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EXTRACT

Contents

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Aeris Technologies Ltd (AEI)



Sector Industrials	Industry Group Capital Goods	Industry Building Products	Sub Industry Building Products
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Company Overview

AEI is an integrated environmental services company founded on over a decade of R&D. It is focused on the global markets for the control of biological contamination in air-conditioning, cold storage refrigeration and large water systems. The market opportunity is driven by a growing demand for energy conservation, improved environmental hygiene and increased concerns about the health risks associated with microbial contamination.

Strategy

AEI has developed a strong direct-to-market strategy, which is being implemented in key markets in Australia and the USA and was bolstered by the recent acquisition of an environmental company on the east coast of America. This direct model is supported by distribution partnerships with Sumitomo 3M in Japan and Trane in the Asia-Pacific region. The company is focusing on energy reduction, refrigeration hygiene and water treatment where it recently won a service contract with BHP Billiton.

Aegis Comments

Outlook: We see AEI continuing to refine its activities to focus on a high, value-add direct service model with long-term recurring contracted revenue. This will be driven by the high-profile commitment of several multi-national corporations to lowering energy consumption, improving air-quality and optimising productivity. Indications are that the uptake of AEI's technology in the food sector is increasing, while recent acquisitions will bolster the company's US presence.

Catalysts: There are several catalysts investors should monitor: increasing sales from Sumitomo 3M in Japan; growing sales from Trane as it takes AEI's full suite of products into the rest of Asia; increasing OEM corrosion protection orders; uptake by multi-nationals based on energy reduction following trials; further contracts (BHP already signed) for AEI's water treatment products to the mining and groundwater treatment markets; and growth in Aeris Hygiene Services' food hygiene direct service business.

Risks: AEI is in the early stages of commercialisation. Expansion into new application verticals and geographic regions may face lower than expected product take-up rates. Its R&D investment into biofilm resistant polymers with the CSIRO might take longer than planned to commercialise. However, with \$3.5M in cash (as at Mar-07), a quarterly cash burn of about \$800,000 and growing revenues, AEI should be able to execute its business plan without undue interruption.

Key investment information

Price:	\$0.47
Price as at:	09-Jul-07
Market Cap (\$M):	42.0
Equiv. Shares (M):	89.36
% Market:	0.00
12Mth Range (\$):	0.41 - 0.75
Shares Traded (\$M pa):	5.3
Listed since:	July 2002
Index:	n/a

Share price performance



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Earnings Summary

Yr to Jun	NPAT Rep \$M	NPAT ¹ Adj \$M	EPS ¹ c	EPS chg %	PER x	PER rel All Ords x	PER rel Sector x	DPS c	Yield %	Franking %	ROE %
2005A	(3.3)	(3.3)	(6.8)	n/a	(6.9)	(0.3)	(0.2)	0.0	0.0	0	(79.3)
2006A	(3.5)	(3.5)	(4.0)	n/a	(11.5)	(0.6)	(0.4)	0.0	0.0	0	(90.5)

¹ NPAT and EPS are adjusted by removing non-recurring items and goodwill. All the above statistics are derived from normalised earnings.

Financial Stability

Balance Sheet (Y/E Jun)	05A	06A
Net debt (cash) (\$M)	(8.2)	(5.9)
Total assets (\$M)	9.4	7.1
Net debt/equity (%)	(91.0)	(89.0)
Net interest cover (x)	n/a	n/a
NTA per share (\$)	0.16	0.08
Current ratio (x)	23.9	13.1

As at 30-Jun-06

Net debt (cash) (\$M)	(5.9)
Net debt (cash) / shr (\$)	(0.07)
Net debt (cash) / MktCap (%)	(14.0)

Substantial Shareholders

M Stang	19.9%
B Stang	15.5%
S Kritzler	15.4%

Board

M Stang (Non-Executive Chairman)
H Jones (Executive Director, Chief Executive Officer)
S Kritzler (Non-Executive Director)
B Stang (Non-Executive Director)

Industries Of Operation

AEI operates in the large markets of water treatment, energy reduction and indoor air quality, with a total estimated opportunity value of over \$5B. There is a growing appreciation that the current methods of dealing with biological contamination in the air-conditioning and refrigeration systems in buildings, the food industry and bulk water systems are deficient, resulting in system inefficiencies, energy wastage and an unhealthy indoor environment.

Differentiating Factors

AEI enjoys broad international patent protection on its technologies and a complete suite of products to address the customer's specialist biological contamination issues. Importantly, AEI's technologies are focused on "prevention" rather than "cure" and provide ongoing protection of the customers' capital assets and staff, thereby optimising the hygiene, energy and productivity benefits.

Recent Announcements

28 May 2007: AEI's US subsidiary has acquired a 60% stake in Aeris Atlantic, gaining a foothold in the US environmental services market. Aeris Atlantic is experiencing strong growth, targeting CY09 revenues of \$11M. The acquisition is in keeping with AEI's strategy of pursuing a direct model in the US and offers the company access to existing supply contracts with several well known US companies. AEI will offer shares as consideration for the acquisition and provide a loan to finance working capital needs.

27 March 2007: AEI has secured a \$150,000 p.a. contract with BHP to supply and apply its Multi-Enzyme technology, as well as monitor the on-going biofilm levels in the mine's large underground water system. This contract follows lengthy trials with BHP during which the AEI technology was validated on-site and in real working conditions. AEI technology will enhance productivity and improve management of biological contamination in BHP's 6 kilometre, high volume throughput water circuit.

26 February 2007: AEI entered into an agreement with Food Science Australia (a joint venture of CSIRO and the Victorian Government) to conduct a 2-month study to document the energy saving benefits of the Company's unique AerisGuard™ Cool Room Performance Solutions in cold storage environments.

26 February 2007: AEI announced that it had established new operations in Philadelphia to support the company's future growth in the USA. The US is the largest air-conditioning and refrigeration market in the world and has the greatest awareness of the broad range of environmental and energy savings benefits offered by AEI's patented technologies. The new US entity, Aeris Technologies LLC, offers the company the ability to capitalise on opportunities in the significant and growing US market.

Capital Structure

AEI's capital structure is composed of common shares. AEI has issued options in the past and operates an Employee Share Option Plan. Total options outstanding represent less than 2.0% of the total shares and have exercise prices ranging from 47¢ to 68¢.



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