

31 October 2014

Company Announcements Office
Australian Securities Exchange

QUARTERLY REPORT – APPENDIX 4C

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

Commentary

During the September 2014 quarter Aeris Environmental Ltd (Aeris or the Company) had net cash receipts of \$197,000, reflecting the previously-reported sales to both existing and new local and international customers.

Subsequent to the release of Aeris' 2014 Annual Report and Appendix 4E, the Company confirms that it is making significant progress on the activities outlined to shareholders. Aeris will be providing a full update and review of its operations at its Annual General Meeting (AGM), which will be held at the Company's offices at Level 1, Unit 5, 26-34 Dunning Avenue, Rosebery, Sydney on Thursday, 27 November 2014 at 11:30am.

Aeris is pleased to confirm that substantial progress is being made on the roll-out of its SmartENERGY platform, with orders and commitments received from a range of customers across Australia, including high-profile national customers across the retail, property, healthcare and Government sectors. The Company has now signed a strategic agreement with a leading national energy retailer, which will provide immediate, joint access to several thousand large-scale customers and data is being generated in a pilot project that Aeris is conducting with a second major energy retailer. The post-installation data, after several months of independent monitoring, has shown that the application of SmartENERGY on only half of a large regional shopping mall has resulted in over a 10% reduction in the whole building's energy and peak demand consumption.

The Company has now achieved commercial validation of its HVAC solution, with proven energy savings in the range of 19-33%, alongside a documented improvement in system efficiency (a 54-289% improvement in airflow and up to 40% improvement in coil efficiency) and independently-validated indoor air quality. Aeris is also in advanced discussions and collaboration with a number of large-scale property owners and managers, both in Australia and in a number of key international markets.

The Company has validated its independent measurement and verification platform with a complete live, remote reporting and monitoring framework. Aeris is now engaged with local and international regulatory bodies on the generation of both quantified energy savings and carbon credits. SmartENERGY's technology platform has been identified by a State Government department as having the potential to materially-improve energy and environmental conditions, and a funded, prominent initial site has been selected with one of Australia's largest national retailers. Work on this project is expected to commence in the December 2014 quarter and the anticipated results should have an impact on the Company's near-term revenue.

Aeris' existing pipeline for potential projects is material, and all evaluation by current and prospective clients has not only been positive, but has also verified the multiple benefits and highly-attractive return on investment afforded by the implementation of SmartENERGY across multiple sectors.

As a result of extending its line of OEM HVAC coatings, the Company now has an unprecedented pipeline of sales enquiries and commitments from a number of new customers. Furthermore, Aeris has entered into a strategic alliance with a large-scale environmental group that wishes to utilise the full range of the Company's corrosion and microbial control products, including its Smart Polymers, into its manufacturing operations.

It is notable that the Company's AerisGuard HVAC and cool room technologies have had a material increase in sales and enquiries, which is not only as a consequence of the SmartENERGY platform, but is also the result of the technologies themselves. Aeris is scheduling meetings with three international groups that would like to either initiate or expand their distribution of the AerisGuard product range.

The Company is pleased to report that it has now successfully concluded key customer technical validation of a number of its new 'in-situ' coatings for the HVAC, food production and general industrial / commercial hygiene markets, and is now beginning to ship early commercial orders to several strategic distribution partners. The Aeris coatings encapsulate the Company's 'Clean, Green, Protect' philosophy to provide a more environmentally-friendly, cost-effective and efficacious solution that replaces existing products with significant sales.

Awareness of the need for hard surface microbial control with residual protection is rapidly growing, and the Company, as previously reported, is anticipating the first orders for its consumer mould range in the December 2014 quarter. The opportunity for the 'Clean, Green, Protect' attributes of AerisGuard's short, medium and long-term protection is evident, and is attracting world-wide interest. Aeris believes that the rate of adoption of its long-lasting surface protection will be a powerful driver of growth during 2015.

The Company continues to invest in the commercialisation of its Smart Polymers range and is now focusing its efforts on providing proprietary, branded AerisGuard additives to a broad cross section of opportunities. The Company is working with a number of customers in specific industries to incorporate the AerisGuard Smart Polymers into their production over the coming 12 months.

Aeris is focused on putting in place the appropriate resources to support its current and planned commercial expansion. The Company is working on a number of milestone agreements, and looks forward to providing a broad outline of its activities and achievements at its upcoming AGM.

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 September 2014

Consolidated statement of cash flows

Cash flows related to operating activities

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	197	197
1.2 Payments for		
(a) staff costs	(187)	(187)
(b) advertising and marketing	(95)	(95)
(c) research and development	(96)	(96)
(d) product manufacturing and operating costs	(26)	(26)
(e) administration and corporate costs	(160)	(160)
(f) other, including working capital	(21)	(21)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	1
1.5 Interest and other costs of finance paid	(34)	(34)
1.6 Income tax refund received (including R&D Tax Offset)	21	21
1.7 Other income -		
(a) Export Market Development Grant	-	-
(b) Other income	-	-
Net Operating Cash Flows	(400)	(400)

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.8 Net Operating Cash Flows (brought forward)	(400)	(400)
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	(17)	(17)
(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	(17)	(17)
1.14 Total operating and investing cash flows	(417)	(417)
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	385	385
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Others	-	-
Net financing cash flows	385	385
Net increase (decrease) in cash held	(32)	(32)
1.21 Cash at beginning of quarter/year	162	162
1.22 Exchange rate adjustments	(7)	(7)
1.23 Cash at end of quarter	123	123

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	179
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 outgoings and other charges paid to Ramlist Pty Ltd of which Messrs M Stang and B Stang are Directors.	2
Property outgoings 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 Kritzler are Directors.	82
Rent, Corporate overheads, distribution and administration expenses paid to Regional Healthcare Pty Ltd of which Messrs M Stang and B Stang are Directors.	61
Interest on loan from Directors - ATO benchmark rate	33

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	3,000	2,435

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	107	156
Deposits at call	16	6
Bank overdraft	-	-
Others	-	-
Total: cash at end of quarter (item 1.23)	123	162

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 ~~does 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: **31 October 2014**