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28 March 2006

Companies Announcements Office  
Australian Stock Exchange Limited

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

In accordance with Listing Rule 4.7B we attach the March 2006 Quarterly Report – Appendix 4C.

#### **Highlights**

- Key regulatory approval gained for USA for core product
- Aeris Technologies recognised by the National Asthma Council of Australia
- Corrosion protection technology passes key performance tests in USA
- Company awarded \$150,000 Export Market Development Grant

#### **Key EPA Registration Granted in USA**

In November 2005 Aeris Technologies advised that it expected its key Bioactive Coil Treatment product to receive Federal EPA regulatory approval in the USA in the first quarter of 2006.

The Company was therefore very pleased to confirm in March 2006 that it had received notification from the US Federal EPA that its core Bioactive Coil Treatment has gained approval. This registration, which gives the Company unique anti-microbial claims, is a major milestone for the Company and was completed in the timeframe advised. The Company is now able to achieve individual State registration, which are administrative only and granted quickly as a matter of course, and this is not expected to impact the roll-out of the products.



Importantly the registration now allows Aeris to promote its AerisGuard environmental hygiene system in the USA, the largest air-conditioning market in the world.

This EPA approval is also highly supportive of negotiations the Company is currently undertaking with a major multi-national organization in relation to a range of market opportunities in the USA and potentially other key global markets.

Whilst a normal commercial lead-time for sales applies the Company has been actively preparing for its launch into the USA and as part of this ramp up Aeris' Sales Manager and Technical Manager have just returned from the USA where they were planning promotional activities with major distribution partners at the NADCA Annual Conference, the peak body for the US air-conditioning industry.

### **Corrosion Protection**

As previously announced Aeris Technologies has provided HVAC coils coated with AerisGuard OEM Corrosion Protection (previously named AerisCoat) to a number of large manufacturers in the USA.

As part of one manufacturer's validation process they are conducting a series of independent performance tests on the Aeris corrosion protection coating.

In the quarter Aeris successfully passed three of the six tests. The remaining tests should be complete by the end of June 2006.

Aeris is confident of passing all six tests which will then open up large sales opportunities with this global manufacture of air-conditioning and refrigeration systems.

### **Refrigerated Food Storage Market**

Last quarter, Aeris announced the signing of a Memorandum of Understanding (MOU) with Steriair Coolroom Cleaning Services Pty Ltd for the application of the AerisGuard HVAC hygiene technologies in perishable foodstuff cool room installations in Australia.

Steriair have now successfully treated 25 cool rooms with the AerisGuard system with outstanding results on the hygiene levels and efficiency of the cooling equipment.

Aeris is now exploring expansion plans of the refrigeration business model in Australia and also in select overseas markets.

### **Water Treatment**

Following the formation of Aeris Biological Systems Pty Ltd (a wholly owned subsidiary of Aeris Technologies Limited) in November 2005, the Company

has performed a number of successful applications of its patented AerisGuard Multi-Enzyme Biofilm Cleaning product in both cooling towers and large industrial water systems.

Aeris Biological Systems (ABS) has gained the commitment from a mining operation in New South Wales which is part of an international resources group, to apply the AerisGuard biofilm removal system to its dust retention water supply. The product will be dosed into the water system every month to control the growth of biofilm. Biofilm issues are common in the majority of underground mines and this first account will now open up larger sales opportunities in the mining industry both in Australia and overseas. It is anticipated that each mine will generate between \$40,000 and \$100,000 revenue to Aeris each year.

In addition ABS is in discussions with a large paper mill in Australia to apply the AerisGuard biofilm cleaning product to their DAFT (dissolved air flotation tank) water system. It is anticipated that a paid trial at the paper mill will occur in May or June 2006 with a successful outcome again opening up wider opportunities in the paper industry.

### **Aeris Technologies recognised by the National Asthma Council of Australia**

The National Asthma Council of Australia has officially recognised the AerisGuard Total Air Care Pack as a product that helps to reduce the exposure of asthma and other allergy sufferers to potential allergy triggers.

Aeris Technologies is 1 of only 6 companies to be included in a new National Asthma Council program, "Sensitive Choice" that helps consumers to instantly identify better choices for managing their asthma and allergies.

According to the National Asthma Council Chairman, Assoc Prof John Wilson, "more than two million Australians have asthma and any initiative that can help them manage their asthma by making better purchase decision will be a significant benefit. In the same way that the National Heart Foundation's tick indicates a better food choice for heart-health, the 'Sensitive Choice' butterfly will become synonymous with a better choice of product for any one with allergy or asthma." The program is called "Sensitive Choice" and allows Aeris Technologies to feature the "Sensitive Choice" butterfly logo on promotional material and packaging of the AerisGuard Total Air Care Pack.

Aeris' involvement in this beneficial initiative is well aligned with the Company's products and target consumer groups. As such, it is expected to greatly assist in its ongoing campaign to raise awareness of the issues associated with indoor air quality in Australian homes and buildings and in promoting sales of Aeris' residential products.

## **Senior Management Appointments**

The recent appointment of a new global sales manager and global marketing manager has further strengthened the skill and experience base of the Aeris team.

Rob McLean has joined as Global Sales Manager. Rob has a degree in chemistry and significant experience in international distributor management and senior business development. He spent over 10 years with one of the leading global chemical companies, Eastman, both in senior international sales and marketing roles. In addition he has lived in USA and China and speaks conversational mandarin. Rob brings a wealth of international experience together with a critical understanding of the manufacturing industry which is fundamental to Aeris' OEM business opportunity.

Andrew Young has joined as Global Marketing Manager. Andrew has a degree in commerce, an MBA and a wealth of senior marketing management experience in a wide variety of business to business (B2B) and business to consumer (B2C) organisations. Prior to joining Aeris Andrew was a Senior Partner Marketing Manager at Singtel Optus and Global Product Manager at Aristocrat. Andrew's depth and breadth of marketing experience and his understanding of the full marketing mix will continue to drive our success in the consumer, commercial and OEM markets.

## **Export Market Development Grant**

In the quarter the Company received notification from Austrade that it had been awarded the maximum Export Market Development Grant (EMDG) cash reimbursement of \$150,000 for the financial year 2004/2005.

The Company received the initial payment of \$70,000 in the quarter and the balance will be received in June 2006.

The EMDG scheme is the Australian Government's principal financial assistance program for aspiring and current exporters and supports Australian businesses to develop export markets. It reimburses up to 50 per cent of expenses incurred on eligible export promotion activities.

This is the second consecutive year that Aeris has successfully applied for the EMDG scheme and the Company is eligible to apply for a further five years.

## **Finance**

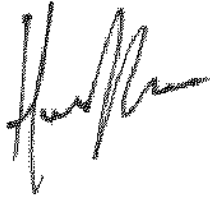
Cash receipts from operations in the quarter were \$254k.

Operating expenses rose slightly in the quarter as a result of increased investment in marketing awareness activities in the Australian residential market. Expenses are expected to continue to remain at the same level over the next 3-6 months following USA regulatory approval of the Company's core product at the end of March 2006. As previously stated, the EPA regulatory

approval opens up the world's largest air-conditioning and refrigeration market and the Company is now focussing significant resources on the USA to take advantage of this opportunity.

Aeris cash position remains very strong with cash on hand of \$6.72 million at 30 March 2006 and the Company remains debt free.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Huw Jones', written in a cursive style.

Huw Jones  
Chief Executive Officer

# 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 2006

### 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	46	435
1.2 Payments for:		
(a) staff costs	(367)	(1,042)
(b) advertising and marketing	(443)	(576)
(c) research, development and patents	(126)	(320)
(d) leased assets	(86)	(221)
(e) other working capital	-	-
(f) other admin and corporate costs	(399)	(863)
(g) product purchased	-	(120)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	107	349
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid – R&D tax rebate	-	80
1.7 Other - Export Market Development Grant	70	70
- Rent received	31	92
<b>Net operating cash flows</b>	<b>(1,167)</b>	<b>(2,116)</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)	(1,167)	(2,116)
<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	(38)	(120)
(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	(1,200)	(1,200)
1.12 Loans repaid by other entities	1,200	1,200
1.13 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(38)</b>	<b>(120)</b>
1.14 <b>Total operating and investing cash flows</b>	<b>(1,205)</b>	<b>(2,236)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	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	-	-
<b>Net financing cash flows</b>	<b>-</b>	<b>773</b>
<b>Net increase (decrease) in cash held</b>	<b>(1,205)</b>	<b>(1,463)</b>
1.21 Cash at beginning of quarter/year to date	7,924	8,182
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 <b>Cash at end of quarter</b>	<b>6,719</b>	<b>6,719</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	267
1.25	Aggregate amount of loans to the parties included in item 1.11	1,200

1.26 Explanation necessary for an understanding of the transactions

Payments for rent of \$134,400 were made to Ramlist Pty Ltd, of which B Stang is a director. Payments for contracted R&D of \$117,001 were made to Novapharm Research (Australia) Pty Ltd and \$15,100 to Nanosonics Ltd, of which Messrs M Stang, B Stang and S Kritzler are directors. Payments for contract staff of \$471 were made to Regional Health Care Group, of which Messrs M Stang, B Stang and S Kritzler are directors. During the quarter a secured short term loan of \$1.2 million was advanced to Nanosonics Ltd (of which Messrs M Stang, B Stang and S Kritzler are directors) at a premium to the then current market interest rate. The secured loan was repaid in full including interest during the quarter.

**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	147	229
4.2 Deposits at call	6,572	7,695
4.3 Bank overdraft	-	-
4.4 Other – bank accepted bills of exchange	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>6,719</b>	<b>7,924</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	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: 28 April 2006  
(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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+ See chapter 19 for defined terms.