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29 April 2005

Companies Announcements Office  
Australian Stock Exchange Limited

## QUARTERLY REPORT – APPENDIX 4C

In accordance with Listing Rule 4.7B we attach the March 2005 Quarterly Report – Appendix 4C.

### **ChemDry National Roll Out**

In February 2005 Aeris Technologies announced that it had successfully completed a pilot program with ChemDry Australia for the Aeris residential Total Air Care Pack air-conditioning protection system. This Pilot Program was put in place to validate both the commercial and technical potential of the Aeris residential program and was an unqualified success with excellent customer feedback. The marketing campaign featured Professor Kerryn Phelps and covered both mass media and direct mail. Based on the success of the pilot trial ChemDry and Aeris agreed to move forward with a full national roll-out to the 200 franchises across Australia. In March 2005 Aeris completed the training of the first 50 franchises.

ChemDry is the largest carpet cleaning organisation in Australia with over 200 active franchises that treat approximately 200,000 homes per year. Worldwide, ChemDry is a leader in providing carpet and soft furnishing cleaning and remediation with franchise networks in 40 countries and a total of 3,800 franchises. Their focus on health and allergy prevention is a perfect strategic fit with Aeris Technologies.

Aeris Technologies believes success in Australia will open up significant opportunities in the residential market to expand throughout the global ChemDry network of which Australia represents less than 10%.

The Total Air Care Pack is targeting revenues to Aeris of over \$1.5 million per annum in Australia within two years which represents less than 5% of the global opportunity for this unique air-conditioning protection system.



**New Product Development**

Aeris has commenced pre-launch trials of a new anti-corrosion coating product designed for application in HVAC systems post installation. Corrosion of HVAC components is a major global problem and significantly reduces the equipment life. The trials are being conducted in USA and Australia. Launch is expected August 2005 with an objective of significant commercial revenue in 2006.

**Japan Market Update**

Early in the quarter Aeris received confirmation that the complete range of the Company's products can be marketed in Japan without any additional regulatory requirements. Japan, the second largest HVAC market in the world (after USA), represents an outstanding opportunity for Aeris' complete product portfolio due to a major focus on energy saving and a parallel heightened concern for human health and safety.

Aeris has been in ongoing discussions with a number of potential significant partners and large customers in Japan. The Company progressed these discussions substantially during the quarter and in February conducted a demonstration of its products capabilities in a commercial building in Tokyo for one of that country's largest property groups. Whilst the finalisation of Aeris' entry into the Japanese market will require a formal process with the chosen master distributor, the Company is confident of entering this key market in 2005 and gaining strong momentum throughout 2006.

**CEO and Board Positions**

In the quarter Aeris announced the appointment of Mr Huw Jones as CEO and Executive Director of Aeris Technologies. Mr Jones has been invited onto the Board of Aeris as a reflection of the strong contribution he has made to the Company's development and focus to date.

Mr Howard Leibman resigned as a Director due to his other evolving commitments. The Board formally expresses its appreciation of Mr Leibman's contribution to Aeris since its inception.

**Aeris Global Headquarters**

Aeris completed the upgrade to its global headquarters in Sydney in March 2005. These new facilities will provide first class training amenities, enhanced operational capability and sufficient room to accommodate the Company's business plan.

**Finance**

As previously reported, the cash receipts from customers in the quarter were impacted by the US EPA registration process and timing of repeat orders from distributors, which will be positively reflected in the next quarter's results.

The Company benefited from a favourable exchange rate hedge contract which brought in an additional \$49,000 income in the quarter.

The Company is pleased to advise that its operating expenses continued to be in line with forecast and averaged \$230,000 per month over the quarter (excluding purchases).

The Company remains debt free with cash on hand at 31 March 2005 of \$2.33 million.

### **Recent Events**

#### **Indo-China Update**

Having gained local regulatory approval for Indo-China, Aeris distributor Trane corporation recently completed successful trials of the AerisGuard system which heralded the commencement of the commercial roll-out within the region.

#### **Australasia Partnership in Food Processing HVAC Market**

Aeris is pleased to advise that the Company has signed a Memorandum of Understanding (MOU) with Ecowize Holdings Pty Ltd for the application of the Aeris HVAC technologies in the food processing industry in Australia and New Zealand.

Ecowize is a leading provider of specialized hygiene, cleaning and sanitation services to the food processing industry in Australasia and South Africa employing a total of 2,000 people, with 500 in Australasia.

The significant need within the food processing industry for uncontaminated air and Ecowize's focus on hygiene solutions is a perfect strategic fit with Aeris Technologies and the unique benefits of the AerisGuard air-conditioning protection system.

The MOU provides Ecowize an exclusive distribution agreement within the food processing industry of Australasia and the additional opportunity for Aeris to enter the substantial South African market. Revenues from the agreement are expected to commence late 2005 leading to substantial growth in 2006.

Yours sincerely



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 March 2005

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from customers	12	270
1.2 Payments for:		
(a) staff costs	(222)	(622)
(b) advertising and marketing	(115)	(235)
(c) research, development and patents	(55)	(248)
(d) leased assets	(16)	(52)
(e) other working capital	-	-
(f) other admin and corporate costs	(282)	(869)
(g) product purchased	(14)	(353)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	36	80
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid – R&D tax rebate	-	-
1.7 Other - Currency hedge	49	103
- Export Market Development Grant	-	50
<b>Net operating cash flows</b>	<b>(607)</b>	<b>(1,877)</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)	(607)	(1,877)
<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	(6)	(47)
(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>(6)</b>	<b>(47)</b>
1.14 <b>Total operating and investing cash flows</b>	<b>(613)</b>	<b>(1,924)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	111	3,487
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other – share issue expenses	-	(130)
<b>Net financing cash flows</b>	<b>111</b>	<b>3,357</b>
<b>Net increase (decrease) in cash held</b>	<b>(502)</b>	<b>1,433</b>
1.21 Cash at beginning of quarter/year to date	2,833	898
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 <b>Cash at end of quarter</b>	<b>2,331</b>	<b>2,331</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	61
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 \$1,596 and rent of \$18,167 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 \$36,883 were made to Novapharm Research (Australia) Pty Ltd and \$3,895 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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**Appendix 4C**  
**Quarterly report for entities**  
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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	94	230
4.2 Deposits at call	2,237	2,603
4.3 Bank overdraft	-	-
4.4 Other – bank accepted bills of exchange	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>2,331</b>	<b>2,833</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: 29 April 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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