

30 July 2014

Company Announcements Office
Australian Securities Exchange

QUARTERLY REPORT – APPENDIX 4C

In accordance with ASX Listing Rule 4.7B, the Company attaches its June 2014 Quarterly Report – Appendix 4C.

Commentary

During the June 2014 quarter Aeris Environmental Ltd (Aeris or the Company) had net cash receipts of \$198,000, reflecting the previously-reported sales to both existing and new local and international customers.

The Company's executives have recently spent considerable time in Hong Kong, Macau, Singapore, China, the Philippines and Thailand. Discussions with both end customers and distributors in these countries have already resulted in additional business, and the meetings have uniformly demonstrated short-term as well as ongoing revenue opportunities, which will require the Company to scale-up its presence in the region. The previously-announced opportunities in the Philippines are on track to contribute material revenue in the near-term.

The Company has developed a significantly-enhanced technology and capability in its OEM coatings business. It is targeting a meaningful growth in its sales and customer base, with an in-principle commitment now having been received from a new and large-scale Asian coil manufacturer. Production samples are currently being provided and, subject to acceptance, will lead to high-scale manufacturing commencing later this year. This specific customer has indicated a requirement that would be well in excess of Aeris' existing customer base.

On 29 July 2014, the Company announced the acquisition of the Smartcool Systems Australia Pty Ltd (Smartcool) business, and the Smartcool and Aeris teams have been collaborating for several months prior to the transaction. As a consequence of these activities, interest and demand for the SmartENERGY solutions as well as the proprietary Aeris HVAC, and cold storage solutions are growing rapidly. Orders are currently being received from new customers across the region without the requirement for 'demonstration' on the basis of Aeris' now-proven 'clean, green, protect' systems. These initiatives have led to an increasing number of 'reference buildings', including Bumrungrad International Hospital and Tesco Lotus in Thailand, SM Group in the Philippines, The Royal Australian Navy fleet and many others.

Further to the Company's announcement on 29 July 2014 regarding the employment of Chris Rogerson and Scott Gregson, and the acquisition of the business of Smartcool, Aeris has concluded the SmartENERGY group's first project, a regional shopping centre in Northern Australia. The project, on behalf of a major Australian power utility, delivered a significant and independently-validated energy and peak demand saving along with materially-improved system efficiency and indoor air quality improvement. A key finding of this demonstration project was the multiplier effect in energy, peak demand reduction and system efficiency when the AerisGuard 'clean, green, protect' system was applied in conjunction with the engineered Smartcool solution.

The Company is engaged with a number of landmark, large Australian and international property groups, and the SmartENERGY platform has the potential to add significant energy savings and system improvements to their commercial and retail property portfolios.

The Company has previously announced that it has been in negotiations with a substantial international supplier of consumer mould remediation products. Aeris has now been advised that this agreement is proceeding and that the first order of the Company's proprietary AerisGuard mould remediation range is anticipated to be received in the last quarter of 2014.

Aeris' development of its smart polymers technology is progressing with a large and respected local manufacturer of the Company's bio-active master batch, which is the pre-cursor to commercial manufacturing of the AerisGuard polymers. An important milestone has been achieved in scaling this technology from its developmental stage to commercial production. In parallel, samples have been produced of materials that exhibit outstanding physical properties and now a clear focus is being applied to the production of a commercial specialty additive that will be the entry point for AerisGuard's incorporation into a number of consumer, industrial and professional healthcare products.

Consistent with the Company's strong desire to find early revenue opportunities for its proprietary technologies, Aeris has been collaborating with a number of highly-regarded companies that wish to replace their existing products with 'greener', highly-differentiated new offerings. The Company is pleased to advise that three innovations have now been developed, and are in the final stages of validation and product release after successful commercial trials with high-profile end customers. These products have multimillion dollar revenue potential in the Asia Pacific region. Initial commercial orders are anticipated to be received in the upcoming quarter. The products are entering markets that require no additional regulatory approvals, and are with partners who are already buying substantial volumes of existing products from the Company, and are highly motivated to differentiate and enhance their businesses.

The distributors of the Company's cold storage systems are now reporting solid growth after a transition period from Aeris' earlier distribution arrangements. There is now a compelling case for many customers, both locally and internationally, to adopt the full spectrum of Aeris solutions with real marketing synergies across the Company's green tech portfolio.

Aeris and its Board of Directors wish to thank David Fisher for his significant contribution as both an Executive and Non-Executive Director over the last three years. Dr Fisher has assumed a number of additional responsibilities as Venture Partner of the Brandon Capital Partners funds and executive responsibility for one of its very promising investee companies. His resignation as a Director of the Company will be effective from 31 July 2014. The Company wishes David every success in his future endeavours. Aeris is currently undertaking a search for additional directors with international experience, and both technical and commercial backgrounds.

The Company is committed to achieving meaningful revenue growth, focusing initially in the Asia Pacific region. Whilst Aeris currently operates with a number of resource constraints, it now has the benefit of an outstanding technology and product portfolio. The launch of its integrated SmartENERGY division is a clear representation of a market that is ready and a highly-attractive product offering that is capable of being one of a number of flagships of value creation for its shareholders now and into the future.

Aeris Environmental Ltd

Peter Bush

Chief Executive Officer

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Name of entity

Aeris Environmental Ltd

ABN

19 093 977 336

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

Cash flows related to operating activities

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	198	422
1.2 Payments for		
(a) staff costs	(90)	(438)
(b) advertising and marketing	(20)	(94)
(c) research and development	(92)	(611)
(d) product manufacturing and operating costs	(98)	(177)
(e) administration and corporate costs	(118)	(490)
(f) other, including working capital	9	16
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	3
1.5 Interest and other costs of finance paid	(31)	(86)
1.6 Income tax refund received (including R&D Tax Offset)	-	56
1.7 Other income -		
(a) Export Market Development Grant	-	35
(b) Other income	-	-
Net Operating Cash Flows	(241)	(1,364)

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net Operating Cash Flows (brought forward)	(241)	(1,364)
Cash flows related to investing activities		
1.9 Payment for purchases of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(4)	(4)
(e) other non-current assets	-	-
1.10 Proceeds from sale of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material) -	-	-
Net investing cash flows	(4)	(4)
1.14 Total operating and investing cash flows	(245)	(1,368)
Cash flows related to financing activities		
1.15 Repayment of convertible notes	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	200	2,450
1.18 Repayment of borrowings	-	(1,100)
1.19 Dividends paid	-	-
1.20 Others	-	-
Net financing cash flows	200	1,350
Net increase (decrease) in cash held	(45)	(18)
1.21 Cash at beginning of quarter/year	205	180
1.22 Exchange rate adjustments	2	-
1.23 Cash at end of quarter	162	162

Payments to directors of the entity and associates of the directors	Current quarter
Payments to related entities of the entity and associates of the related entities	\$A'000
1.24 Aggregate amount of payments to the parties included in item 1.2	143
1.25 Aggregate amount of loans to the parties included in item 1.10	-

1.26 Explanation necessary for an understanding of the transactions

	Current quarter \$'000
Property outgoing and other charges paid to Ramlist Pty Ltd of which Messrs M Stang and B Stang are Directors.	5
Property outgoing and other charges paid to Stangcorp Pty Ltd of which Messrs M Stang and B Stang are Directors.	1
R & D expenses paid to Novapharm Research (Australia) Pty Ltd of which Messrs M Stang, B Stang and S Kritzer are Directors.	2
Rent, Corporate overheads, distribution and administration expenses paid to Regional Healthcare Pty Ltd of which Messrs M Stang and B Stang are Directors.	106
Interest on loan from Directors - ATO benchmark rate	29

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	Not applicable
2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest	Not applicable

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	0	0
3.2 Credit standby arrangements	2,500	2,050

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	156	50
Deposits at call	6	155
Bank overdraft	-	-
Others	-	-
Total: cash at end of quarter (item 1.23)	162	205

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	n/a	n/a
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~not~~ ^{not*} ~~(delete one)~~ give a true and fair view of the matters disclosed.

Sign here: *Robert Waring*

(Director/Company Secretary)

Print name: **Robert J Waring**

Date: **30 July 2014**