

31 July 2019

Company Announcements Office  
Australian Securities Exchange

## **QUARTERLY REPORT – APPENDIX 4C**

**In accordance with ASX Listing Rule 4.7B, Aeris Environmental Ltd (Aeris or the Company) attaches its June 2019 Quarterly Report – Appendix 4C.**

### **Highlights – Financial**

- Record June quarter of invoiced sales revenue of \$3,823,000 (significantly above projections) taking financial year-to-date total to \$6,851,000 – over 250% increase year-on-year.
- The Company has a strong forward sales order book.
- June 2019 quarter cash receipts of \$3,236,000, with an additional amount of \$1,300,000 received in July 2019 (post June 2019 quarter end).
- \$5,269,000 in aggregate of cash-on-hand and net of trade receivables and payables at end of June 2019 quarter.

### **Highlights – Operational**

- First commercial shipments of Aeris USA-produced air-conditioning maintenance range to strategic partner to Daikin Goodman in North America. Initial re-orders received, as well as orders for additional products.
- Launch shipments of Southern Cross proprietary Aeris active paper range to Aus Made Express International Group Pty Ltd (Aus Made).
- Highly-successful mould remediation contract for large-scale remediation projects in Townsville, Queensland, with the Company as master contractor. Aeris has successfully won additional projects, where the Company is head contractor, with a significant additional pipeline. Critically, customers and insurance companies have noted outstanding efficacy and performance of Aeris' products in this large-scale application.
- The Company signs exclusive distribution agreement with leading USA-based manufacturer, providing strategic extension to Aeris' product offering globally.
- Important commercial and technical developments in the Company's proprietary Eco AerisGuard corrosion coatings business. Disruptive new business model being implemented addressing current and new categories of corrosion protection in large-scale global original equipment manufacturer (OEM) and on-site corrosion protection market.
- Broadening opportunities being addressed in measurement, and data visualisation, control and optimisation.

## Commentary

### North America

Aeris, in partnership with Goodman, a leading manufacturer of air-conditioning equipment in North America, has now manufactured and shipped its first commercial orders of air-conditioning maintenance and service consumables into Goodman's North American company-owned and third-party distribution stores. Orders for approximately \$500,000 were invoiced in the June 2019 quarter and an additional pipeline order of \$400,000 was made in July 2019 (September 2019 quarter revenue), with further orders in the process of being manufactured.

The Company has leveraged the expertise and deep industry knowledge of its highly-regarded North American team during the USA launch, offering training to key Goodman store managers, co-branded sales and carried out marketing activities across the Goodman wholesale network.

In parallel, Aeris has now formalised and commenced its strategic relationship via an exclusive distribution agreement with a leading USA-based consumables manufacturer. The Company now has a first-class supply chain geared to North American wholesale and trade customers, in a highly cost-effective manner. The now expanded range provides Aeris with an end-to-end solution for key customers both in the USA and globally.

Building on the Company's successful partnership with Daikin Goodman, Aeris is now in discussion with a range of mould and hygiene remediation wholesalers to create a commercial and efficient path to market for the Company's broader mould, hygiene and corrosion product ranges.

### China

During the quarter, Aeris made its first shipments and invoiced approximately \$500,000 in orders (with an additional \$115,000 in July 2019), to Aus Made, including Southern Cross Hard Surface Disinfectant dry paper wipes and Southern Cross Skin dry paper wipes, with additional product ranges anticipated in the next quarter.

Aus Made has made a considerable investment in packaging and conversion in the free-trade zone near Shanghai, China, with 'retail' product expected to be shipped in the September 2019 quarter.

The Southern Cross range offers a direct replacement alternative for many plastic-based wipes, and incorporates the capability to disinfect both surfaces and hands by simply moistening the paper-based wipes.

### Mould Remediation

Indoor environment quality in relation to mould and other contaminants is a problem being increasingly recognised by property owners, insurers, managers and tenants. The Company is at the forefront of detection, assessment, quality control and remediation in this area. Aeris' proprietary and environmentally-friendly products (AerisGuard range) uniquely offer safe remediation and long-term residual protection against microbial growth. The Company's highly cost-efficient indoor measurement and reporting devices (AerisView range) provide real-time measurable outcomes for customers that are ultimately having the financial and safety responsibility for the indoor environment.

Aeris is a prime contractor in the remediation of the recent monsoonal event in Far North Queensland, focused on Townsville. The Company's indoor environmental quality team of specialists have assisted numerous leading aged housing, health care, government and municipal bodies to manage their liability in the catastrophe, through:

- validation and identification of any Infrastructure Association of Queensland challenges or issues – often using AerisView sensors and hardware;

- project remediation requirements in response to consultancy findings based on the use of AerisGuard hygiene consumables;
- engagement with groups carrying out independent clearing tests;
- category event remediation project management; and
- ongoing monitoring and reporting as required – often using AerisView sensors and hardware.

Aeris has gained a singular and important profile with insurers, which have ultimate liability, in the Townsville catastrophe. The Company's products and processes were able to dramatically increase rates of clearance and certification that were, to Aeris' knowledge, only achieved by the Company's proprietary technologies.

Aeris has recruited key staff to supplement its existing resources, with a focus on growing the remediation project management division. Recently-completed projects include the Townsville Entertainment Centre and the Townsville Civic Centre. The rate of enquiries internationally is growing rapidly, due to the Company's demonstrated success and environmentally-friendly profile. While the margins are lower in this work, the benefits in growing the brand and capability outweigh this.

### **Corrosion Protection**

Aeris now has a breakthrough capability in Eco coatings, featuring water-based, ultra-thin, high-speed, long-lasting coatings specifically designed for air-conditioning coils and components. Uniquely, the Company's highly-differentiated range allows Aeris to participate across the entire spectrum of the corrosion protection opportunity.

Recent success now enables the Company to address a wider range of applications, beyond air-conditioning, and Aeris is working with potential strategic partners to roll out a highly-disruptive new model in this multi-billion-dollar global market.

### **Smart Control and Optimisation**

The Company provides its customers with cost-effective and real time:

- AerisView building management and visualisation – a client-managed platform that empowers users to improve their facilities;
- indoor air quality monitoring and reporting incorporating the Aeris SmartHUB; and
- building management system consulting for existing sites, including maintenance, reporting and site recommendations enabling clients to drive system optimisation and efficiency gains.

Aeris is currently engaged with several large customers, including Dexu, Charter Hall and BlueScope Steel for its proprietary SmartHUB and AerisView platforms.

### **Finance and Operations**

The Company had a record June quarter of invoiced sales revenue of \$3,823,000 (significantly above projections) taking financial year-to-date revenue to a total of \$6,851,000 – over 250% increase year-on-year. Currently, Aeris' gross margins reflect a mix of 'white label' products supplied to OEMs and project work, blended with the higher margin Aeris products. It is anticipated that there will be a positive impact on margins as the core Aeris range forms a greater part of the revenue mix going forward.

Cash receipts for the June 2019 quarter were \$3,236,000 (which includes a research and development (R&D) cash-back of \$458,000 and an export market development grant receipt of \$47,000), with an additional amount of \$1,300,000 received from debtors in July 2019 (post June 2019 quarter end).

Aeris has \$5,269,000 in aggregate of liquid assets at 30 June 2019, being cash-on-hand and trade receivables, less accounts payable.



## Summary

The Company is successfully progressing on the plan it outlined to its shareholders at the November 2018 Annual General Meeting. Revenue is scaling strongly, and key commercial partnerships are in place and are now generating quarter-on-quarter growth.

Aeris is investing strategically in its supply chain, manufacturing capability and, crucially, in supporting its key alliances, which each have established paths-to-market in the targeted verticals of air-conditioning and hygiene consumables, long-term corrosion protection, and Smart efficiency and control.

## Aeris Environmental Ltd

### Peter Bush

Chief Executive Officer

## About Aeris Environmental Ltd

Aeris develops, manufactures and markets proprietary, environmentally-friendly technology that drives measurable improvements in asset performance and sustainability. The Company's whole-of-system approach ensures that systems perform better, are safer, last longer and cost less to run.

Aeris' products solve real world problems more effectively than conventional toxic chemicals. Uniquely based on validated green formulations, the Company's enzymes and treatments with residual protection provide long-term remediation, and prevention of mould, bacteria growth, corrosion and improved hygiene.

AerisVIEW, Aeris' cloud-based visualisation network, is uniquely scalable across all climate-controlled environments, including buildings of all sizes, and vehicles. The Company's solution delivers dramatic and proven energy savings, alongside documented benefits to system efficiency, and independently-validated indoor air quality, with proven immediate improvements in sustainability and cash flow savings.

The Southern Cross range offers a direct replacement alternative for many plastic-based wipes, and incorporates the capability to disinfect both surfaces and hands by simply moistening Aeris' paper-based wipes.



## Appendix 4C

### Quarterly 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 2019**

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1 Cash flows from operating activities</b>		
1.1 Receipts from customers	2,731	5,008
1.2 Payments for		
(a) research and development	(232)	(912)
(b) product manufacturing and operating costs	(2,773)	(4,264)
(c) advertising and marketing	(351)	(1,021)
(d) staff costs	(501)	(1,958)
(e) administration and corporate costs	(529)	(2,390)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	10	21
1.5 Interest and other costs of finance paid	(1)	(75)
1.6 Income tax refund received (including R&D tax offset)	458	1,125
1.7 Government grants and tax incentives (EMDG benefit)	47	47
1.8 Others (provide details if material)	-	2
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,141)</b>	<b>(4,417)</b>

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>2 Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(31)	(42)
(b) businesses (item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(31)</b>	<b>(42)</b>
<b>3 Cash flows from financing activities</b>		
3.1 Proceeds from SPP and share placements	-	7,467
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	2
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	1,050
3.6 Repayment of borrowings	-	(750)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>7,769</b>
<b>4 Net increase / (decrease) in cash and cash     equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year	4,642	158
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,141)	(4,417)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(31)	(42)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	7,769
4.5 Effect of movement in exchange rates on cash held	(3)	(1)
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>3,467</b>	<b>3,467</b>

## 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

5.1 Cash on hand and at bank

5.2 Term Deposits

5.3 Bank overdrafts

5.4 Deposits at call

**5.5 Cash and cash equivalents at end of quarter (item 4.6)**

Current quarter \$A'000	Previous quarter \$A'000
1,449	1,431
-	-
-	-
2,018	3,211
<b>3,467</b>	<b>4,642</b>

## 6 Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of loans to these parties included in item 2.3

6.3 Explanation necessary for an understanding of these transactions

Salaries paid to Peter Bush, Alternate Director and Chief Executive Officer

Current quarter \$A'000
60
-
60

## 7 Payments to related entities of the entity and their associates

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of loans to these parties included in item 2.3

7.3 Explanation necessary for an understanding of these transactions

Property outgoings and other charges paid to Ramlist Pty Ltd of which Messrs M Stang and B Stang are Directors.

Marketing and operational services provided by Ensol Systems Pty Ltd and Teknik Lighting Pty Ltd of which Mr M Stang is a shareholder.

R & D and other expenses paid to Novapharm Research (Australia) Pty Ltd of which Messrs M Stang, B Stang and S Kritzler are Directors.

Accounting services provided by Bright Accountants of which Mr Peter Bush is a related party.

Rent, corporate overheads, distribution and administration expenses paid to Regional Healthcare Group Pty Ltd of which Messrs M Stang and B Stang are Directors.

Current quarter \$A'000
290
-
21
4
121
17
127

## 8 Financing facilities available

Add notes as necessary for an understanding of the position.

	Total facility \$A'000	Amount drawn \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Not Applicable

## 9 Estimated cash outflows for next quarter

	\$A'000
9.1 Research and development	60
9.2 Product manufacturing and operating costs	2,100
9.3 Advertising and marketing	300
9.4 Staff costs	510
9.5 Administration and corporate costs	450
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	3,420

## 10 Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)

	Acquisitions	Disposals
10.1 Name of entity	n/a	n/a
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

## 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.

Sign here: *Robert Waring*

(Director/Company Secretary)

Print name: **Robert J Waring**

Date: **31 July 2019**