

27 January 2023

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

Operational Summary

- **The Company has a strong focus on delivering environmental, social and governance (ESG) benefits in the global enterprise market.**
- **Aeris has executed a contract manufacturing agreement with Genting Co., Ltd (Genting) located in Shanghai, China for its repacking and distribution capabilities.**
- **The Company's Wholly Foreign-Owned Enterprise (WFOE) in Shanghai continued its market development activities in China, gaining direct product registrations for three key products.**
- **An extensive case study was completed for the AerisGuard programme, demonstrating excellent energy efficiency gains and hygiene improvement in a commercial setting.**

Financial Results

- **Aeris' revenue for the quarter was \$690,000 (an increase of 88% on the previous quarter). The gross margin for the quarter was 60%, comparing favourably to 40% in the previous quarter and above the targeted range, being in excess of 50%.**
- **The Company's cash receipts were \$454,000 for the quarter. Cash and cash equivalents were \$3,877,000 at 31 December 2022.**
- **Aeris' market capitalisation as at 31 December 2022 was \$6.9 million, with 245,644,551 shares on issue.**

Commentary

Heating, Ventilation, Air-Conditioning and Refrigeration (HVAC&R)

The Company continues to focus on delivering energy efficiency gains and indoor air quality (IAQ) improvements through its suite of products and services in the HVAC&R category. Both of these measures can assist with ESG goals by reducing the negative impacts of buildings on the environment, and improving the health and wellbeing of occupants. Additionally, it could also help companies to meet their sustainability goals and regulations, and attract more environmentally-conscious customers, leading to greater energy efficiency and compliance.

Aeris recently completed a comprehensive case study of its AerisGuard energy and environmental programme in a commercial supermarket setting, which delivered highly impressive gains in both energy efficiency and IAQ. In this NSW supermarket, the high-level results were:

- 34% energy savings on the treated assets;
- an average increase in airflow of 122%;
- 9% reduction on the site's overall energy bill; and
- elimination of mycotoxins.

This result demonstrates the ability of the Company's HVAC&R AerisGuard programme to deliver substantial financial and health gains in the built environment. The ongoing work researching technologies to enhance this programme is aimed at further increasing the advantages of partnering with Aeris on these key ESG measures. The previously-communicated partnership agreement with AtmosAir Solutions (AtmosAir) is the first example of this product suite expansion. As energy costs and the importance of IAQ increase, the Company is focussing on delivering tangible solutions to these challenges for enterprise clients.

Surface Hygiene

Aeris continues to hold the only Therapeutic Goods Administration-approved 24-hour residual disinfection claim for COVID-19, with Aeris Defence (the Company's hospital grade hard surface disinfectant). This differentiating claim is being promoted into various distribution channels across multiple markets.

Specialty Services and Products

Aeris' IAQ specialists continue their work consulting to government and beyond on several projects to deliver assessment and remediation solutions, as climate conditions generate significant water damage and mould remediation challenges. The Company's scientists are accredited as consultants to government and are building the Aeris brand name for these services.

The Company has a world-leading suite of corrosion protection products, historically targeted for HVAC application scenarios. Research and development (R&D) work is ongoing in this category, which has wide potential application in several global markets.

Australia and New Zealand

Aeris is concentrating the Company's sales efforts on the enterprise market, with the approach of proving its solutions within networks and then expanding its presence within those networks. Over the past quarter Aeris continued developing its more wholistic product offering with the inclusion of AtmosAir and the Company is working on researching further technologies that can add to its value proposition. The supermarket case study mentioned above was conducted in NSW and the outstanding result paved the way for the AerisGuard programme to be commenced for all 16 sites in that group.

Aeris' initial product expansion with AtmosAir is also set for initial piloting at a Sydney CBD location, again with an enterprise of significant scale. This customer is aiming to lead the way with commercial property IAQ and embracing the Company's broad AerisGuard programme to help achieve its goals.

The Australian cost base continues to be carefully supervised to ensure resource allocation is customer-outcome focused. As revenues build this prudent fiscal approach will continue.

China

The Chinese Government policy stance has dramatically changed following its national Congress, resulting in short-term additional challenges for Aeris' Chinese entity and longer-term favourable opportunities. Some registration and marketing delays have resulted from the ceasing of COVID-19 restrictions, and the subsequent infection outbreaks. The individual mindset has shifted to place a higher importance on sanitising and protection given the government's change to a lower level of active virus repression. This mindset change bodes well for the appetite of the Company's products, and their health and safety benefits.

Substantial time and effort are being invested into developing the Chinese market in a considered manner, in order to abide by regulations and maintain direct ownership of Aeris' brand and products in China. The Company now has a policy of direct product registration with China's National Health Commission through Aeris' WFOE and is building the Company's distribution arrangements across market categories. A contract manufacturing agreement has been signed

with Genting, which is owned by the large and publicly listed Sunglow Group. Close working relationships are being established, with key themes being the repacking operations of bulk product and access to distribution networks. Genting currently provides manufacturing services to several large blue chip multinational companies, and has excellent facilities and capabilities, offering a path to further collaboration.

A further two products have achieved Chinese product registration, being Aeris Defence and Citripro. These products are targeted for the higher-end surface disinfection markets, both business and consumer customers. An ecommerce store has been prepared and is scheduled to launch in March 2023, offering a short list of key products to Chinese consumers. This store will be one facet of building the Aeris brand in the Chinese market, supported by the Australian technology credentials that the Company has.

Aeris will update the market on developments and progress in this priority Chinese market.

North America

The Company's corrosion protection product suite continues to be a high focus for the USA market, with Original Equipment Manufacturer interest developing and product testing slated for the first half of 2023. Aeris is also exploring potential partnerships for distribution and sales of other registered product lines.

Finance and Operations

The Company's revenue for the quarter was \$690,000, increasing by 88.29% from the previous quarter. Aeris' gross margin of 60.15% for the quarter was improved from 40.25% in the prior quarter and is within the Company's budgeted range. R&D expenditure decreased over previous quarters. Total operating expenses were reduced by 17% from the previous quarter.

Aeris' cash receipts were \$454,000 for the quarter. Cash and cash equivalents were \$3,877,000 at 31 December 2022.

Related-Party Transactions

Payments to the Company's related parties and their associates during the quarter were: Non-Executive Directors' fees totalling \$72,000 paid to Maurie Stang (\$24,000), Jenny Harry (\$16,000), Steven Kritzler (\$16,000) and Abbie Widin (\$16,000). Property outgoings and other charges of \$5,000 were paid to Aeris' 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 \$4,000; and rent, corporate overheads, distribution and administration expenses of \$92,000 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 \$22,000 were paid to Novapharm Research (Australia) Pty Ltd, of which Non-Executive Directors Messrs Stang and Kritzler are directors.

Summary

The Company remains net debt-free and is progressively implementing its strategic roadmap to growth. Resource allocation has been clearly directed at customer value, with operating expenses reduced and constrained where possible. Aeris continues to invest in the Company's product offering and building its customer base, with a sharper focus on enterprise customers in the HVAC&R category.

Aeris has significant opportunity with the Company's international markets, such as China, and has directed substantial effort and investment to progress those goals. The global macroeconomic environment encourages building partnerships within key countries in order to lower supply chain risk, and Aeris is well advanced with these discussions and agreements. 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 efficient and safe built environments through energy optimisation, improved air quality, hygiene 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")

31 December 2022

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	454	1,447
1.2 Payments for		
(a) research and development	(131)	(294)
(b) product manufacturing and operating costs	(260)	(519)
(c) advertising and marketing	(78)	(203)
(d) staff costs and Directors' fees	(308)	(593)
(e) administration and corporate costs	(683)	(1,215)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other financial costs	5	11
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)	-	-
1.9 Net cash from / (used in) operating activities	(1,002)	(1,366)

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	(5)	(60)
(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	(5)	(60)
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	4,885	5,303
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,002)	(1,366)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(5)	(60)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	3,877	3,877

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		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	180	146
5.2	Term Deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Deposits at call	3,698	4,739
5.5	Cash and cash equivalents at end of quarter (item 4.6)	3,877	4,885

6 Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	195
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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)	(1,002)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,877
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,877
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4

- 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: 27 January 2023

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.