

29 October 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 September 2021 Quarterly Activities Report and attaches its Quarterly Cash Flow Report – Appendix 4C.

### Financial Results

- Revenue for quarter was \$1,200,000. Much of built environment in Aeris' global markets are starting to emerge from 'lockdown', but site access, occupancy and product usage have not yet 'normalised'. This has an ongoing impact on revenue. Gross margin for quarter of 51%.
- Cash receipts were \$1,325,000 for quarter. Cash and cash equivalents of \$10,067,000 at end of quarter.

### Operational Summary

- Aeris' expanded Sales and Marketing resources have been focused on supporting launch of Aeris' 'Return to Work' programme highlighting Aeris Defence, AerisGuard filter treatment and HVAC hygiene in Australia, with multiple new distribution partners appointed.
- There is increasing business activity as New South Wales and Victoria come out of related COVID-19 lockdowns. With warmer weather in Australia, maintenance and service of HVAC, together with microbial protection are once again priorities, and are a targeted market for Aeris.
- A number of commercial priorities are being implemented both domestically and in Aeris' international markets. Focus is on revenue and supporting strategic partnerships across multiple vertical markets. Specifically, Aeris has identified certain technologies, such as its AerisGuard anti-microbial polymers, as having significant commercial opportunities internationally, and these will be supported by a new and improved supply chain.

### Commentary

#### Environmental Hygiene

The Company's new 'Return to Work' initiative is being supported by expanded sales and marketing activity, which is concentrating its efforts on both environmental hygiene, and HVAC microbial safety and efficiency. These programmes incorporate Aeris' new Aeris Defence product line, which is now being trialled or used at high-profile sites. This has led to the Company appointing multiple new wholesale distribution partners. Importantly, Aeris Active continues to be the preferred product for high-volume, high-risk applications, and is being used in various COVID-19 quarantine hotels and an international airport.

Aeris' 'Return to Work' programme is targeting a safe return for people to built spaces, including office spaces, schools, public transport and aged care.

Cleaning schedules, hygiene policies and good practices can play significant roles in protecting against COVID-19 (for more information, please refer to the Environmental Cleaning and Disinfection Principles for COVID-19, Department of Health). These target the three key transmission routes – surface, hand and air – which the Company's integrated and compatible portfolio of products addresses in both an environmentally-friendly and workflow-effective manner.

Aeris is now further investing in education, technical and marketing support for its network of dealers and customers both domestically and internationally, that are dealing with multi-faceted issues arising from the COVID-19 pandemic.

The Company believes that it is now putting in place more competitive pricing and a clearer value proposition to support the needs of Aeris' growing network of distributors, wholesalers, resellers and customers, each able to implement a portfolio of the Company's technologies relevant to and targeted at their particular needs and customers.

### **North America**

Whilst Aeris pursues certain EPA regulatory filings in the U.S., the Company is managing its costs in that market in recognition of the northern hemisphere winter season where HVAC maintenance activity is much lower. Aeris is focusing on identifying distribution partners to make its already-approved Bioactive Filter and Surface treatments available in the North American market.

### **China**

China remains an important component of the Company's international priorities with Aeris' attention on an improved supply chain, lower raw material costs, specialised value-added manufacturing and, equally, as a market for the Company's broad range of novel technologies.

Aeris' recently-established Shanghai office is working closely with new and existing partners to access key segments of the domestic market in China. The product range includes AerisGuard Active, Aeris Defence, hard surface disinfectants, anti-microbial paper and the HVAC hygiene range. Regulatory approvals for these products are underway and, importantly, the Company is evaluating material opportunities for the incorporation of its novel anti-microbial polymers in a range of applications in collaboration with leading Chinese manufacturers.

It is anticipated that with the recommencement of international travel a number of programmes Aeris has underway in China will be further enabled and it is likely that environmental hygiene will remain a priority product category both in the private and public sectors in China.

### **Mould Remediation**

The Company's mould remediation portfolio remains a strong opportunity with a range of novel and differentiated products that are not only highly effective, but provide long-term protection against surfaces becoming re-contaminated with mould. Aeris' project team is tasked with supporting the Company's key corporate customers with education and Indoor Environment Quality testing, and helping Aeris to be specified in a range of applications beyond its core market of water damage and disaster recovery. This extended product range together with the Company's technical support programme will be made available to distributors in Aeris' international markets, most of which have relatively-modest regulatory requirements for the application of mould remediation.

### **Corrosion Protection**

The Company's Corrosion Protection portfolio has been the subject of a number of important technical developments that will target the full spectrum of users from private individuals and tradesmen to original equipment manufacturers. Aeris is seeking to work with high-profile companies that can leverage the positive environmental and high-performance characteristics

of the Company's coatings range to downstream customers and distributors in the USA, the Middle East and Asia. This business is progressively re-opening as economic activity expands, particularly in the southern hemisphere, with Aeris being able to travel again soon and to conduct plant trials.

### Finance and Operations

The Company's revenue for the quarter was \$1,200,000. Much of the built environment in Aeris' global markets continues 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. Aeris' gross margin of 51% for the quarter was in line with budget. The Company's cash receipts were \$1,325,000 for the quarter. Cash and cash equivalents were \$10,067,000 at the end of the quarter.

### Related Party Transactions

Payments to related parties and their associates during the quarter were: property outgoings and other charges paid to Aeris' landlord, Ramlist Pty Ltd, of which Non-Executive Director Maurie Stang is a director (\$11,000); 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 (\$27,000); 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 (\$20,000); rent, corporate overheads, distribution and administration expenses paid to Regional Healthcare Group Pty Ltd, of which Non-Executive Director Maurie Stang is a director (\$186,000); Non-Executive Directors' fees totalling \$55,000 paid to Michael Ford, Abbie Widin and Jenny Harry.

### Summary

The Company is now implementing key priorities arising from a comprehensive strategic review of its commercial, marketing and technical activities. This has resulted in a sharp focus on commercialisation of Aeris' core differentiated product platforms in order to grow revenue. These priorities are supported by key new senior appointments in sales, marketing and channel management together with engaging consulting services to direct the Company's efforts on specific geographies, sales growth, improved service levels and building mutually-beneficial long-term partnerships.

Recognising the significant unpredictability of market conditions, lockdowns and re-openings as a result of COVID-19 and its variants, Aeris is now directing its investments and resources in a customer-focused manner with the flexibility to address additional market opportunities where and when they arise.

The Company is now focused, well capitalised and net debt free, with a strong portfolio of differentiated products and what it believes is an enhanced commercial model to capitalise on the significant investments made to-date.

### Aeris Environmental Ltd

**Maurie Stang**  
Chairman

**Peter Bush**  
Chief Executive Officer

The Aeris Quarterly Activities Report was authorised 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 SEPTEMBER 2021**

#### Consolidated statement of cash flows

|   | Current<br>quarter<br>\$A'000 | Year to date<br>(3 months)<br>\$A'000 |
|---|-------------------------------|---------------------------------------|
| <b>1 Cash flows from operating activities</b>             |                               |                                       |
| 1.1 Receipts from customers                               | 1,325                         | 1,325                                 |
| 1.2 Payments for  |                               |                                       |
| (a) research and development                              | (74)                          | (74)                                  |
| (b) product manufacturing and operating costs             | (928)                         | (928)                                 |
| (c) advertising and marketing                             | (85)                          | (85)                                  |
| (d) staff costs and Directors' fees                       | (540)                         | (540)                                 |
| (e) administration and corporate costs                    | (1,108)                       | (1,108)                               |
| 1.3 Dividends received                                    | -                             | -                                     |
| 1.4 Interest and other items of a similar nature received | -                             | -                                     |
| 1.5 Interest and other financial costs                    | (12)                          | (12)                                  |
| 1.6 Income tax refund received (including R&D tax offset) | -                             | -                                     |
| 1.7 Government grants and tax incentives                  | 10                            | 10                                    |
| 1.8 Others (provide details if material)                  | -                             | -                                     |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(1,412)</b>                | <b>(1,412)</b>                        |

| <b>Consolidated statement of cash flows</b>  | <b>Current<br/>quarter<br/>\$A'000</b> | <b>Year to date<br/>(3 months)<br/>\$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)                                    | (5)  |
| (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>(5)</b>                                     |
| <b>3 Cash flows from financing activities</b>  |  |  |
| 3.1 Proceeds from issues of equity securities<br>(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<br>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<br/>    equivalents for the period</b>         |  |  |
| 4.1 Cash and cash equivalents at beginning of period   | 11,486                                 | 11,486   |
| 4.2 Net cash from / (used in) operating activities<br>(item 1.9 above)                         | (1,412)                                | (1,412)  |
| 4.3 Net cash from / (used in) investing activities<br>(item 2.6 above)                         | (5)                                    | (5)  |
| 4.4 Net cash from / (used in) financing activities<br>(item 3.10 above)                        | -                                      | -  |
| 4.5 Effect of movement in exchange rates on cash held  | (2)                                    | (2)  |
| <b>4.6 Cash and cash equivalents at end of period</b>  | <b>10,067</b>                          | <b>10,067</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<br/>quarter<br/>\$A'000</b> | <b>Previous<br/>quarter<br/>\$A'000</b> |
|--|---|
| 287                                    | 907                                     |
| -                                      | -                                       |
| -                                      | -                                       |
| 9,780                                  | 10,579                                  |
| <b>10,067</b>                          | <b>11,486</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<br/>quarter<br/>\$A'000</b> |
|--|
| 299                                    |
| -                                      |

## 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<br>facility<br>\$A'000 | Amount<br>drawn<br>\$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 |
|---------|
| (1,412) |
| 10,067  |
| -       |
| 10,067  |
| 7       |

## 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 October 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.