

30 July 2021

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 June 2021 Quarterly Activities Report and attaches its Quarterly Cash Flow Report – Appendix 4C.

### Financial Results

- Revenue for the quarter was \$1,127,000. Much of the built environments in Aeris' global markets continue to be essentially 'locked down' and offline in terms of site access, occupancy and product usage. This has had an ongoing material impact on the Company's revenue.
- Year-to-date (YTD) revenue (unaudited) to 30 June 2021 is \$7,370,000, with a gross margin of 40%, reflecting the impact of the lower margin NSW Health business. Margins for the 2021-22 financial year are anticipated to trend in excess of 50%.
- Cash receipts were \$1,374,000 for the quarter (the 2020-21 financial YTD total is \$11,364,000).

### Operational Summary

- Aeris Defence, hospital-grade hard surface disinfectant with proprietary residual protection in a one-step application, has been launched. This product has been formulated with a competitive price point and features to address volume markets. Regulatory approval has been gained in multiple markets, including in Australia.
- A new distribution partnership has begun for Aeris' biocidal paper products and its environmental hygiene range with RapidClean, a highly-regarded group in the Australian wholesale cleaning industry.
- The commercial launch in the USA has commenced for the proprietary AerisGuard Bioactive Filter Treatment and AerisGuard Bioactive Surface Treatment.
- The independent laboratory testing of the Aeris Smart Polymer additive in Australia and China is showing it to be effective at killing COVID-19, in addition to its previously-announced bactericidal and fungicidal properties.
- Successful independent test results have been received for AerisGuard Bioactive Surface Treatment to approve COVID-19 kill claims in the USA (data is required for listing on Environmental Protection Agency (EPA) List N). Progress is being made to update the EPA registered label with new marketing claims.
- The Company has expanded, with additional staff to support marketing, channel management and sales activities.

## Commentary

### North America

Aeris is focused on expanding the distribution of its heating, ventilation, and air-conditioning (HVAC) and environmental hygiene range in North America, together with the sale of its two products – AerisGuard Bioactive Filter Treatment and AerisGuard Bioactive Surface Treatment. Existing EPA approvals for their use in HVAC and refrigeration is to be incorporated into 'safe re-opening' plans for protecting HVAC filters and surfaces against the colonisation of bacteria, fungi and viruses, including COVID-19.

After the successful evaluation of Aeris Bioactive Filter Treatment on the bus fleet of The Milwaukee Transport Transit Services, Inc, the Company is now working with several municipal transport operators to target the installation of their air filtration assets. Additionally, Aeris has focussed on business development in sectors that are currently 're-opening', including retail and fast food focussed customers.

The Company has now received independent laboratory results for AerisGuard Bioactive Surface Treatment to cover additional organisms. This product will be positioned as a general-purpose surface disinfectant, with Aeris' regulatory consultants working to have the additional claims registered with the U.S. EPA (allowing "COVID-19 kill", as well as being added to the EPA's List N for general purpose disinfectants).

### China

The Company is finalising the establishment of its wholly-owned foreign entity (WOFE). Aeris' WOFE in China will be in a positive position to develop strategic relationships, and joint ventures, in accordance with local ownership requirements, potentially opening both State and Federal business opportunities to the Company and its partners.

### Environmental Hygiene

Aeris has now expanded its senior sales and marketing resources to support the Company's commercial growth, with additional resources now being applied to the international launch of Aeris Defence. This product is available in a variety of presentations, including the ready-to-use and wipe format, and has been positioned with highly-competitive pricing, ease-of-use, and Australian Register of Therapeutic Goods listed surface disinfection claims, including COVID-19. Business development has been implemented with several distributors and end customers, with early feedback that Aeris Defence has a wide range of applications and attractive in-use features.

Aeris is pleased to announce that it has entered into a distribution partnership for its novel biocidal paper and environmental hygiene products with RapidClean, a national cleaning supplies group with over 65 stores throughout Australia and New Zealand, and with a turnover in excess of \$90 million per annum. RapidClean is well aligned to distribute the Company's portfolio of environmental hygiene products. An initial stocking order for the Australian domestic market has been received. Customer feedback has been positive and Aeris expects additional orders in the current quarter.

The Company is now implementing its commercial strategy to address the needs of its customers in dealing with the COVID-19 pandemic, which are targeting re-opening in various industrial and commercial markets internationally.

### Mould Remediation

Aeris has repositioned its mould remediation product range to build on its initial success with key projects in Australia. With clear branding, technical support and an enhanced distributor support programme, the Company's products are not only highly effective, but provide long-

term protection against surfaces becoming re-contaminated with mould, which has been a major challenge for Aeris' customers and insurers. The Company has rationalised the activities of its project team with a greater focus on product sales and technical support for its international channel partners.

### **Corrosion Protection**

Aeris Corrosion Protection Services is focussed on several original equipment manufacturers (OEMs) and downstream customer opportunities both in Australia and internationally. This business is now progressively re-opening as economic activity expands, particularly in the southern hemisphere. To-date, Aeris' expansion plans for the OEM corrosion business has been significantly impacted by the Company's inability to travel and to conduct plant trials.

### **Finance and Operations**

Aeris' YTD revenue (unaudited) to 30 June 2021 is \$7,370,000, with a gross margin of 40%, reflecting the impact of the lower margin NSW Health business. The Company's cash receipts (unaudited) were \$1,374,000 for the quarter (the 2020-21 financial YTD (unaudited) total is \$11,364,000). As of 30 June 2021, Aeris has (unaudited) net assets of \$15,200,000, including cash-at-bank of \$11,495,000.

### **Strategic Focus**

Since the commencement of the global COVID-19 pandemic, the Company has focussed many of its activities on assisting customers, distributors and, most particularly, health authorities in Australia. Aeris experienced significant supply chain challenges, and market access difficulties, during these unprecedented times. The Company is undertaking a comprehensive strategic review of its activities and priorities. To-date, this review has resulted in a sharp focus on the commercialisation and sales of Aeris' core differentiated product platforms, supported by key new senior appointments in sales, marketing and channel management, together with engaging consulting services to direct the Company's focus on sales growth. Specifically, Aeris is defining certain international markets as priorities, and is now targeting sales and distribution relationships that are expected to support these growth objectives.

### **Related Party Transactions**

Payments to related parties and their associates during the quarter were: property outgoings and other charges paid to the Company's landlord, Ramlist Pty Ltd, of which Non-Executive Director Maurie Stang is a director (\$30,000); 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 (\$11,000); research and development, and other expenses, paid to Novapharm Research (Australia) Pty Ltd on a cost recovery basis, of which Non-Executive Directors Maurie Stang and Steven Kritzler are directors (\$198,000); rent, corporate overheads, distribution and administration expenses paid to Regional Healthcare Group Pty Ltd, of which Non-Executive Director Maurie Stang is a director (\$210,000); and cash payments of Non-Executive Director's fees for a total of \$37,000 to Michael Ford and Abbie Widin.

### **Summary**

Recognising the significant variability of market conditions, lockdowns and re-openings as a result of COVID-19 and its variants, Aeris is now putting in place resources and strategies to support its customers' and distributors' current needs and requirements for growth. Core to this activity is a number of new products, product registrations and product presentations addressing the environmental hygiene needs of the Company's markets, and a greater focus on indoor air quality and asset protection that exists today.

Aeris is well capitalised, debt free and rolling out important strategic initiatives that are targeting the growth of annuity revenue and, indeed, better supporting the needs of its customers and distributors in this new environment.

#### **Aeris Environmental Ltd**

**Maurie Stang**  
Chairman

**Peter Bush**  
Chief Executive Officer

The Company's Quarterly Activities Report has been approved 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.

For more information, please contact:

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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

**19 093 977 336**

Quarter ended ("current quarter")

**30 JUNE 2021**

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1 Cash flows from operating activities</b>		
1.1 Receipts from customers	1,374	11,364
1.2 Payments for		
(a) research and development	(103)	(571)
(b) product manufacturing and operating costs	(728)	(6,896)
(c) advertising and marketing	(227)	(541)
(d) staff costs and Directors' fees	(565)	(2,242)
(e) administration and corporate costs	(962)	(3,384)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	4
1.5 Interest and other financial costs	(8)	(31)
1.6 Income tax refund received (including R&D tax offset)	277	688
1.7 Government grants and tax incentives	100	184
1.8 Others (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(842)</b>	<b>(1,425)</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 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	(51)	(70)
(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>(51)</b>	<b>(70)</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	12,364	12,949
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(842)	(1,425)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(51)	(70)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	23	40
<b>4.6 Cash and cash equivalents at end of period</b>	<b>11,494</b>	<b>11,494</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
915	1,786
-	-
-	-
10,579	10,578
<b>11,494</b>	<b>12,364</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
486
-

## 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
(842)
11,494
-
11,494
14



## 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 July 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.