

26 October 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 September 2022 Quarterly Activities Report and attaches its Quarterly Cash Flow Report – Appendix 4C.

### Operational Summary

- **The Company has a strong focus on environmental hygiene, and environmental, social and governance (ESG) in the global enterprise market.**
- **Aeris has executed a distribution agreement with AtmosAir Solutions (AtmosAir) for its breakthrough heating, ventilation, air-conditioning and refrigeration (HVAC&R) ionisation technology for distribution in Australasia, and a range of international territories.**
- **Positive results have been generated from a product and pricing review, with the addition of several new products to address the needs of the Company's enterprise customers more comprehensively.**
- **Aeris' Wholly Foreign-Owned Enterprise (WFOE) in Shanghai continued its market development activities in China, growing the network of potential provincial partners and government entities across several key verticals.**

### Financial Results

- **The Company's revenue for the quarter was \$390,768 (a decrease of 8.5% on the previous quarter). The gross margin for the quarter, of 40.3%, compares favourably to 25.8% for the previous quarter.**
- **Aeris' cash receipts were \$994,000 for the quarter. Cash and cash equivalents were \$4,885,000 at 30 September 2022.**
- **The Company's market capitalisation as at 30 September 2022 was \$9,825,782 (a decrease of 16% from \$11,730,049 at the end of the previous quarter), with 245,644,551 shares on issue.**
- **Improving margins and an improved revenue funnel are the key points for the quarter, with the fixed cost base significantly reduced and a clearer sales focus developing a stronger revenue recovery path.**

## Commentary

### HVAC&R

Indoor air quality (IAQ) and energy usage are becoming crucial imperatives for the commercial property and enterprise sector. Aeris is now well placed to comprehensively deliver substantial and lasting IAQ improvements across these sectors. The second key benefit of the Company's offering is energy usage reductions and these two benefits have the impact of boosting the ESG performance of Aeris' customers. This has now become a prerequisite for enterprise customers to demonstrate and measure improvements to their carbon footprint and usage.

This value proposition of delivering improved air quality and better energy efficiency prompted the global search for adjacent technologies that enhance the Company's impact. After a comprehensive evaluation of various technologies, Aeris has chosen to partner with AtmosAir to bring their bipolar ionisation technology to the market. The combination of AerisGuard and AtmosAir delivers an outstanding result in terms of improved IAQ and energy efficiency, and is an exciting update to the Company's HVAC&R portfolio offering. This partnership is now executed, and provides distribution and collaboration not only to Aeris' Australian and New Zealand clients, but potentially to enterprise clients of the Company globally. Both AtmosAir and Aeris recognise that their respective product portfolios demonstrate real and beneficial synergy to the Company's customers, and Aeris' 'end to end' approach is already being well received in the Company's enterprise and distributor markets.

Aeris' integrated range of products offers advantages over alternatives with residual action, cleaner environmental profile and ability to actively treat air both in the HVAC infrastructure, and directly inside the room. The Company is now working on improved training, technical support and pricing to address the growing ESG market segment.

### Environmental Hygiene

The Australian Therapeutic Goods Administration (TGA) has now approved Aeris' 24-hour residual disinfection claim for Aeris Defence (the Company's *hospital grade* hard surface disinfectant). This is a differentiating claim and is being promoted into various distribution channels across multiple markets.

### Mould Remediation

Aeris' IAQ specialists continue to deliver assessment and remediation projects as the wet climate conditions generate significant water damage and mould remediation challenges, particularly on the east coast of Australia. The Company is building a highly-credible brand name for these consultant services, which also generates "pull through" demand for the mould-related products. Internationally, this market also continues to grow, and the technical and commercial market development in Australia provides an onramp to expand into the Asia Pacific region, the USA and China.

### Australia and New Zealand

Aeris has put in place new programmes and policies to support its distributors, and has refocused the Company's sales efforts on the enterprise and corporate market. Aeris advanced the development of an end-to-end product offering with the inclusion of AtmosAir, a proven and successful HVAC technology, with leading customers in the USA and a strong track record of growth.

Whilst proactively managing the Company's cost base, Aeris has implemented new sales resources and has also achieved a superior new regulatory status to its key competitors in the surface disinfection category in the form of the Company's new TGA approval for the Aeris Defence line.

Additionally, Aeris currently has a proposal to a leading enterprise customer in Australia for a new category of IAQ product, which is targeted to be launched in early 2023 in the Australasian market.

## **China**

Government registration approval was achieved for the Company's low temperature surface treatment product, with three registrations now gained with a direct licence for the Aeris' WFOE in China, named Shanghai Aeris Environmental Technology Co., Ltd. Four more products have commenced the process of laboratory testing prior to registration submission.

The two verticals of focus are HVAC&R and Hygiene, with both markets providing different opportunities to reduce risk from the central government's shifting policy stance. A significant HVAC trial is planned for the second quarter and the ongoing pandemic challenge provides a market that the Company intends to enter with a directly-registered product line. Owning the product registrations directly through the WFOE will provide flexibility in choice of distribution partners across provinces.

Initial orders for several products were shipped during the quarter and Aeris will update the market on forthcoming commercial agreements as orders and shipments of material magnitude commence from key Chinese partners.

## **North America**

The USA market is the focus for this geography and steady progress has been made reigniting relationships with manufacturers, particularly in the specialty area of corrosion protection. The Company also gained a notable Environment Protection Authority approval to add a COVID claim to Aeris' Surface Treatment product.

## **Finance and Operations**

The Company's revenue for the quarter was \$390,768, decreasing by 8.49% from the previous quarter. Aeris' gross margin of 40.25% for the quarter was improved from 25.83% in the prior quarter and is within the Company's budgeted range. Research and Development (R&D) expenditure decreased over previous quarters. Total operating expenses were reduced by 44% from the previous quarter.

Aeris' cash receipts were \$994,000 for the quarter. Cash and cash equivalents were \$4,885,000 at the end of the quarter.

## **Related-Party Transactions**

Payments to Aeris' related parties and their associates during the quarter were: Non-Executive Directors' fees, totalling \$61,000, paid to Maurie Stang (\$22,000), Jenny Harry (\$13,000), Steven Kritzler (\$13,000) and Abbie Widin (\$13,000). Property outgoings and other charges of \$2,000 were paid to the Company's landlord, Ramlist Pty Ltd, of which Non-Executive Director Maurie Stang is a director; 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, were \$3,000; and rent, corporate overheads, distribution and administration expenses of \$87,000 were paid to Regional Healthcare Group Pty Ltd, of which Non-Executive Director Maurie Stang is a director. Contract R&D and other expenses of \$76,000 were paid to Novapharm Research (Australia) Pty Ltd of which Non-Executive Directors Messrs Stang and Kritzler are directors.

## **Summary**

Aeris remains net debt-free, and is progressively implementing resource adjustments and allocations aligned with its strategic review. Building presence in the Company's Australian home market, and using this base to test new products and applications, is a deliberate preparatory step to taking those solutions to larger markets, such as China and the USA. The global macroeconomic environment affirms Aeris' need to secure the supply chain, stabilise the costs of raw materials and foster a strong alignment with manufacturing partners to



achieve local and international competitiveness. In line with the aim of delivering best-in-class environmental solutions to enhance ESG outcomes, the Company continues to evaluate further novel technologies to introduce to its portfolio, strengthening Aeris' capabilities in providing safe and efficient environments through air quality, hygiene, energy optimisation and ongoing protection.

### **Aeris Environmental Ltd**

**Maurie Stang**  
Chairman

**Andrew Just**  
Chief Executive Officer

The Company's Quarterly Activities Report was authorised by the Board of Directors.

### **About Aeris Environmental Ltd**

The Company markets environmentally-friendly technology that drives energy usage reductions and measurable improvements in air quality, surface hygiene and asset performance. 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 and inefficient devices. Combining Aeris' unique enzyme formulations with world-leading device technology, the Company provides carbon reductions, cleaner air to breathe, safer surfaces, and long-term protection of assets and surfaces from bacterial and viral growth.



## 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")

**30 September 2022**

#### Consolidated statement of cash flows

	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1 Cash flows from operating activities</b>		
1.1 Receipts from customers	994	994
1.2 Payments for		
(a) research and development	(163)	(163)
(b) product manufacturing and operating costs	(259)	(259)
(c) advertising and marketing	(125)	(125)
(d) staff costs and Directors' fees	(284)	(284)
(e) administration and corporate costs	(532)	(532)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other financial costs	6	6
1.6 Income tax refund received (including R&D tax offset)	-	-
1.7 Government grants and tax incentives	-	-
1.8 Others (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(364)</b>	<b>(364)</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>2 Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(54)	(54)
(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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(54)</b>	<b>(54)</b>
<b>3 Cash flows from financing activities</b>		
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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>
<b>4 Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	5,303	5,303
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(364)	(364)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(54)	(54)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	<b>4,885</b>	<b>4,885</b>

## 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)**

<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
146	270
-	-
-	-
4,739	5,033
<b>4,885</b>	<b>5,303</b>

**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

<b>Current quarter \$A'000</b>
229
-

## 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

	<b>Total facility \$A'000</b>	<b>Amount drawn \$A'000</b>
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

8.1 Net cash from / (used in) operating activities (item 1.9) 8.2  
Cash and cash equivalents at quarter end (item 4.6)  
8.3 Unused finance facilities available at quarter end (item 7.5)  
8.4 Total available funding (item 8.2 + item 8.3)

<b>\$A'000</b>
(364)
4,885
-
4,885

### 8.5 Estimated quarters of funding available

(item 8.4 divided by item 8.1)

13

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: 26 October 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.