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30 October 2020

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 September 2020 Quarterly Report – Appendix 4C.

Highlights – Financial

- **Positive operating cash flow for September 2020 quarter. Cash receipts of $4,754,000.**
- **$12,945,000 cash-on-hand at end of September 2020 and net assets more than $18,800,000, including inventory and debtors, net of creditors.**
- **Revenue (unaudited) for September 2020 quarter of $2,922,000, with additional $1,100,000 in orders manufactured for delivery in October and November 2020.**
- **Aeris branded products continue to deliver strong gross margins.**
- **Significant revenue opportunities in a number of international markets currently being negotiated.**

Highlights – Operational

- **Documentation submitted to the USA EPA for a Section 18 emergency use application for Aeris Active, at both Federal and State levels.**
- **The USA EPA issue interim guidance on Section 3 (permanent) approval for residual claims. Aeris now conducting several studies to address new requirements.**
- **Parallel application for List N for change of indication for AerisGuard Surface Treatment.**
- **Ongoing investment in regulatory studies and approvals, with active applications in multiple jurisdictions across Europe, the Middle East, India and Africa.**
- **Further approvals for Aeris' products, with Aeris Defence results in Europe accepted following relevant EN testing (European Standards), confirming key residual claims for COVID-19 and further demonstrating Aeris' product differentiation.**
- **Aeris in process of establishing its own Wholly Owned Foreign Entity in China.**
- **First orders to Sabco shipped and now on shelves at Bunnings.**
- **Growing and engaged network of global distributors across Aeris' heating, ventilation, and air-conditioning (HVAC), environmental hygiene, and corrosion and mould prevention portfolios.**
- **Prioritised deliveries in quarter to support urgent needs of NSW hospitals, front and first line responders, by producing and delivering products in short supply, and that facilitated operation of key hospitals and health care services for Australian community.**

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Commentary

North America

The USA EPA issued an Interim Guidance - Expedited Review for Products Adding Residual Efficacy Claims on 14 October 2020. For the first time, this guidance formalises the testing and documentation required for Section 3 approval of products for sale in North America. The Company has submitted a Section 18 fast track application for Aeris Active (proprietary residual hard surface disinfectant), through the State of Indiana, and with support from a high-profile corporate sponsor. The Company is awaiting feedback as to whether or not any of the recently-announced changes in the Section 3 programme impact Aeris' fast track application.

The Company has two products with existing EPA approvals for use in HVAC and refrigeration – AerisGuard Bioactive Filter Treatment and AerisGuard Bioactive Surface treatment – that have recently received results showing that they are effective against COVID-19. Airborne transmission of COVID-19 is recognised, along with surface and skin, as a key vector of infection and Aeris is working with multiple Federal, State and Local authorities to broadly implement its systems-based approach.

The Company is in late stage negotiations to appoint a high-profile HVAC-focussed distributor in North America, to expand the number of locations carrying the AerisGuard HVAC and environmental product range. This additional strategic relationship will broaden the customer base, geography and reach of Aeris in North America, whilst freeing up its own team to support Aeris' expanded network of dealers and partners.

China

The Company has been actively extending its go-to market strategy and channels in China. Pivotal discussions are now progressing to access lower-cost key raw materials and, in parallel, access the bulk packaging and filling in China, where appropriate, for certain of Aeris' products.

The Company is in the process of reorganising its distribution partnerships in China, focussing on strong in-market support, well-resourced and connected distributors, and a strategic plan to address both geographic and vertical opportunities within the large Chinese market.

Environmental Hygiene

Current research demonstrates the potential for contaminated droplets to remain in the indoor environment and be circulated by HVAC systems for an extended period. Aeris believes that its portfolio of products is well positioned to play an important role in mitigating certain vectors of transmission.

The Company has been working with a number of key partners on potentially large-scale opportunities for the broad range of Aeris' product portfolio. Specifically, many of these territories require direct sponsorship of the relevant regulatory approvals. The Company is moving rapidly to put in place this direct capability in key international jurisdictions.

During the quarter Aeris finalised independent testing of its new Aeris Defence product range, including wipes and disinfectant liquids, which significantly address unmet needs for effective products with proven residual protection in the consumer market, and high-volume general applications in the commercial, industrial and healthcare sectors.

The expanded range of ActiSan hand sanitiser products is now supported with additional testing for the European and American markets, Australian Register of Therapeutic Goods (ARTG) approval in Australia and the addition of the Company's alcohol-free foam provides a comprehensive range of products to address this well documented vector in infection.

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Mould Remediation

With a rapidly-improving supply chain, Aeris is now working with several remediation companies to expand the application of its propriety range of mould remediation products.

During the more humid season in the southern hemisphere, the pipeline of business and projects is growing significantly, as is the Company's capacity to deliver a unique solution.

Corrosion Protection

Aeris Corrosion Protection Services is now able to service a broader range of projects internationally. Demand from Aeris' dealers and customers is increasing because of expanded economic activity, particularly in the southern hemisphere.

The Company anticipates releasing additional and potentially high-volume products over the coming quarters, which address unmet needs in environmentally-friendly corrosion protection in a wide range of industrial and commercial applications.

Finance and Operations

There has been a positive operating cash flow for the September 2020 quarter. Cash receipts were $4,754,000. Aeris had $12,945,000 cash-on-hand at 30 September 2020 and net assets of more than $18,800,000, including inventory and debtors, net of creditors.

Revenue (unaudited) for the September 2020 quarter was $2,922,000, with an additional $1,100,000 in orders manufactured for delivery in October and November 2020.

Aeris-branded products continue to deliver strong gross margins.

Significant revenue opportunities in several international markets are currently being negotiated.

Related Party Transactions

Payments to related parties and their associates during the quarter were: property outgoings and other charges paid to Ramlist Pty Ltd, of which Non-Executive Directors Maurie and Bernard Stang are directors ($14,000); marketing and operational services provided by Ensol Systems Pty Ltd and Teknik Lighting Pty Ltd, of which Non-Executive Director Maurie Stang is a shareholder ($50,000); research and development, and other expenses, paid to Novapharm Research (Australia) Pty Ltd, of which Non-Executive Directors Maurie and Bernard Stang, and Steven Kritzler are directors ($124,000); rent, corporate overheads, distribution and administration expenses paid to Regional Healthcare Group Pty Ltd, of which Non-Executive Directors Maurie and Bernard Stang are Directors ($111,000); and Non-Executive Directors' fees of $26,000.

Summary

The Company is currently running several communication public relations programmes to support the accelerating adoption of its products. Aeris continues to place a parallel effort on growing its annuity product sales business whilst addressing the urgent need of first line responders and health care workers, and meeting the challenge of the ongoing pandemic.

The Company's Annual General Meeting will be held on 26 November 2020. Aeris looks forward to updating its shareholders and the market with the many initiatives and growth programmes that the Company has invested in.

On a daily basis Aeris sees its brand becoming the emerging leader in environmental hygiene and HVAC technology. The Company's product portfolio and accreditations present a compelling opportunity for partnership for the broadest vectors of protection.

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Aeris Environmental Ltd

Mr Maurie Stang
Chairman

Mr Peter Bush
Chief Executive Officer

This announcement was authorised by the Board of Directors.

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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, the Company's cloud-based visualisation network, is uniquely scalable across all climate-controlled environments, including buildings of all sizes, and vehicles. Aeris' 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.

Previously-Released Announcements

This ASX announcement refers, in part, to information extracted from the below-listed releases that are available for viewing via the Company's website in the Investor section at www.aeris.com.au

- 03 July 2020: Market Update
- 05 June 2020: USA Update
- 31 March 2020: Business Update Investor Presentation
- 18 March 2020: Australian test confirms Aeris Active is effective against Coronavirus
- 05 March 2020: Aeris Active approved for sale in the UK
- 27 February 2020: Aeris Active - effective disinfection against virus deaths
- 18 February 2020: Singapore NEA lists Aeris Active effective for Coronavirus

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Appendix 4C

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

Name of entity

Aeris Environmental Ltd

ABN	Quarter ended ("current quarter")
19 093 977 336	**30 SEPTEMBER 2020**

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (3 months) $A'000
1	**Cash flows from operating activities**		
1.1	Receipts from customers	4,754	4,754
1.2	Payments for		
	(a) research and development	(139)	(139)
	(b) product manufacturing and operating costs	(3,126)	(3,126)
	(c) advertising and marketing	(159)	(159)
	(d) staff costs and Directors' fees	(558)	(558)
	(e) administration and corporate costs	(763)	(763)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	-
1.5	Interest and other financial costs	(20)	(20)
1.6	Income tax refund received (including R&D tax offset)	-	-
1.7	Government grants and tax incentives (EMDG benefit)	15	15
1.8	Others (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	4	4

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Consolidated statement of cash flows	Current quarter $A'000	Year to date (3 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	(3)	(3)
(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	(3)	(3)
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	12,949	12,949
4.2 Net cash from / (used in) operating activities (item 1.9 above)	4	4
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(3)	(3)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	(5)	(5)
4.6 Cash and cash equivalents at end of period	**12,945**	**12,945**

Consolidated statement of cash flows

		Current quarter $A'000	Previous quarter $A'000
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	2,370	2,375
5.2	Term Deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Deposits at call	10,575	10,574
5.5	**Cash and cash equivalents at end of quarter (item 4.6)**	**12,945**	**12,949**

		Current quarter $A'000
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	325
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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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)	4
8.2 Cash and cash equivalents at quarter end (item 4.6)	12,945
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	12,945
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A

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

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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: **30 October 2020**

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 isencouraged 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.

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