



13 February 2020

Reference: 13643

Mr E Onyura
Senior Adviser, Listings Compliance (Sydney)
ASX Compliance Pty Limited
20 Bridge Street, Sydney NSW 2000

Dear Elvis

I refer to your letter of 10 February 2020 and to the issues you raised in relation to the Company's Appendix 4C Quarterly Report, and respond to each of your questions and requests for information below.

1. Does the Company expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

As noted in the commentary to the Appendix 4C released to ASX on 31 January 2020, Aeris continues to gain traction with revenue of its suite of products. Sales and cash flow continue to increase, and the Company continues to achieve ongoing improvement in gross margin due to a greater mix of higher margin Aeris-branded products.

Operating cash outflow reported in the December 2019 quarter, being negative \$1,551,000, included \$875,000 in cash payments for increased inventory and reduced trade creditors. The sale of Aeris' inventory will be realised as positive revenue and cash flow (including the mark up of the Company's gross margin on the sale of goods) in the subsequent quarters.

Aeris has already received over \$1,600,000 from its customers since 1 January 2020, with over \$3,000,000 expected by the end of the March 2020 quarter.

As noted in the December 2019 Quarterly Report, the Company sells disinfection products that have been approved by the Chinese National Health Commission. These products are attracting significant demand due to the current coronavirus outbreak in China. In order to meet this demand for disinfectants, particularly in China, Aeris has been scaling significantly and has increased its production capacity.

North American manufacturing is on track for a summer 2020 launch of the Company's branded range, in addition to the already-launched white-label products.

2. Has the Company taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Aeris continues to receive proposals for both debt and equity capital. The Company has a supportive shareholder base, including several large sophisticated investors. Aeris believes that in addition to the above proposals, it would have access to capital, and this would be considered at a time when the Board believes it is both desirable and appropriate.



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3. **Does the Company expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?**

Yes, the Company does expect to be able to continue its operations and have sufficient working capital to meet its business objectives.

4. **Please confirm that the Company is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that Rule that has not already been released to the market.**

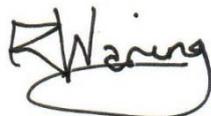
The Company confirms that it is in compliance with ASX Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.

5. **Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy, or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.**

Aeris confirms that its responses to the questions above have been authorised and approved in accordance with its published Continuous Disclosure Policy and by its Board.

Yours sincerely

Aeris Environmental Ltd

A handwritten signature in black ink, appearing to read "R Waring", written over a faint circular stamp or watermark.

Robert J Waring
Company Secretary



10 February 2020

Reference: 13643

Mr Robert Waring
Company Secretary
Aeris Environmental Ltd
Level 1
5/26-34 Dunning Avenue
Rosebery NSW 2018

By email

Dear Mr Waring

Aeris Environmental Ltd ('AEI'): Appendix 4C Query

ASX refers to AEI's Appendix 4C quarterly report for the period ended 31 December 2019 lodged with the ASX Market Announcements Platform and released on 30 January 2020 (the 'Appendix 4C').

ASX notes that AEI has reported:

- negative net operating cash flows for the quarter of \$1,551,000;
- cash at the end of the quarter of \$1,918,000; and
- estimated cash outflows for the next quarter of \$1,760,000.

It is possible to conclude, based on the information in the Appendix 4C, that if AEI were to continue to expend cash at the rate indicated by the Appendix 4C, AEI may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks AEI to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does AEI expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has AEI taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does AEI expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that AEI is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that AEI's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AEI with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that AEI considers may be relevant to ASX forming an opinion on whether AEI is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEDT Thursday, 13 February 2020**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in AEI's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, AEI's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to AEI's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that AEI's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading Halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in AEI's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

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We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Elvis Onyura
Senior Adviser, Listings Compliance (Sydney)