executive Directors Messrs Stang and Kritzler are directors. During the quarter three loan facilities of up to \$1,500,000 each were entered into with two Directors (Maurie Stang and Steven Kritzler) and one shareholder (Bernard Stang). Each loan is an unsecured facility that attracts 10% interest and can be repaid without penalty if Aeris secures alternative funding. The loan maturity date is 28 June 2026 and the first drawdown of \$500,000 was made in June 2024.

Summary

The Company is delivering robust sales growth as it executes on its strategy. As Aeris gains increasing traction with its core product sales (up 55.5% on the prior year), it continues to invest in capabilities in the Energy Alliance commercial offerings.

With the core metrics of the business now successfully evolving, the Company is focusing on driving growth in annuity revenues both domestically and internationally. Specifically, its engagement with enterprise customers is providing valuable momentum in a global marketplace, demanding cost-effective solutions, and new and integrated capabilities.

The market feedback is clear on the desire of Aeris' enterprise customers to move away from purchasing carbon offsets as quickly as possible, and to demonstrate to their stakeholders real and measurable progress in energy, carbon and IAQ.

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 2024

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	1,047	3,279
1.2 Payments for		
(a) research and development	(50)	(314)
(b) product manufacturing and operating costs	(354)	(1,289)
(c) advertising and marketing	(60)	(239)
(d) staff costs and Directors' fees	(483)	(1,685)
(e) administration and corporate costs	(486)	(1,809)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	23
1.5 Interest and other financial costs	(7)	(24)
1.6 Income tax refund received (including R&D tax offset)	-	-
1.7 Government grants and tax incentives	-	-
1.8 Others (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(391)	(2,059)

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	(5)	(51)
(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)	(51)
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	500	500
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	500	500

4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	886	2,600
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(391)	(2,059)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(5)	(51)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	500	500
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	990	990

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	360	522
5.2 Term Deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Deposits at call	630	1,177
5.5 Cash and cash equivalents at end of quarter (item 4.6)	990	1,698

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	504
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	4,500	837
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	4,500	837
7.5 Unused financing facilities available at quarter end		3,663

- 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.

There were three facilities of up to \$1,500,000 each that have been entered into with two Directors (Maurie Stang and Steven Kritzler) and one Shareholder (Bernard Stang). Each loan is an unsecured facility that attracts 10% interest and can be repaid without penalty if Aeris secures alternative funding. The loan maturity date is 28 June 2026.

8 Estimated cash available for future operating activities

	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(391)
8.2 Cash and cash equivalents at quarter end (item 4.6)	990
8.3 Unused finance facilities available at quarter end (item 7.5)	3,663
8.4 Total available funding (item 8.2 + item 8.3)	4,653
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	11.9

- 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?

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?

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?

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 2024**

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.