

Aeris Technologies Ltd  
ABN: 19 093 977 336  
Level 1, 5/26-34 Dunning Ave  
Rosebery NSW 2018

Tel: 1300 557 481  
Tel: +61 2 8344 1315  
Fax: +61 2 9697 0944

31 July 2006

Companies Announcements Office  
Australian Stock Exchange Limited

## **QUARTERLY REPORT – APPENDIX 4C**

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

### **Highlights**

- Second EPA registration granted in USA
- AerisGuard™ OEM Corrosion Protection order from Trane
- Acquisition of food storage hygiene company
- New direct service subsidiary formed in Australia

### **Regulatory Approvals**

At the beginning of May Aeris Technologies received notification from the US Federal EPA (Environmental Protection Agency) that its patented AerisGuard Bioactive Filter Treatment product had gained regulatory approval.

The Bioactive Filter Treatment registration was an important milestone for the Company in the USA and is now going through the administrative process of achieving individual State registration.

This product is an important component of the Company's AerisGuard environmental hygiene system being marketed in the USA, the largest air-conditioning market in the world.

The EPA's decision strongly supports the Company's and its US associates' sales activities as they work to secure potentially lucrative contracts in the USA.



### **AerisGuard Corrosion Protection**

In the quarter the Company announced that it had received its first commercial order for its AerisGuard OEM Corrosion Protection product from one of the world's leading manufacturers of air-conditioning and refrigeration systems.

The order from Trane Thailand was for an initial 2,000 litres and the account is expected to scale up to an estimated \$650,000 in annual sales revenue to Aeris Technologies within the first two years.

Trane is a subsidiary of American Standards (a Fortune 500 company) and importantly has 28 manufacturing operations around the world.

Aeris's focus on the leading air-conditioning and refrigeration manufacturers was previously announced in the December 2005 quarterly report and it is therefore particularly pleasing that Trane has chosen the Company's technology to begin application in one of its key South East Asian production centres.

The successes with SKM and Voltas substantially validated the Company's technology, however receiving an order from a globally recognised company such as Trane provides an exceptional endorsement of the commercial opportunity of the AerisGuard Corrosion Protection technology across the global markets.

Aeris Technologies continues to be in active discussions with a number of other OEM manufacturers.

### **Refrigerated Food Storage Market**

In June the Company's new direct service subsidiary, Aeris Hygiene Services Pty Ltd, completed the acquisition of the operating business (including client base, agreements and work in progress) of Steriair Coolroom Cleaning Service Pty Ltd (Steriair).

Aeris Hygiene Services (AHS) was specifically formed to focus on the supply and application of the Company's unique AerisGuard Bioactive hygiene protection technology to cool-room refrigeration systems in Australia and New Zealand.

Steriair commenced operations in 2005 and entered into an MOU (memorandum of understanding) with Aeris in November 2005 for the application of the AerisGuard system in the substantial refrigerated food market. A series of highly successful commercial trials in cool storage facilities at Flemington Market in Sydney demonstrated that the unique AerisGuard Bioactive solutions cleaned and protected the refrigeration systems and the cool-room environment from biofilm and mould contamination and provided the cool-room operators with measurable efficiency improvements in the equipment.

The management of Steriair has a depth of experience and contacts in the Australasian and South East Asian fresh produce markets and has start-up annualised sales of approximately \$200,000.

The acquisition of Steriair will be satisfied with the issue of 150,000 Aeris Technologies Ltd share options with an exercise price of 51 cents and an expiry date of 19 June 2011 and this will have very limited dilutionary impact on the capital of the Company.

The purpose of the Steriair acquisition was to rapidly grow AHS in the food safety and storage market in Australia and New Zealand by targeting major corporations who require a safe refrigeration environment from producer to retailer, and to then expand into Aeris' established export markets.

Significantly, the acquisition also heralds the Company's intention to utilise a direct sales and service approach in markets where no 3<sup>rd</sup> party distribution channel currently exists.

AHS market research has highlighted that whilst a significant number of cool-room refrigeration systems in Australia are contaminated with mould and bacteria, most are not cleaned. This contamination, as well as being a hazard to food hygiene, also significantly reduces the efficiency of the cooling equipment leading to poor temperature and humidity control - potentially reducing the shelf-life of the foodstuff.

Importantly for AHS, this hygiene issue is commonly in plain view with mould growing on the refrigeration system and the surrounding walls and ceiling. As food hygiene requirements become ever more stringent for food producers, processors and retailers, the total opportunity for cool-room refrigeration hygiene services in Australia is estimated to be in excess of \$100 million per year and includes the fresh produce, meat, seafood, food retail, hospitality, refrigerated transport and pharmaceutical industries.

AHS was commercially fully operational on 1<sup>st</sup> July 2006, and will be targeting a rapid growing business in Australia before expanding the footprint into the Company's export markets.

The Company's distribution partner in Japan, Sumitomo 3M, has already shown interest in entering the refrigeration market with the AerisGuard hygiene system with initial pre-launch trials expected in the next quarter.

### **Indochina Market Update**

Aeris and Trane continue to make positive inroads into the Indochina market with Trane's direct key accounts now actively implementing both AerisGuard hygiene and corrosion protection programs throughout Bangkok and surrounding territories.

The ongoing regional dealer applicator network education program is also being well received and the network continues to grow. This is now being reflected in demand for the products as more companies understand the unique business benefits associated with AerisGuard.

Aeris' Technical Services Manager recently travelled to Thailand to supervise and assist in initial critical applications at several large scale industrial and resort hotels throughout the greater Bangkok region and Phuket.

In Bangkok a major manufacturing facility presented an opportunity for Trane and Aeris to provide a corrosion solution that is critical in reducing the energy demand of the HVAC systems. The positive results from the initial trial are expected to fully convert the site and 3 other facilities owned by the company to both AerisGuard Hygiene and AerisGuard Maintenance Corrosion Protection.

With the successes now achieved in Indochina, other Trane offices throughout the Asia Pacific region are now expressing interest in adopting the AerisGuard Hygiene and Corrosion Protection systems.

### **Water Treatment**

Aeris's water treatment subsidiary, Aeris Biological Systems, continues to work with a number of customers across a diverse range of industries.

Biofilm fouling of water circuits is an extremely common occurrence worldwide and can result in significant reduction in system efficiency and corrosion of the infrastructure. Awareness of these issues is increasing and Aeris is now targeting a number of large global industrial companies with large industrial water systems with the Company's patented AerisGuard Multi-Enzyme Biofilm Cleaning product.

In the quarter the Company completed the second application of its product in a large underground mine in Australia and started working with a large groundwater remediation plant on solving their growing biofilm issue. In addition the trial at a paper mill in Australia is expected to commence at the beginning of August.

### **Senior Management Appointments**

The recent appointment of a General Manager, Grenville Delfs for the newly formed Aeris Hygiene Services has further strengthened the skill and experience base of the Aeris team.

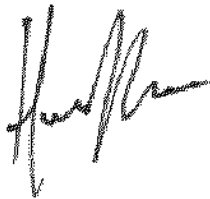
Grenville has a degree in chemistry, has held a number of senior management positions for well respected global companies and has a strong background in running services businesses. Prior to joining Aeris Grenville worked for Orica Chemnet and Ecolab as Division Manager. He brings a wealth of service and technology experiences to Aeris which he will now use

to build on the foundations laid by Steriair and drive the expected high growth of Aeris Hygiene Services.

### **Finance**

The Company had a positive last quarter with actual (unaudited) total income of \$538,076 with product sales revenue of \$350,134.

Cash receipts from operations in the quarter was \$278,000, the cash position remains very strong with cash on hand of \$6.01 million at 30 June 2006 and the Company remains debt free.



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")

30 June 2006

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 mths) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from customers	80	515
1.2 Payments for:		
(a) staff costs	(395)	(1,437)
(b) advertising and marketing	(66)	(642)
(c) research, development and patents	(192)	(688)
(d) leased assets	(70)	(291)
(e) other working capital	-	-
(f) other admin and corporate costs	(162)	(849)
(g) product purchased	(65)	(185)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	87	437
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	80	150
- Rent received	31	123
<b>Net operating cash flows</b>	<b>(672)</b>	<b>(2,787)</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)	(672)	(2,787)
<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	(33)	(154)
(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)
1.12 Loans repaid by other entities	-	1,200
1.13 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	(33)	(154)
<b>Total operating and investing cash flows</b>	(705)	(2,941)
<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>	-	773
<b>Net increase (decrease) in cash held</b>	(705)	(2,168)
1.21 Cash at beginning of quarter/year to date	6,719	8,182
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 <b>Cash at end of quarter</b>	6,014	6,014

+ 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	171
1.25	Aggregate amount of loans to the parties included in item 1.11	0

1.26 Explanation necessary for an understanding of the transactions

Payments for rent of \$70,405 were made to Ramlist Pty Ltd, of which B Stang is a director at market rates. Payments for contracted R&D of \$92,166 were made to Novapharm Research (Australia) Pty Ltd and \$8,536 to Nanosonics 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

+ 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	358	147
4.2 Deposits at call	5,656	6,572
4.3 Bank overdraft	-	-
4.4 Other – bank accepted bills of exchange	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>6,014</b>	<b>6,719</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
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: \_\_\_\_\_  
 (Director/Company Secretary)

Date: 31 July 2006

Print name: Robert 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.