

29 January 2020

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) attaches its December 2020 Quarterly Activities Report and Appendix 4C.

### Highlights – Financial

- Revenue for 1H2021 was \$5,100,000. Sales were materially impacted by rolling COVID-19 shutdowns in each of Aeris' major markets.
- 1H2021 Gross Margin was 40%, reflecting lower-than-average margin NSW Health 'essential services' supply of product to hospitals. Target Gross Profit Margin is 50%.
- Aeris' focus in calendar year 2021 is growing its annuity revenue base in existing markets (Australia, the USA and SE Asia), launching in Europe, and gaining regulatory approvals and meaningful revenue in the Middle East, India and Canada.
- Cash receipts of \$3,336,000 for quarter (total of \$8,090,000 for 1H2021).
- Cash flow positive for quarter (of \$635,000) and half year (of \$639,000).

### Highlights – Operational

- HVAC hygiene is a growing focus in the USA, with airborne transmission of COVID-19 recognised as a vector of infection.
- Aeris has two products with existing EPA approvals for use in HVAC and Refrigeration (AerisGuard Bioactive Filter Treatment and AerisGuard Bioactive Surface treatment), which have both recently received independent results showing that they are effective against COVID-19 on HVAC filters and surfaces.
- Aeris' relationship with Motily continues to grow, with a new three-year contract signed with the US Army for the use of Aeris' products in over 45,000 individual HVAC units.
- USA EPA has issued interim guidance on Section 3 (permanent) approval for residual claims. Updated guidelines from EPA have been suggested. Aeris is now undertaking additional independent studies, which may support any updated applications.
- Aeris has re-submitted an updated Section 18 application for Aeris Active (proprietary residual hard surface disinfectant), through the State of Indiana, along with written support from a number of relevant parties.
- Ongoing investment in regulatory studies and approvals, with active applications in multiple jurisdictions across Europe, the Middle East, India and Africa.
- Aeris has several of its products undergoing additional regulatory and market testing, specifically for the Chinese market, targeting vertical opportunities such as smart polymers, cold chain and food distribution, agriculture, and institutional customers.

## Commentary

### North America

HVAC hygiene is a growing focus in the USA and globally with airborne transmission of COVID-19 recognised as a vector of infection. The Company has two products with existing EPA approvals for use in HVAC and Refrigeration, being AerisGuard Bioactive Filter Treatment and AerisGuard Bioactive Surface treatment, which have recently received results showing that they are effective against COVID-19 on HVAC filters and surfaces. Aeris has demonstrated its treatment efficacy in protecting against the colonisation of filters, including bacteria, fungi and viruses, such as COVID-19. The Company is working on a broad awareness campaign with multiple Federal, State and Local authorities in the USA.

Aeris' relationship with Motily continues to grow, with a new three-year contract signed with the US Army for the use of the Company's products in over 45,000 individual HVAC assets. The initial launch phase exceeded both parties' expectations, despite access issues to facilities due to the COVID-19 pandemic. Motily has requested additional products to now be included in the offering to this marquee client.

The USA EPA issued an Interim Guidance – "Expedited Review for Products Adding Residual Efficacy Claims" – on 14 October 2020. It is suggested that amended guidelines may result from the initiatives of the new Administration. Aeris is now undertaking additional independent testing to support its applications, which will include a number of additional products.

The Company has submitted, and continues to await the results of, a Section 18 application for Aeris Active (proprietary residual hard surface disinfectant), along with written support from several relevant parties, through the State of Indiana.

### China

Aeris continues to pursue a direct presence in China, targeting distribution relationships with companies that have existing customer bases, strong market leverage and domain expertise in substantial vertical markets. In parallel, the Company is developing strong new sourcing, manufacturing and supply chain opportunities in China in order to enhance Aeris' margins and competitive position.

Vertical markets such as smart polymers, cold chain and food distribution, agriculture, and healthcare are priorities to leverage material opportunities for the Company's current and new product pipeline.

### Environmental Hygiene

Aeris' HVAC consumables have a positive impact on indoor environmental quality without the need for complex or expensive capital equipment.

The Company has existing relationships with large global players in the air-conditioning industry, with Goodman, Daikin, Carrier, Mitsubishi and many leading distributors stocking or using the AerisGuard range. As economies re-open and buildings begin to be re-occupied, Aeris believes there is a large opportunity for validated microbial control alongside existing maintenance practices.

The Company is in the process of launching the Aeris Defence product range, including wipes and disinfectant liquids, which significantly addresses unmet needs for highly-effective products, with proven residual protection, in the consumer market and in high-volume general applications for the commercial, industrial and healthcare sectors.

Aeris' ActiSan hand sanitiser is now USA FDA approved and will launch into the US market in the current quarter.

## **Mould Remediation**

The Company has previously won multiple mould remediation projects in addition to its ongoing product supply and site testing work for leading organisations. These projects, ranging from tens to hundreds of thousands of dollars each, validate the Aeris risk assessment, quality systems and product efficacy with recognised differentiation. With the coming warmer weather in the Northern Hemisphere and the expected positive impact of COVID-19 vaccinations, the Company is aiming to expand its sales and global footprint in these remediation markets.

## **Corrosion Protection**

Aeris Corrosion Protection Services continues to service the leading original equipment manufacturers (OEM) and service maintenance in Australia. Aeris expects this business to once again scale up as economic activity expands, particularly in the Southern Hemisphere.

Preventing new, and slowing down existing, corrosion is a cost-effective way for asset owners to ensure that their plant and equipment lasts longer, and is more productive and energy efficient throughout its useful life. The Company offers both an OEM (coating applied on new coils, at the point of manufacture) or service (field applied to both new and existing equipment) for leading global brands and service companies across Australia, the Middle East and Asia. Aeris has invested in additional product, independent testing and process development, which are now complete. The Company expects this business to address a range of new customers with several additional Northern Hemisphere countries (including the USA) once the demand for preventative maintenance resumes.

## **Finance and Operations**

Revenue for the first half of the 2020-21 financial year was \$5,100,000. Sales were materially impacted by rolling COVID-19 shutdowns in each of Aeris' major markets.

The Gross Margin for the first half of the 2020-21 financial year was 40%, reflecting lower-than-average margin NSW Health 'essential services' supply of product to hospitals. The Company's target Gross Profit Margin is 50%.

Cash receipts of \$3,336,000 were achieved for the quarter (making a total of \$8,090,000 for the first half of the 2020-21 financial year).

Aeris was cash flow positive for the quarter, generating net cash of \$635,000, and generated positive net cash for the half year of \$639,000.

## **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 Director Maurie Stang is a director (\$5,000); 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 (\$36,000); research and development, and other expenses, paid to Novapharm Research (Australia) Pty Ltd, of which Non-Executive Directors Maurie Stang and Steven Kritzler are directors (\$18,000); rent, corporate overheads, distribution and administration expenses paid to Regional Healthcare Group Pty Ltd, of which Non-Executive Director Maurie Stang is a director (\$76,000); and Non-Executive Directors' fees of \$16,000.

## **Summary**

The first half of the 2020-21 financial year was challenging for the Company, with revenue materially impacted by rolling COVID-19 shutdowns in each of Aeris' major markets, causing distributors to close branches and retail locations, and customers to defer maintenance and preventive measures. Additionally, the US election and related turbulence impacted Federal and State Government agencies, including the EPA.

The Company is now seeing a broader awareness of the need for improved environmental hygiene in commercial, industrial and residential built environments, and expects demand to increase in line with economic activity as lockdowns ease.

As vaccines start to roll out, and Governments ask economies to re-open, Aeris believes there will be strong demand for products that are safe and environmentally-friendly.

The Company's focus in 2021 is to grow Aeris' annuity revenue base and margins in existing markets (Australia, the USA and SE Asia), launching its products in Europe, and gaining regulatory approvals in the Middle East, India and Canada, where the Company expects material opening orders pending individual registration approvals. Additionally, Aeris continues to liaise with the USA EPA on a Section 18 "emergency use application" for Aeris Active, at both Federal and State levels. The Company is expanding its global marketing and communication programmes to establish Aeris as the trusted brand in environmental hygiene.

### **Aeris Environmental Ltd**

**Maurie Stang**  
Chairman

**Peter Bush**  
Chief Executive Officer

This announcement was authorised by the Board of Directors.

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### **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.

### **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](http://www.aeris.com.au).

- 26 November 2020: Chairman & CEO Address to Shareholders
- 23 October 2020: Annual Report to shareholders
- 28 August 2020: Extended Residual Claims for Aeris Active
- 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



## 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 2020**

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1 Cash flows from operating activities</b>		
1.1 Receipts from customers	3,336	8,090
1.2 Payments for		
(a) research and development	(119)	(258)
(b) product manufacturing and operating costs	(1,752)	(4,878)
(c) advertising and marketing	(61)	(220)
(d) staff costs and Directors' fees	(534)	(1,092)
(e) administration and corporate costs	(712)	(1,475)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other financial costs	(3)	(23)
1.6 Income tax refund received (including R&D tax offset)	411	411
1.7 Government grants and tax incentives	69	84
1.8 Others (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>635</b>	<b>639</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 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	(5)	(8)
(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>(5)</b>	<b>(8)</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	12,945	12,949
4.2 Net cash from / (used in) operating activities (item 1.9 above)	635	639
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(5)	(8)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	13	8
<b>4.6 Cash and cash equivalents at end of period</b>	<b>13,588</b>	<b>13,588</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)**

Current quarter \$A'000	Previous quarter \$A'000
3,011	2,370
-	-
-	-
10,577	10,575
<b>13,588</b>	<b>12,945</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

Current quarter \$A'000
151
-

## 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

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

Total facility \$A'000	Amount drawn \$A'000
-	-
-	-
-	-
-	-
	-

## 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)

### 8.5 Estimated quarters of funding available

(item 8.4 divided by item 8.1)

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

\$A'000
635
13,588
-
13,588
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.

Date: 29 January 2021

**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.