



31 October 2008

Companies Announcements Office
Australian Securities Exchange

QUARTERLY REPORT – APPENDIX 4C

In accordance with Listing Rule 4.7B we attach the September 2008 Quarterly Report – Appendix 4C.

Financial Performance Summary

Cash receipts from customers in the quarter were \$499,000 up 151% on the same period the previous year. Normal operating expenses continue to be well controlled resulting in an average monthly net operating cash burn for the quarter of \$179,000, down 3% on the previous quarter and down 53% on the same period the previous year.

Aeris cash on hand at 30 September 2008 was \$2.3 million and the Company remains debt free (excluding finance leases).

Operational Update

As part of Aeris Environmental's North American expansion Aeris Atlantic LLC (Aeris' subsidiary on the east coast of USA) has established new operations in Puerto Rico under the trading name Aeris Caribbean.

Puerto Rico offers a major opportunity to Aeris due to the combination of a relatively hot and humid environment, a high concentration of global corporations with manufacturing plants in the region (including Intel, Hewlett Packard, GlaxoSmithKline, Lilly, Johnson and Johnson and Merck & Co.) and a very high cost of energy.

The unique AerisGuard HVAC Performance Solution offers customers reduced energy consumption, healthier air and enhanced indoor comfort levels resulting from significant improvements in the efficiency of their air-conditioning systems.

At the beginning of 2008 Aeris successfully implemented the AerisGuard technology at two facilities in Puerto Rico owned by Merck & Co, Inc. as part of Aeris' global supply agreement (based on energy saving) with the organization. Aeris Caribbean is now working on building on these strong reference sites.

We were also pleased to advise that Mr. William Sanchez joined the Aeris team to manage the Puerto Rico operations. William has a mechanical engineering background, has an MBA from Bayamon Central University and has worked for a number of international corporations including Honeywell and Atlas-Copco. He will be based near San Juan in Puerto Rico.



The Aeris Caribbean team is looking forward to strong revenue growth over the next 12-18 months based on its association with Merck and Mr. Sanchez's strong relationships in the region.

Aeris Atlantic continues to drive sales in the USA with a number of large opportunities being pursued. Highlights include the following:

- As previously mentioned, Aeris Atlantic has completed a highly successful hotel room trial with a leading global casino group. The trial report (which showed significant and sustained improvements in system efficiency) has been presented to senior executives in the corporation and discussions are now in progress to explore a roll-out across the company.
- Aeris has been approved for a \$200,000 project with the US Federal Government due for commencement in early 2009.
- As part of Aeris' global supply agreement with Merck & Co. Inc, Aeris has been advised it will be starting initial work at the corporation's largest facility based in USA before the end of this calendar year. This follows the excellent results from the AerisGuard implementation at their Puerto Rico facilities earlier in the year.
- Aeris Atlantic has been given verbal approval for an initial project at a Bristol Myers' facility in USA. Bristol Myers is an \$18 billion global pharmaceutical corporation and the pilot work opens up a significant opportunity for Aeris.

During the quarter Aeris' major distribution partner in Asia, Trane, was successful in winning a major service contract with the large SM Group shopping mall corporation in the Philippines. SM owns over 30 shopping malls in Philippines and China and this initial contract is for the Mall of Asia, the world's 3rd largest shopping mall. The contract followed successful trials which demonstrated significant system efficiency and predicted energy savings. It is fully expected that AerisGuard will be implemented throughout the SM group in due course.

Aeris' Cold Storage treatment business in Australia has continued to provide customers remediation and protection services. Meanwhile, Aeris is in discussions with Trane to expand the service offering into Asia with initial launch being targeted at Thailand.

Aeris Water is targeting opportunities in the dairy, brewing, cooling tower and ice machine markets. It is now scheduled to commence a large cooling tower trial and an ice-machine trial before the end of December with leading players in the market.

As stated in the Annual Report, Aeris is tracking any possible short term impact of the global crisis on its commercial activity. Feedback to-date from customers would indicate that there has been some deferral of revenue. Notwithstanding this, several companies are looking to include a meaningful commitment to implementing the AerisGuard solution in

their calendar 2009 budget which, if realized, will have a positive and material effect on the Company's revenues.

As previously noted, Aeris' R&D program has produced some highly promising new technologies and the Company is in active discussions with global corporations with a view to bringing forward the commercialization of these opportunities.

A handwritten signature in blue ink, appearing to read 'Huw Jones', is positioned above the printed name and title.

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")

30 September 2008

Consolidated statement of cash flows

Cash flows related to operating activities

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	499	499
1.2 Payments for		
(a) staff costs	(507)	(507)
(b) advertising and marketing	(60)	(60)
(c) research and development	(66)	(66)
(d) other working capital	(494)	(494)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	53	53
1.5 Interest and other costs of finance paid	(3)	(3)
1.6 Income tax refund received (including R&D Tax Offset)	-	-
1.7 Other income -		
(a) EMDG	-	-
(b) Rent received	41	41
Net Operating Cash Flows	(537)	(537)

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.8 Net Operating Cash Flows (brought forward)	(537)	(537)
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	(37)	(37)
(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	(37)	(37)
1.14 Total operating and investing cash flows	(574)	(574)
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)- share issue costs	-	-
Net financing cash flows	-	-
Net increase (decrease) in cash held	(574)	(574)
1.21 Cash at beginning of quarter/year	2,858	2,858
1.22 Exchange rate adjustments	12	12
1.23 Cash at end of quarter	2,296	2,296

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	209
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.	69,830
R & D expenses paid to Novapharm Research (Australia) Pty Ltd of which Messrs M Strang, B Strang and S Kritzler are directors.	54,209
Corporate overheads, distribution and administration expenses paid to Medi-Consumables Pty Ltd of which Messrs M Strang and B Strang are directors.	39,306
Salaries.	45,873

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

3.2 Credit standby arrangements

Amount available	Amount used
\$A'000	\$A'000
Nil	Nil
250	Nil

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
5.1 Cash on hand and at bank	275	103
Deposits at call	271	255
Bank overdraft	-	-
Other - 30 day bank bills	1,750	2,500
Total: cash at end of quarter (item 1.23)	2,296	2,858

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 ~~/does not* (delete one)~~ give a true and fair view of the matters disclosed.

Sign here: **Robert Waring.**
(~~Director~~/Company Secretary)

Date: 31 October 2008

Print name Robert J Warring