

31 January 2022

Company Announcements Office
Australian Securities Exchange

QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C

In accordance with ASX Listing Rule 4.7B, Aeris Environmental Ltd (Aeris or the Company) presents its December 2021 Quarterly Activities Report and attaches its Quarterly Cash Flow Report – Appendix 4C.

Financial Results

- **Aeris' revenue for the quarter was \$555,000. Customer site access, occupancy and product usage have not yet recovered following COVID-19 lockdowns, and this is having an ongoing impact on the Company's revenue. The gross margin for the quarter, of 52%, compares to 51% for the previous quarter and is in the targeted range, being in excess of 50%.**
- **Aeris' cash receipts were \$1,005,000 for the quarter. Cash and cash equivalents were \$8,743,000 at 31 December 2021.**
- **Ongoing disruption in transport and logistics resulted in material orders on-hand not being able to be shipped to customers in the December 2021 quarter. This revenue will be recognised in the March 2022 quarter.**

Operational Summary

- **A comprehensive review of the Company's operations was provided to Aeris' shareholders at the Company's Annual General Meeting held on 27 January 2022. The Chairman's and Chief Executive Officer's presentations were released to the market and are available via the Investor section of Aeris' website and on the ASX website.**
- **The Company continues with its broad strategic review to evaluate a spectrum of initiatives for Aeris' business.**
- **The Company's Wholly Foreign-Owned Enterprise (WFOE) in China has now been approved, and is operational, with a significant focus on re-establishing revenue in China through a range of partnerships and distributors, with growing customer interest.**
- **Channels to market for the various product portfolios have been identified, with coverage across wholesale, facilities management and trade stores.**
- **Aeris will be focused strongly on revenue growth in the coming quarters.**

Commentary

Environmental Hygiene

The Company's 'Protected Spaces' initiative is concentrated on the built environment, including office spaces, schools, public transport and aged care facilities.

Aeris' "next-gen" Aeris Defence, with updated claims, singularly addresses emerging regulatory standards and commercial requirements for COVID-19 and residual efficacy.

The Company has invested in new product management, marketing, distributor and channel management capacity, with additional human resources to support Aeris' upgraded distribution network of larger dealers. Significant co-marketing programmes are committed in the first half of 2022.

China

During the quarter, the Company finalised the establishment of its WFOE in China, named Shanghai Aeris Environmental Technology Co., Ltd. This has enabled the appointment of Aeris staff members in China and has opened a path to Government tenders in material long-term markets for Aeris. Potential advantages for the Company are improved supply chains, lower raw material costs, specialised value-added manufacturing and, of equal importance, a market for Aeris' broad range of novel technologies. The initial focus is on Aeris Active, Aeris Defence, anti-microbial paper, and the heating, ventilation, and air conditioning (HVAC) hygiene range. The required regulatory testing in China is underway. The Company is evaluating material opportunities for the incorporation of its novel anti-microbial polymers in a range of applications in collaboration with leading Chinese manufacturers.

Travel restrictions have delayed a number of programmes Aeris has planned for China. Travel resumption will permit the advancement of environmental hygiene as a priority product category in the private and public sectors. China remains an important part of the Company's international priorities.

North America

Aeris is focused on rebuilding its North American business after the COVID-19 interruptions, along with adapting to the changing market position and priorities. The Company is managing its costs in the USA in recognition of the disruptions caused by COVID-19 and the winter season in the northern hemisphere, where HVAC maintenance activity is much lower than in the warmer months.

Aeris continues to pursue Environment Protection Authority (EPA) regulatory filings. Emerging opportunities for corrosion protection with multiple original equipment manufacturers (OEM) partners are under discussion. The Company directly supports specialist platinum partner applicators in multiple locations around the USA.

Mould Remediation

Aeris' mould remediation portfolio represents an attractive opportunity with a range of novel and differentiated products that are highly effective and provide long-term protection against surfaces becoming re-contaminated with mould. The Company is prioritising the advancement of its mould remediation range, with a focus on ready-to-use products beyond its core market of water damage and disaster recovery.

Aeris' mould technical support programme will be made available to distributors in the Company's international markets, where there are relatively modest regulatory requirements for the application of mould remediation.

Corrosion Protection

The corrosion protection business is progressively re-opening as economic activity expands, particularly in the southern hemisphere, and when the Aeris team is able to travel again more freely, it will be able to conduct plant trials.

The Company's corrosion protection portfolio has been the subject of a number of important technical developments that will target the full spectrum of users, from private individuals and tradesmen to OEM. A key priority for Aeris' growth in 2022 is to launch the AerisGuard corrosion protection product in aerosol form, which will address a large market opportunity for sales through trade stores and wholesale. This is currently being held up by the unavailability in Australia of a required component.

Finance and Operations

Aeris' revenue for the quarter was \$555,000. A significant proportion of the built environment in the Company's global markets continues to be essentially 'locked down' and offline in terms of site access, occupancy and product usage because of COVID-19, and this has had an ongoing material impact on Aeris' revenue.

The Company's gross margin of 52% for the quarter was in line with the prior quarter and with Aeris' budget. The Company's cash receipts were \$1,005,000 for the quarter. Cash and cash equivalents were \$8,743,000 at the end of the quarter.

Related Party Transactions

Payments to related parties and their associates during the quarter were: Non-Executive Directors' fees totalling \$46,000 paid to Abbie Widin, Jenny Harry and Michael Ford; property outgoings and other charges paid to Aeris' landlord, Ramlist Pty Ltd, of which Non-Executive Director Maurie Stang is a director (\$1,000); marketing and operational services provided by Ensol Systems Pty Ltd and Teknik Lighting Pty Ltd, of which Non-Executive Director Maurie Stang has an indirect beneficial interest through a trust (\$6,000); and rent, corporate overheads, distribution and administration expenses paid to Regional Healthcare Group Pty Ltd, of which Non-Executive Director Maurie Stang is a director (\$85,000).

Summary

The Company continues with its comprehensive strategic review of Aeris' commercial, marketing and technical activities, and implementing the changes required as identified in the review. Aeris maintained its focus on the commercialisation of its core differentiated product platforms to grow revenue. The sales, marketing and channel management team, supported by industry consultants, are working to achieve improved customer service and sales growth, and to build long-term partnerships.

Recognising the unpredictability of markets, which during the quarter suffered from the effects of lockdowns as a result of COVID-19 and its variants, the Company is now broadening its activities with existing customers, as well as pursuing new market opportunities. Aeris remains focused on the growth of its annuity revenue. The Company is well capitalised and net debt free, with a strong portfolio of differentiated products.

Aeris Environmental Ltd

Maurie Stang
Chairman

Peter Bush
Chief Executive Officer

The Aeris Quarterly Activities Report was authorised by the Board of Directors.

About Aeris Environmental Ltd

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

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



Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Aeris Environmental Ltd

ABN

19 093 977 336

Quarter ended ("current quarter")

31 DECEMBER 2021

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	1,005	2,330
1.2 Payments for		
(a) research and development	(141)	(215)
(b) product manufacturing and operating costs	(478)	(1,406)
(c) advertising and marketing	(141)	(226)
(d) staff costs and Directors' fees	(493)	(1,033)
(e) administration and corporate costs	(1,022)	(2,130)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other financial costs	(15)	(27)
1.6 Income tax refund received (including R&D tax offset)	-	-
1.7 Government grants and tax incentives	-	10
1.8 Others (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,285)	(2,697)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2 Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(31)	(36)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) 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	(31)	(36)
3 Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
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	-	-
4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	10,067	11,486
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,285)	(2,697)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(31)	(36)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	(8)	(10)
4.6 Cash and cash equivalents at end of period	8,743	8,743

Consolidated statement of cash flows

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
462	287
-	-
-	-
8,281	9,780
8,743	10,067

6 Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
138
-

7 Financing facilities available

Note: The term "facility" includes all forms of financing arrangements available to the entity

Add notes as necessary for an understanding of the sources of finance available to the entity

	Total facility \$A'000	Amount drawn \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-

- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Not applicable

8 Estimated cash available for future operating activities

	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,285)
8.2 Cash and cash equivalents at quarter end (item 4.6)	8,743
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	8,743
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	7

- 8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Not applicable

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Not applicable

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Not applicable

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.

Date: **31 January 2022**

Authorised for release to the market by the Aeris Board of Directors.

Notes:

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so
- 2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.