

29 April 2016

Company Announcements Office
Australian Securities Exchange

QUARTERLY REPORT – APPENDIX 4C

In accordance with ASX Listing Rule 4.7B, the Company attaches its March 2016 Quarterly Report – Appendix 4C.

- **Strong uplift in purchase orders, sales activity and customer adoption. Purchase orders and invoices from customers were \$872,000 for the quarter.**
- **Successful, initial launch of pivotal Aeris wholesale strategy with Heatcraft in Australia and New Zealand.**
- **Acquisition of IMECH building management and automation business, with its Principal, Tim Richardson, joining Aeris.**
- **Launch of Singaporean majority-owned distributor, Aeris Cleantech Asia, with Benjamin Kwek of ETHA Engineering.**
- **Incorporation of European wholly-owned distributor, Aeris Cleantech Europe, with a highly-regarded HVAC company.**
- **Landmark industrial group, BlueScope Steel, adopts AerisGuard and SmartENERGY product range at its key Port Kembla site, to be supplied through Auslec.**
- **Initiation of AerisGuard commercial sales to AccorHotels Group in Thailand, Vietnam, Australia and Singapore.**
- **Leading global facilities management group, Cushman & Wakefield, with over 400 field technicians, adopts AerisGuard in Singapore.**
- **Aeris SMART HUB design and pre-production activity on fast-track with successful integration with Tridium / Niagara.**
- **Purchase orders received from leading Asian manufacturers for fourth generation OEM coatings and SMART optimisation device.**
- **First SmartENERGY Power Share Heads of Agreements signed with national retailer, food processor and international hotel chain.**

Commentary

The March 2016 quarter has seen a strong uplift in purchase orders from Aeris Environmental Ltd's (Aeris or the Company) customers and sales activity, and a number of strategic transactions and milestones. Purchase orders from customers for the quarter were received for \$872,000, and included early sales of SmartENERGY, AerisGuard consumables and OEM coatings sales across Australia, Singapore, Thailand, China, The Philippines, Japan, Hong Kong and the United States.

The pivotal Aeris SMART HUB technology is accelerating towards a near-term commercial launch. The Company has acquired technologies, businesses and personnel to support its ability to execute Aeris' pioneering Internet of Things (IOT) strategy, delivering energy efficiency, real-time optimisation, measurement, verification and control as a trusted partner to the Company's customers globally.

Aeris is pleased to announce the establishment and launch of Aeris Cleantech Asia Pte Ltd (Aeris Cleantech Asia) in Singapore, a 75% majority-owned subsidiary with Benjamin Kwek and his ETHA Engineering Pte Ltd (ETHA Engineering) group. Benjamin Kwek brings to Aeris outstanding HVAC and refrigeration knowledge and experience, together with a substantial network of existing customers. Several commercial orders have already been received by Aeris Cleantech Asia, with a strong pipeline of opportunities in place. Benjamin Kwek is a highly-regarded expert in sustainability and HVAC engineering, and Aeris Cleantech Asia is ideally positioned to leverage Singapore's strict requirements for green ratings and building sustainability.

With the establishment of Aeris Cleantech Asia, an early, important milestone has been the partnership with a leading global facilities management group Cushman & Wakefield's Asian head office. To this end, the training and accreditation in the use of the AerisGuard products for Cushman & Wakefield's 400 plus in-field service technicians has been initiated. This initiative and relationship is targeted to expand across the region and, potentially, globally.

To further support Aeris' international expansion, the Company has now also established Aeris Cleantech Europe, a wholly-owned subsidiary, in collaboration with Ivan Cassar, a leading HVAC expert based in the region. Ivan Cassar has decades worth of experience in this sector and a network of high-profile customers. The European market is highly focussed on sustainability, environmentally-friendly products and leveraging advanced technology to industrial applications.

The Company's commercial and technical presence in these key international markets now enables direct support for Aeris' multinational end-user customers, its international wholesale partners and strategic government activity.

As a core component of the Company's commercial expansion, Aeris has initiated a wholesale sales, supply and logistics strategy, now successfully initiated with Heatcraft Australia Pty Ltd (Heatcraft), the leading HVAC supplies and consumables supplier globally. As part of Heatcraft Worldwide Refrigeration, Heatcraft Australia and New Zealand is a leading wholesale distribution business catering for the refrigeration and air-conditioning trades with a distribution network of over 70 wholesale outlets. Through its partnership with electrical wholesaler Lawrence & Hanson, it is expanding its distribution footprint to bring even greater access to a complete range of HVAC+R and electrical products. Exclusive brands include Kirby, Lennox, Gas2Go, InterLINK and Smart@ccess. Whilst still being in the early phase of the roll-out, initial sales and pull-through have exceeded the Company's expectations, and Aeris will be focussing on expanding its footprint both regionally and in terms of its product portfolio. The AerisGuard range will now be available to facilities managers, tradespeople and customers in a highly-convenient and appealing 'corner store' model.

Commensurate with the Company's business plan, Aeris has recently become an approved supplier to BlueScope Steel Limited (BlueScope Steel), which has agreed to adopt the AerisGuard and SmartENERGY product range at its key Port Kembla site, to be supplied through Auslec, after more than six months of in-field testing and validation. With an increasing number of these commercial agreements in place, and now a wholesale strategy initiated, customers can access the Company's products conveniently and with favourable trading terms underpinning Aeris' potential for broad commercial and industrial adoption.

The Company continues to work successfully with the AccorHotels Group, with hotels in Thailand, Vietnam, Australia and Singapore having now placed commercial orders. Aeris' expanded technical sales and distribution capability will support increasing penetration across the Accor network and, similarly, other strategic multinational hospitality and hotel management groups.

Each high-profile Aeris technology implemented provides a platform for the adoption of the broader range of Aeris technology, including the Aeris SMART HUB, which is targeted at the whole new IOT category, bringing analytics, intelligence, communication, efficiency and optimisation to the Company's customers' property, HVAC and refrigeration assets, with an outstanding return on investment (ROI) and a flexible business model.

In parallel with the development and near-term launch of the Aeris SMART HUB, the Company has executed an agreement with EZIO to become a strategic partner for Tridium / Niagara building automation and management systems. This platform is open source, and is compatible with virtually all buildings and facilities now and into the future. It provides the Aeris SMART HUB with a proven and widely-adopted interface, and integration to the building intelligence systems, thereby bridging Aeris' propriety IOT capability at the asset level to the whole building envelope. This is a new and paralleled capability, and provides the Company's customers, value-added partners and integrators with a future proof platform.

Aligned with this strategy, Aeris has acquired the IMECH Solutions Pty Limited (IMECH) business of Tim Richardson, who has now joined the Company fulltime. Tim Richardson is qualified in Mechanical Engineering and has extensive experience in refrigeration and air-conditioning, specialising in technical design and operation of systems, business development and project management. His past expertise ranges from large multi-site and high-rise commercial and industrial systems incorporating chillers, central energy plants (Tri-Gen and Co-Gen), and air and water systems. His other areas of expertise include transport, marine and ammonia systems.

Aeris is committed to providing its customers with a rapid ROI and flexibility in achieving their efficiency and environmental objectives. The Company is pleased to announce that, during the quarter, it executed a number of Heads of Agreements with businesses such as a national grocery retailer, fresh food processor and international hotel chain, allowing Aeris' customers to enjoy all the benefits of the SmartENERGY programme without the upfront costs. These agreements range from between five and 10 years, and have the potential to provide the Company with a growing base of annuity income by utilisation of its core technologies and know-how.

Aeris has now launched its latest fourth generation of OEM coatings, targeting both coil manufacturers and solar-thermal HVAC. Furthermore, the Company has implemented its energy optimisation technology on a new discreet device, which is a SMART controller, without the communications capability of the SMART HUB, but built into devices at the time of manufacture. A modest number of production units have been shipped to a large customer in China, and it is anticipated that full-scale production and sales will occur in the second half of 2016.

In summary, Aeris is now leveraging its technology and substantial investment in intellectual property, know-how and an integrated product range. It continues with its focussed programme of commercialisation, strategic partnerships, staffing and a direct presence in key international markets.

The Company and its related brands, being AerisGuard, SmartENERGY and SMART HUB, are achieving local and international recognition as trusted suppliers of energy efficiency, and environmentally-friendly, highly-innovative products. Each of Aeris' key commercial platforms is now gaining traction, whilst the Company maintains a prudent level of expenditure and investment. Aeris is in material discussions with large-scale customer groups that are driven by the Company's proven ability to enhance the energy rating of buildings, bring intelligence, connectivity and measurable benefits to the operating efficiency of their assets, and demonstrably indoor environment quality, enhancing their customer offering and experience across their portfolios.

Aeris Environmental Ltd

Peter Bush

Chief Executive Officer

About Aeris Environmental Ltd

Aeris develops, manufactures and markets patented, environmentally-friendly technology solutions that address the global megatrends of energy efficiency, healthier air, food safety, water quality and long-term materials protection, with core guiding principles of 'clean, green, protect'.

Smart Enzymes and Coatings provide long-term remediation, and prevention of mould, bacteria growth, corrosion and improved hygiene, with OEM, consumer and technical applications.

SmartENERGY provides dramatic and proven energy savings in the range of 19% to 33%, alongside documented improvement in system efficiency (54% to 289% improvement in airflow and up to 40% in coil efficiency), and independently-validated indoor air quality across all air-conditioning and refrigeration systems, with proven immediate cash flow savings.



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")

31 March 2016

Consolidated statement of cash flows

Cash flows related to operating activities

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	209	498
1.2 Payments for		
(a) staff costs	(495)	(1,169)
(b) advertising and marketing	(106)	(388)
(c) research and development	(79)	(218)
(d) product manufacturing and operating costs	(122)	(244)
(e) administration and corporate costs	(283)	(925)
(f) other, including working capital	94	(63)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	48	162
1.5 Interest and other costs of finance paid	(15)	(83)
1.6 Income tax refund received (including R&D Tax Offset)	-	71
1.7 Other income -		
(a) Insurance Claim	54	352
(b) Other income	1	3
Net Operating Cash Flows	(694)	(2,004)

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net Operating Cash Flows (brought forward)	(694)	(2,004)
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	(46)	(150)
(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	(46)	(150)
1.14 Total operating and investing cash flows	(740)	(2,154)
Cash flows related to financing activities		
1.15 Repayment of convertible notes	-	-
1.16 Proceeds from share placement	-	-
Proceeds from exercise of options	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Share Issue Cost	-	-
Net financing cash flows	-	-
Net increase (decrease) in cash held	(740)	(2,154)
1.21 Cash at beginning of quarter/year	7,236	8,656
1.22 Exchange rate adjustments	6	-
1.23 Cash at end of quarter	6,502	6,502

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	165
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.	3
Property outgoings and other charges paid to Stangcorp Pty Ltd of which Messrs M Stang and B Stang are Directors.	-
R & D expenses paid to Novapharm Research (Australia) Pty Ltd of which Messrs M Stang, B Stang and S Kritzler are Directors.	51
Rent, Corporate overheads, distribution and administration expenses paid to Regional Healthcare Pty Ltd of which Messrs M Stang and B Stang are Directors.	99
Interest on Directors' loan - ATO benchmark rate	12

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	Current quarter \$'000
	-
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	1,015

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	247	58
Deposits at call	505	78
Term Deposits	5,750	7,100
Others	-	-
Total: cash at end of quarter (item 1.23)	6,502	7,236

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: **29 April 2016**