

31 January 2011

Companies Announcements Office
Australian Securities Exchange

QUARTERLY REPORT – APPENDIX 4C

In accordance with Listing Rule 4.7B, we attach the December 2010 Quarterly Report – Appendix 4C.

Commentary

In the December 2010 quarter Aeris achieved improved receipts from customers and continued strong management of costs. This resulted in positive cashflow in November and the Company's lowest quarterly net operating cash burn (-\$144,000) representing a 67% improvement on the same period last year. Cash at bank at the end of December was \$1.09 million.

During the quarter a number of key milestones were achieved in the technical validation of the Company's five core platform technologies, AerisGuard Multi-Enzyme biofilm removal, AerisGuard Smart Surfaces, anti-microbial formed articles, anti-microbial coatings and corrosion protection. Microbial control is now a recognized global industry and Aeris is firmly targeting the commercialization of its platforms aiming at a number of leadership positions.

During the quarter positive progress was made with the Company's out-licensing strategy of its Smart Surfaces technologies with a number of global corporations and all testing to date has been highly favourable. Target applications range from hard surface disinfectants to anti-microbial paints and synthetic sponges.

The Company's AerisGuard "green-clean" brewery solution has also recently targeted by one of the world's leading water treatment corporations. The corporation is seeking to reduce its customers' energy and water consumption and believes the unique AerisGuard Multi-Enzyme technology can produce a step change in the global industry.

The introduction of the new AerisGuard OEM Anti-Microbial Coating in Asia has been slightly delayed due to some extended validation trials requested by the customer. These trials are expected to be successfully completed in the first quarter of calendar 2011 opening up significant international markets.

Aeris Hygiene Services, the Company's Cold Storage direct service operation, has reported

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an impressive 27% increase on sales for the 6 months ending December 2010 compared to the previous year. This growth is forecast to continue for the remainder of the financial year due to increased demand as a result of the recent floods in Queensland.

Aeris believes that the significant focus and investment in R&D will potentially lead to the company being positioned at the forefront of several mega trends in the global microbial control market. Aeris is experiencing unparalleled and scalable opportunities that, if successfully commercialised, will have a material and positive impact on the Company through 2011 and beyond.

Huw Jones
Chief Executive Officer

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Name of entity

Aeris Environmental Ltd

ABN

19 093 977 336

Quarter ended ("current quarter")

31 December 2010

Consolidated statement of cash flows

Cash flows related to operating activities

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	372	492
1.2 Payments for		
(a) staff costs	(246)	(494)
(b) advertising and marketing	(57)	(86)
(c) research and development	(73)	(141)
(d) other working capital	(199)	(486)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	15	32
1.5 Interest and other costs of finance paid	(1)	(2)
1.6 Income tax refund received (including R&D Tax Offset)	-	102
1.7 Other income -		
(a) Rent received	45	89
(b) Other income	-	-
Net Operating Cash Flows	(144)	(494)

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	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net Operating Cash Flows (brought forward)	(144)	(494)
Cash flows related to investing activities		
1.9 Payment for purchases of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(2)	(2)
(e) other non-current assets	-	-
1.10 Proceeds from sale 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	(2)	(2)
1.14 Total operating and investing cash flows	(146)	(496)
Cash flows related to financing activities		
1.15 Proceeds from issues of convertible notes	-	-
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	(146)	(496)
1.21 Cash at beginning of quarter/year	1,237	1,579
1.22 Exchange rate adjustments	-	8
1.23 Cash at end of quarter	1,091	1,091

Payments to directors of the entity and associates of the directors

Current quarter

Payments to related entities of the entity and associates of the related entities

\$A'000

1.24 Aggregate amount of payments to the parties included in item 1.2

207

1.25 Aggregate amount of loans to the parties included in item 1.10

-

1.26 Explanation necessary for an understanding of the transactions

**Current quarter
\$**

Rent paid to Ramlist Pty Ltd of which Messrs M Strang and B Strang are directors.

69,604

R & D expenses paid to Novapharm Research (Australia) Pty Ltd of which Messrs M Strang, B Strang and S Kritzler are directors.

55,363

Corporate overheads, distribution and administration expenses paid to Regional Healthcare Pty Ltd of which Messrs M Strang and B Strang are directors.

26,665

Salaries paid to H Jones.

55,450

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

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable

Financing facilities available

Add notes as necessary for an understanding of the position.

3.1 Loan facilities

Amount available
\$A'000

Nil

Amount used
\$A'000

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	194	126
Deposits at call	747	961
Bank overdraft	-	-
Other - 90 day bank bills	150	150
Total: cash at end of quarter (item 1.23)	1,091	1,237

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	n/a	n/a
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 ~~not~~ ~~(delete one)~~ give a true and fair view of the matters disclosed.

Sign here:



(Director/Company Secretary)

Print name: Huw Jones

Date: 31 January 2011

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