

31 July 2018

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 2018 Quarterly Report – Appendix 4C.

- **Total revenue for the quarter and current orders on hand amount to \$1,201,000, and include invoiced revenue of \$661,000.**
- **Cash receipts of \$511,000 in the June 2018 quarter, with \$138,000 received in July 2018.**
- **Substantial focus remains on the USA, with several discussions with companies capable of converting their existing business to the Aeris technologies, targeting joint market entry in the 2018 calendar year.**
- **International air-conditioning manufacturer signed off on the technical performance of Aeris corrosion coatings, with an expected near-term commercial rollout.**
- **The Company has had continuing progress in core markets, with key wins in Asia, the Middle East, Europe and Australia.**

Overview

During the June 2018 quarter, Aeris has maintained an absolute focus on engaging with large-scale corporations that have a clear path to market, but, more importantly, are able to adopt the Company's technology into their existing product stream and offerings in the near term. The value proposition is to replace legacy products with Aeris products that deliver broad efficiency improvements, resulting in assets that are demonstrably more efficient, last longer and are safer for both the operator and the environment. The Company is targeting completion of several partnerships in North America in the current half-year. Aeris' expectation is that these agreements will validate the Company's objectives and investments to-date.

Consumables and Corrosion

Consumables and corrosion are now being marketed by Aeris as an integrated solution to the Company's asset efficiency offerings. In the USA, Aeris has targeted channels to market that will provide access to the Company's products at the point of need, across the broader North American continent.

Aeris is currently completing agreements to drive its proprietary technologies into vertical applications covering oil and gas, air-conditioning, refrigeration, transport, manufacturing and facilities management.

As recently announced, the Company has signed a supply agreement with Impreglon Australia Pty Ltd (Impreglon), an international company with 35 years' experience in the metal finishing industry. Pursuant to the terms of the agreement, Impreglon will exclusively purchase and apply the AerisCoat Corrosion protection and prevention products to all HVAC, refrigeration units and coils that are processed at its Australian operations. Impreglon is a wholly-owned subsidiary of Aalberts Industries N.V., a Dutch company with revenues of €2.7 billion (in 2017), over 16,000 employees in 50 countries, and 76 locations in Europe, the USA and Asia. Aeris and Impreglon commenced operations this week with 10 x 8kv Mitsubishi HVAC units coated by Impreglon on Aeris' behalf for Visy paper group.

Real Time Asset Monitoring and Control

The Company has now expanded its technical capability with the Aeris SmartHUB ecosystem, which has seen validation in key customer groups and is currently being scaled into a commercial rollout directly through wholesale and platinum distribution partners.

At the Air Conditioning, Refrigeration & Building Services Exhibition held at the Sydney International Convention Centre in May 2018, the Company again demonstrated its ability to drive efficiency and improve asset performance with an integrated and scalable, yet simple-to-implement, solution. The Aeris SmartHUB ecosystem delivers benefits that other building information and management systems, concentrating on data only, do not achieve.

Each unit can provide full control of air-conditioning systems, including remote graphics interface, visualisation of space temperatures, unit status and alarms. Ambient conditions information, such as ambient temperature and relative humidity data, can be displayed on the interface via application programming interface (API) feed from the internet. This data, in conjunction with energy data and unit information, can be used as necessary for peak demand management and control through the Aeris SmartENERGY strategy that has been implemented.

Finance

In July 2018 Aeris received a cash-back of \$667,000 from the Australian Taxation Office (ATO) for its research and development activities for the financial year ended 30 June 2017. As previously reported, the Company is assessing several options for further capital resources to underpin its growth requirements while, in parallel, developing trade agreements that will secure its future revenue growth.

Aeris has received additional funding from its Directors, as outlined in the Company's previous ASX announcements. These funds are in the form of loans and interest is tied to the ATO benchmark interest rate.

At Aeris' 2017 Annual General Meeting, a strategy was outlined to partner with leading industry participants that can implement and sell the Company's key products to large groups of their customers. This is now being successfully implemented with accounts that are replacing legacy technologies and products with the Aeris suite of value-added green solutions.

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 subject to Listing Rule 4.7B

Name of entity

Aeris Environmental Ltd

ABN

19 093 977 336

Quarter ended ("current quarter")

30 June 2018

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	511	2,723
1.2 Payments for		
(a) research and development	(27)	(259)
(b) product manufacturing and working capital	(86)	(952)
(c) advertising and marketing	(210)	(871)
(d) staff costs	(498)	(1,951)
(e) administration and corporate costs	(433)	(1,626)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	13
1.5 Interest and other costs of finance paid	(19)	(47)
1.6 Income tax refund received (including R&D Tax Offset)	-	425
1.7 Government grants and tax incentives	-	-
1.8 Others (provide details if material)	1	6
1.9 Net cash from / (used in) operating activities	(759)	(2,539)

	Current quarter \$A'000	Year to date (12 months) \$A'000
2 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(6)	(26)
(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)	-	-
2.6 Net cash from / (used in) investing activities	(6)	(26)
3 Cash flows from financing activities		
3.1 Proceeds from issue of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	1	1
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings (from Directors)	600	1,200
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	601	1,201
4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year	320	1,520
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(759)	(2,539)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(6)	(26)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	601	1,201
4.5 Effect of movement in exchange rates on cash held	2	2
4.6 Cash and cash equivalents at end of quarter	158	158

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
152	314
-	-
-	-
6	6
158	320

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
59
-
59

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.

Operational services provided by Teknik Lighting Solutions Pty Ltd of which Mr M Stang is a shareholder.

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
24
-
-
9
15

8 Financing facilities available

Add notes as necessary for an understanding of the position.

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.

Loan facilities are provided by Non-Executive Directors Messrs M and B Stang and Mr S Kritzler. These are unsecured loans with interest payable at ATO benchmark rates and has a maturity term of 2 years.

Total facility \$A'000	Amount drawn \$A'000
1,500	1,200
-	-
-	-

9 Estimated cash outflows for next quarter

9.1 Research and development

9.2 Product manufacturing and operating costs

9.3 Advertising and marketing

9.4 Staff costs

9.5 Administration and corporate costs

9.6 Other (provide details if material)

9.7 Total estimated cash outflows

\$A'000
40
75
100
475
224
-
914

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

10.1 Name of entity

10.2 Place of incorporation or registration

10.3 Consideration for acquisition or disposal

10.4 Total net assets

10.5 Nature of business

Acquisitions	Disposals
n/a	n/a

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 2018**