

Aeris Technologies Ltd
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Companies Announcements Office
Australian Stock Exchange Limited

QUARTERLY REPORT – APPENDIX 4C

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

Highlights

- Sumitomo 3M signs 2-year distribution agreement
- BHP mine becomes latest customer for Aeris multi-enzyme biofilm removal technology
- Successful energy trials with global pharmaceutical corporation
- Strong progress in removing biofilm at Orica groundwater treatment plant
- Trump Taj Mahal casino in USA specifies AerisGuard
- Trane expands relationship with Aeris into Hong Kong and Philippines

Introduction

In the quarter Aeris further strengthened its commercial relationship with its major distributors, 3M and Trane, one signing a 2-year sales agreement and the other expanding distribution of AerisGuard across the Asia-Pacific region.

In the USA Aeris continued to win new key accounts and successfully completed an 18 month trial with a global pharmaceutical corporation



demonstrating the significant energy savings provided by the AerisGuard technologies.

The Company's water business unit is regularly applying its unique biofilm removal technology to a BHP mine in Australia and is assisting Orica in solving a debilitating biofilm issue at one of their groundwater treatment plants.

Aeris continues to make solid progress in its key business units which the Company believes will translate into material revenue flow in 2007.

USA Market Update

Aeris' distributors in USA continue to win new key accounts. In late 2006 the Trump Taj Mahal Casino Resort in Atlantic City specified AerisGuard Hygiene Protection solutions to treat their air-conditioning system. It is reported that the Taj Mahal Casino Resort generates enough air conditioning to cool 4,000 homes.

Aeris has been working with a global pharmaceutical corporation for the past 18 months to demonstrate how the application of the AerisGuard technologies can significantly reduce the energy consumption of their air-conditioning systems. The corporation has facilities in 14 countries and heating, ventilation and air-conditioning (HVAC) is reported to account for over 55% of their total world-wide energy usage. The successful long term trials of the AerisGuard air-conditioning protection solutions showed an estimated energy saving of 15% per annum. Aeris is now in discussion with the corporation to get AerisGuard specified world-wide.

Importantly, this pharmaceutical company is only one of many large multi-national corporations in the USA and around the world who have environmental responsibility policies with a stated focus on energy reduction.

Governments are also focussed on energy reduction. In 2001 the US National Policy Group stated "Our challenge is clear - we must use technology to reduce the demand for energy" and in August 2005 President George W. Bush implemented the US Energy Policy Act which requires all federal agencies to reduce their energy usage by 20% by 2015.

There is more work to further develop and refine Aeris' energy reduction offering but at this stage the Company is optimistic of securing the first material energy reduction service agreement commencing first half 2007.

Japan Market Update

In October 2006 Aeris Technologies announced that Sumitomo 3M has signed a 2-year agreement to distribute the AerisGuard hygiene solutions in Japan. This agreement supersedes the previous memorandum of understanding (MOU) between the two companies.

Sumitomo 3M launched the AerisGuard products into the commercial air-conditioning market in Japan at the beginning of 2006 followed by a high profile launch into the residential segment in June.

The contract calls for defined purchase targets to be met by 3M and whilst the specific details of these targets are commercial-in-confidence the Company expects the agreement will generate material revenues from the Japanese market over the next 24 months.

This distribution agreement cements the Company's relationship with 3M in Japan and once again provides strong validation of the AerisGuard suite of technologies.

The Company is also working with 3M in Japan on the large cold storage hygiene opportunity and this is expected to be added to the new distribution agreement in the first half of 2007.

Trane expands distribution of Aeris into Hong Kong and Philippines

Following previous announcements that Trane has launched the AerisGuard products in Singapore, Trane has now taken initial stocking orders to cover expansion into the Hong Kong and Philippines markets.

Trane is a global leader in the manufacturing and servicing of air-conditioning systems and currently has an exclusive distribution agreement for the AerisGuard Hygiene Solutions and AerisGuard Corrosion Protection Solutions range of products in Indochina.

Cold Storage Market

Aeris Hygiene Services (AHS) specialises in the remediation and protection of refrigeration systems in cold storage facilities. It was established in June 2006 and officially launched in Australia in July 2006.

In the quarter the AerisGuard products have received approval from the Therapeutic Goods Administration (TGA) and the Australian Quarantine and Inspection Service (AQIS) allowing work to be carried out in the cold storage facilities in the meat, fish and poultry sectors.

AHS has just completed its first 6-month re-treatment at one of its key accounts, GSF Australia. GSF supplies fresh produce to KFC, Taco Bell, Pizza Hut and is owned by the US\$3 billion USA corporation Golden State Foods who are reportedly the largest produce supplier for McDonald's in the USA. The re-treatment was requested by GSF management after the initial treatment of AerisGuard successfully demonstrated the significant efficiency and hygiene improvements to their refrigeration system. After the initial treatment the air-flow through the refrigeration cooling units increased by more than 25%.

AHS has also commenced AerisGuard treatment of the cold storage facilities at Red Rooster stores. Initial work has been completed with 2 large franchise

groups in Sydney which has led to referral opportunities within the large franchise network in New South Wales.

Water Treatment

Aeris Technologies has a patented multi-enzyme solution that remediates and controls the growth of biofilm in bulk water systems resulting in productivity and OH&S benefits to the customer.

The Company is initially focusing on the mining, groundwater treatment and paper industries

At the Annual General Meeting in November we announced that the mine we had been working with since late 2005 was a BHP Billiton operation in New South Wales. As is commonly found in underground mines the filters in the water system were becoming fouled by biofilm to the point where the mines productivity was being affected. After successful application of the Company's multi-enzyme solution Aeris has been in discussion with the mine's administration on a suitable quarterly service agreement.

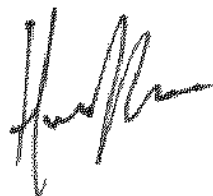
For the past 8 months Aeris has been working with a large groundwater treatment plant owned by Orica. The bulk-water treatment plant at Botany Bay in Sydney is prone to biofilm build-up on their filter banks to an extent that the productivity of the remediation operations has been adversely affected. It has been demonstrated in laboratory tests that the Aeris multi-enzyme solution can remove the specific biofilm in the water system. As a consequence Aeris and Orica have recently commenced an on-site trial to determine the most effective method for automated in-line and continuous application of the Aeris solution. Following successful completion of the applications trials Aeris will be seeking a long-term supply contract with Orica.

Finance

Cash receipts from operations in the quarter (including interest and other income) were \$348,000.

Operating expenses in the period were well controlled resulting in an average negative monthly net operating cashflow of \$256,000.

Aeris cash on hand at 31 December 2006 was \$4.4 million 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, 24/10/2005.

Name of entity

Aeris Technologies Ltd

ABN

19 093 977 336

Quarter ended ("current quarter")

31 December 2006

Consolidated statement of cash flows

	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from customers	248	646
1.2 Payments for		
(a) staff costs	(439)	(821)
(b) advertising and marketing	(203)	(446)
(c) research and development	(145)	(365)
(d) leased assets	(70)	(155)
(e) other working capital	(165)	(665)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	83	145
1.5 Interest and other costs of finance paid	(3)	(5)
1.6 Income taxes refund (including R&D tax rebate)	-	85
1.7 Other – rent received	17	43
Net operating cash flows	(677)	(1,538)

+ See chapter 19 for defined terms.

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

	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
1.8 Net operating cash flows (carried forward)	(677)	(1,538)
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	(28)	(80)
(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	(28)	(80)
1.14 Total operating and investing cash flows	(705)	(1,618)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
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 (provide details if material)	-	-
Net financing cash flows	-	-
Net increase (decrease) in cash held	(705)	(1,618)
1.21 Cash at beginning of quarter/year to date	5,102	6,015
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	4,397	4,397

+ 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	128
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Payments for rent of \$80,754 were made to Ramlist Pty Ltd, of which B Stang is a director. Payments for contracted R&D of \$40,798 were made to Novapharm Research (Australia) Pty Ltd of which Messrs M Stang, B Stang and S Kritzler are directors. Payments for corporate overhead and administration of \$6,359 were made to Medi-Consumables 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

+ 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.