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31 January 2005

Companies Announcement Office  
Australian Stock Exchange Limited

#### **QUARTERLY REPORT – APPENDIX 4C**

In accordance with Listing Rule 4.7B we attach the December 2004 Quarterly Report – Appendix 4C.

Aeris Technologies' Annual General Meeting was held on 25 November 2004 and gave the Company an opportunity to provide an update on its activities and details of the Company Plan. The Chairman and General Manager presented information on specific and significant revenue opportunities that the Company is pursuing in the key business units of commercial-air, residential-air and Original Equipment Manufacturing (OEM).

Following the Annual General Meeting the Company has been pleased to announce that its distributors in the Middle East and India have signed new contracts with Le Meridien Hotels, Grand Hyatt hotels and the Oberoi Hilton Group, who have all chosen to use the AerisGuard solution.

Additionally, Aeris Technologies announced that it has entered into a strategic partnership with ChemDry Australia, through which ChemDry will become a national applicator of the AerisGuard Total Air Care Pack for home air-conditioning systems. A pilot program is currently being conducted in Sydney prior to an expected national roll-out in early 2005. ChemDry has over 200 franchises in Australia and is the world's leading cleaning service with operations in over 40 countries. There is a strong strategic fit between Aeris Technologies and ChemDry with both organisations addressing issues related to contamination of the indoor environment.

In support of ChemDry and its other Australian residential applicators for the Total Air Care Pack, the Company commenced a broad media marketing



campaign focusing on newspaper, radio and direct mail, complimented by the new consumer orientated website [www.healthyair.com.au](http://www.healthyair.com.au).

Aeris is pleased to advise that in the quarter it successfully completed a further four new trials of its AerisCoat product with OEM's in Asia. This brings the total number of trials completed to twelve. These trials represent the start of the sales process with each customer and the Company expects revenue from OEM opportunities to commence in 2005.

In December 2004 the Company's US and French distributors presented to the Board a comprehensive business update of activities and opportunities in each region. The updates were very positive and were in line with the Board's expectations for growth in each market. Aeris plans to commit significant resources to ensure that the Company's distributors convert these opportunities into sustainable revenue streams.

Regulatory approval in the US and related markets continue to be a key priority for the Company. The Company and its EPA regulatory consultant are continuing to work closely with the EPA regulatory office to ensure the approval process is completed in an efficient manner.

As previously reported the Company has extended the payment terms given to distributors in the US and certain related markets in recognition of the interim impact of the requirement for EPA approval. This concession has had a direct impact on short term revenue and cash flow.

In the quarter, the Aeris team and distributor network continued to secure significant new business opportunities, many of which are expected to come to fruition through 2005. In markets where regulatory approvals are required this pre-sales activity should result in rapid acceleration of business upon registration.

## **Finance**

The first receipt of \$50,000 relating to the Export Market Development Grant (EMDG) was received in the quarter with a further payment of up to \$100,000 due later in the year depending on available funds from Austrade for its EMDG program.

The Company also benefited from a favourable exchange rate hedge contract which brought in an additional \$48,000 income in the quarter.

As previously reported the receipts from customers in the quarter were impacted by the US EPA registration process and were as forecast at \$152,000.

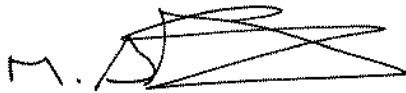
Operating expenses remained in line with forecasts, averaging \$238,000 per month over the quarter (excluding purchases).

The Company raised \$3.196 million from a placement of shares in October 2004. Aeris will use the funds to support and expand its international

regulatory efforts, to invest in the marketing and promotion of the Aeris and AerisGuard brands and to provide the Company with additional working capital.

Cash on hand at 31 December 2004 was \$2.83 million with no net debt and growing cash receipts in 2005 representing 12 months of operating cash at current expenditure levels.

Yours faithfully  
**Aeris Technologies Ltd**

A handwritten signature in black ink, appearing to be 'M. Stang', with a large, stylized flourish extending to the right.

**Maurie Stang**  
Chairman

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

**Aeris Technologies Ltd**

ABN

19 093 977 336

Quarter ended ("current quarter")

31 December 2004

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from customers	152	258
1.2 Payments for:		
(a) staff costs	(209)	(400)
(b) advertising and marketing	(70)	(120)
(c) research, development and patents	(80)	(193)
(d) leased assets	(30)	(36)
(e) other working capital	-	-
(f) other admin and corporate costs	(325)	(588)
(g) product purchased	(34)	(339)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	36	44
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid – R&D tax rebate	-	-
1.7 Other - Currency hedge	48	54
- Export Market Development Grant	50	50
<b>Net operating cash flows</b>	<b>(462)</b>	<b>(1,270)</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date \$A'000
1.8 Net operating cash flows (carried forward)	(462)	(1,270)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(18)	(41)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(18)</b>	<b>(41)</b>
1.14 <b>Total operating and investing cash flows</b>	<b>(480)</b>	<b>(1,311)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	3,283	3,376
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	(500)	-
1.19 Dividends paid	-	-
1.20 Other – share issue expenses	(130)	(130)
<b>Net financing cash flows</b>	<b>2,653</b>	<b>3,246</b>
<b>Net increase (decrease) in cash held</b>	<b>2,173</b>	<b>1,935</b>
1.21 Cash at beginning of quarter/year to date	660	898
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 <b>Cash at end of quarter</b>	<b>2,833</b>	<b>2,833</b>

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	80
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil

1.26 Explanation necessary for an understanding of the transactions

Payments for wages of \$4,914 and rent of \$27,500 were made to Regional Health Care Group, of which Messrs M Stang, B Stang and S Kritzler are directors. Payments for contracted R&D of \$40,908 were made to Novapharm Research (Australia) Pty Ltd and \$6,218 to Nanosonics Pty Ltd, of which Messrs M Stang, B Stang and S Kritzler are directors.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Not applicable

**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	250	Nil

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**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	230	485
4.2 Deposits at call	2,603	175
4.3 Bank overdraft	-	-
4.4 Other – bank accepted bills of exchange	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>2,833</b>	<b>660</b>

**Acquisitions and disposals of business entities**

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~does not~~\* (*delete one*) give a true and fair view of the matters disclosed.

*Robert Waring*

Sign here: \_\_\_\_\_ Date: 31 January 2005  
(Director/Company Secretary)

Print name: \_\_\_\_\_  
Robert J Waring

+ See chapter 19 for defined terms.

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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