



Aeris Technologies Ltd
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27 October 2005

Companies Announcements Office
Australian Stock Exchange Limited

QUARTERLY REPORT – APPENDIX 4C

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

This report should be read in conjunction with the Company's 2004/2005 Annual Report which was submitted to the ASX on 30 September 2005.

AerisCoat OEM Corrosion Protection Contracts

In July 2005 Aeris Technologies received its first order for its unique AerisCoatTM OEM (original equipment manufacture) Corrosion Protection product. The order for 2,000 litres was from SKM in the United Arab Emirates, one of the leading manufacturers of residential and commercial air-conditioning equipment in the Gulf region. It is expected that the SKM business will grow over the next 24 months generating an estimated \$500,000 to \$750,000 in annual sales revenue to Aeris Technologies.

At the beginning of September Aeris announced that it had received its second order for the AerisCoat product, this time from Voltas in India. Voltas is a leading diversified Indian company and the largest manufacturer of commercial and residential air-conditioning equipment in India. As Voltas expands the use of the AerisCoat product throughout its production plants it is expected to generate annual revenues of \$750,000 to Aeris Technologies.

The winning of this second OEM customer in two months adds significant momentum to Aeris' global OEM business.



Sales activity for the OEM Corrosion Protection technology is now focused on opportunities in the Asian and North American regions. This technology does not require EPA approval in the USA.

Japan

Aeris received the first commercial order from Sumitomo 3M in the September quarter. 3M are the Aeris' master distributor in Japan and this order will support 3M's planned launch of the AerisGuard product range in late 2005.

Aeris will explore opportunities to expand its relationship with 3M to other regions where appropriate; based on the expected success in Japan.

Indochina

Sales momentum in Indochina is building with Trane, Aeris' master distributor, developing opportunities with AerisGuard Commercial-Air, AerisCoat OEM Corrosion Protection and AerisCoat OnSite Corrosion Protection products. Trane is a globally recognised brand in the air-conditioning industry and it is expected that success in Indochina will open up opportunities to work with Trane in other regions.

Australian Residential Sales

As the Australian summer approaches, sales momentum continues to build in Australia for the residential Total Air Care Pack. The Company now has 40 home air-conditioning service companies and 120 ChemDry franchises trained as Aeris Accredited Applicators. Aeris will commence its summer promotional campaign in late October; including television advertorials, print media and direct mail campaigns.

R&D Grant

In August 2005, in conjunction with the University of New South Wales, Aeris was awarded a \$540,000 Australian Research Council ARC Linkage Grant. The grant covers a period of three years from July 2005 and will fund research into substantially broadening the Aeris enzyme applications and product portfolio. This new range of enhanced enzymes is to be achieved through chemical modification technology thereby offering Aeris new opportunities across a broad range of novel applications.

The potential commercial outcomes of the research include temperature sensitive applications, significant cost advantages and the potential to use Aeris formulations in the large potable water and food contact markets. This research project has already delivered a significant result whereby Aeris has successfully extended the range of operating temperatures at which one of its key enzymes retains full activity. This outcome will further expand the market opportunities arising from the Company's enzyme technology into areas such as hot water applications.

The expansion of the Company's advanced enzyme technology will significantly strengthen its intellectual property portfolio and Aeris intends to invest resources to take advantage of the resulting extensive commercial opportunities.

New Product Development

In the quarter the Company successfully completed pilot trials of its new AerisCoat OnSite™ Corrosion Protection technology. OnSite is from the same technology stable as the Company's successful AerisCoat OEM Corrosion Protection product and is designed for application in HVAC (heating ventilation and air-conditioning) systems post installation. The product has wide applications in the HVAC market in all geographic markets throughout the world.

In September Aeris launched OnSite in Thailand with Trane, its master distributor. The Thailand market is expected to provide a substantial opportunity for the OnSite product and Aeris anticipates it will generate upwards of \$2 million per annum in revenue in Thailand by 2008.

OnSite will be also launched in Australia, USA and India over the next six months. The OnSite product does not require EPA approval in the USA.

Regulatory Update

As previously announced, Aeris Technologies has prepared a number of applications for submission to the US Environmental Protection Agency (EPA). On 16 May 2005 the Company informed the market that it had submitted the Bioactive Coil Treatment (BACT) product for registration and subsequently announced that it had been allocated a 120 day review period by the EPA. In the quarter the EPA subsequently stated that the BACT product required an additional period of evaluation. This change in assessment does not appear to be related to any specific concerns about our product, its claims, or safety profile but more to the novelty of the technology.

Aeris and its regulatory consultants continue to work closely with the EPA to provide additional information with respect to this product. The Company's expert regulatory consultants believe that the Aeris case is compelling and it is expected that Federal EPA registration would now occur early 2006.

In the meantime, Aeris' master distributor in the USA is focused on progressing a number of AerisCoat OEM and AerisCoat OnSite Corrosion Protection opportunities in the region with these products not requiring EPA approval.

Finance

Cash receipts from operations in the quarter were \$370,000. In addition, the Company received \$773,000 in cash in the quarter from the exercise of share options.

The Company is pleased to advise that operating expenses continued to be in line with forecast and averaged \$266,000 per month over the quarter (excluding purchases of inventory).

Aeris cash position remains very strong with cash on hand of \$8.43 million at 30 September 2005 and the Company remains debt free.

Yours sincerely

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")

30 September 2005

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from customers	135	135
1.2 Payments for:		
(a) staff costs	(341)	(341)
(b) advertising and marketing	(63)	(63)
(c) research, development and patents	(73)	(73)
(d) leased assets	(66)	(66)
(e) other working capital	-	-
(f) other admin and corporate costs	(256)	(256)
(g) product purchased	(39)	(39)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	124	124
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid – R&D tax rebate	80	80
1.7 Other - Currency hedge	-	-
- Export Market Development Grant	-	-
- Rent	31	31
Net operating cash flows	(468)	(468)

+ 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)	(468)	(468)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(53)	(53)
(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)	-	-
Net investing cash flows	(53)	(53)
1.14 Total operating and investing cash flows	(521)	(521)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	773	773
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	-	-
Net financing cash flows	773	773
Net increase (decrease) in cash held	252	252
1.21 Cash at beginning of quarter/year to date	8,182	8,182
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	8,434	8,434

+ 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	96
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 rent of \$64,000 were made to Ramlist Pty Ltd, of which B Stang is a director. Payments for contracted R&D of \$19,903 were made to Novapharm Research (Australia) Pty Ltd and \$11,728 to Nanosonics Pty Ltd, of which Messrs M Stang, B Stang and S Kritzier 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

+ See chapter 19 for defined terms.

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

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	205	5,867
4.2 Deposits at call	8,229	2,315
4.3 Bank overdraft	-	-
4.4 Other – bank accepted bills of exchange	-	-
Total: cash at end of quarter (item 1.23)	8,434	8,182

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	None	None
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: 27 October 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.

+ See chapter 19 for defined terms.