

ASX RELEASE | De.mem Limited (ASX:DEM) Quarterly Activities Report – 30 September 2017

Highlights

- Acquired Queensland-based Akwa-Worx creating substantial growth opportunities and economies of scale
- Contracts signed since August 2017 totals over AUD\$ 1 million comprising projects in Australia worth approximately AUD\$ 550,000 via Akwa-Worx and sale of a water treatment plant in Vietnam for approximately AUD\$ 500,000
- Opened a new manufacturing facility in Singapore for production of innovative nanofiltration membrane and other types of hollow fibre membranes
- Commenced pilot testing of nanofiltration membrane at selected sites in Vietnam and Singapore ahead of planned commercial market launch of the technology later this year

31 October 2017: Singapore and Australia based water and waste water treatment company De.mem Limited (ASX:DEM) (“De.mem” or the “Company”) is pleased to provide a report of its activities for the quarter ended 30 September 2017.

Entry into the Australian Market through Acquisition of Akwa Worx

De.mem acquired Akwa-Worx Pty Ltd and Akwa Facility Maintenance Pty Ltd, Caboolture, Queensland (together “Akwa-Worx”) in September. Akwa-Worx is a leading provider of water and waste water treatment systems with a strong customer base in particular among the Australian mining sector. Akwa-Worx’s revenues for the 12 months ended 30 June 2017, based on unaudited accounts, were approximately AUD\$ 7 million including more than AUD\$ 2 million derived from long-term operations and maintenance contracts. Akwa-Worx’s normalised EBITDA for FY17 was approximately AUD\$ 800,000. The consideration included AUD\$ 1.5 million in cash plus AUD\$ 460,000 in shares in a first tranche payable upon completion, plus a deferred consideration of up to another AUD\$ 375,000 in cash plus AUD\$ 375,000 in shares, if pre-defined revenue objectives as per 31 December 2017 and 31 December 2018 are met.

With the acquisition of Akwa-Worx, De.mem gains access to the Australian market for water treatment. De.mem intends to capitalise on a number of key strategic growth opportunities resulting out of the transaction:

- Accelerated revenue growth due to opportunity to “cross sell” the different product lines of De.mem and Akwa-Worx;
- Immediate access to established customer base and market for De.mem’s innovative membrane technologies;
- Geographic growth opportunities, i.e. expansion into Western Australia as well as other key target markets such as Germany, China and Malaysia; and
- Economies of scale and cost synergies through the combination of different processes.

New Contract Awards

Shortly after the acquisition, De.mem announced new project awards to its Akwa-Worx subsidiary worth approximately AUD\$ 300,000. The projects included the delivery of equipment to Glencore and Metro Mining, and the signing of a short-term operations and maintenance agreement with a resort on Hayman Island in Queensland.

Post quarter end De.mem advised that it has secured a contract worth approximately AUD\$ 250,000 from Maranoa Regional Council, Queensland. The scope of work includes delivery and installation of re-chlorination systems for a municipal drinking water reservoir.

Sale of Water Treatment Plant in Vietnam

De.mem sold a water treatment plant located in Nghe An province, Vietnam, for approx. AUD\$ 500,000, to Hung Thanh Environmental Co Ltd, a local Vietnamese company. The water treatment plant uses modern hollow fibre membrane technology and had previously been operated by De.mem under a Build, Own, Operate scheme. The customer plans to upgrade the plant with De.mem's proprietary membrane technology in the near future.

The new contract awards and the sale of the water treatment plant brings the total of secured contracts since August 2017 to be approximately AUD\$ 1.05 million.

Opened Facility for Nanofiltration Membrane Production in Singapore

De.mem opened its Singapore-based facility for the production of its innovative low-pressure hollow fibre nanofiltration membrane in July. The low-pressure hollow fibre nanofiltration membrane was exclusively licensed to De.mem by Nanyang Technological University (NTU), Singapore, in 2016. This membrane can greatly reduce energy consumption and is relatively low-cost and easy to maintain. At the new facility, De.mem can also produce other types of hollow fibre membranes used for water purification.

First Pilot Water Treatment Systems Using De.mem Nanofiltration Membrane Installed On- Site

De.mem announced that it started running the novel low-pressure hollow fibre nanofiltration membrane in pilot systems in early October. Different pilot systems were deployed at a water treatment plant in Duc Hoa, near Ho Chi Minh City, Vietnam, and with industrial customers in Singapore.



Picture: Pilot Water Treatment System using De.mem membranes deployed in Vietnam

Business Development

De.mem has continued to build its project pipeline and is currently bidding on long term, high margin projects across existing and target geographies.

The Company continues to develop project leads and customer and partner relationships in its existing markets, Australia, Singapore and Vietnam, as well as new target markets such as China, Malaysia and Germany.

De.mem looks forward to updating the market further as it delivers on its growth strategy.

Technology

De.mem's objective is to build a portfolio of membrane based technologies for water purification, in particular based on the strong partnership with NTU and NTU's Singapore Membrane Technology Center (SMTCC). The Company is in the process of evaluating further technologies for which it sees a concrete market need and substantial economic potential. It is expected that further technologies will be licensed by De.mem for commercialization soon.

Financials

De.mem's bank balance amounted to approximately A\$1.9 million as per the end of the quarter. Please refer to the attached Appendix 4C Filing for further details.

Andreas Kroell, CEO of De.mem: "We are very pleased with the progress De.mem has made this quarter. We've further established our presence in Australia, won new business, opened a facility for production of our innovative nanofilter membrane and built a solid pipeline of projects in new and existing markets. We look forward to updating the market on future developments."

Ends.

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About De.mem Limited

De.mem Limited (ASX:DEM) is a Singaporean-Australian decentralised water and waste-water treatment business that designs, builds, owns and operates water and waste water treatment systems for its clients. De.mem operates in the industrial segment providing systems and solutions to customers from the mining, electronics, chemicals, oil & gas and the food & beverage industries and in the municipal and residential segments. De.mem has licensed proprietary technologies from its partner in research & development, Singapore's Nanyang Technological University (NTU), including an exclusive worldwide license for a revolutionary low-pressure hollow fibre nanofiltration membrane. Through its wholly owned subsidiary Akwa-Worx Pty Ltd, De.mem has a strong presence in Australia. Akwa-Worx has a market reputation for building high quality Australian designed and manufactured products and has long-term customers in the Australian mining industry. To learn more please visit:

www.demembranes.com

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

De.mem Limited

ABN

12 614 756 642

Quarter ended ("current quarter")

30 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	670	832
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(409)	(566)
(c) staff costs	(345)	(790)
(d) advertising and marketing	(74)	(107)
(e) administration & corporate costs	(204)	(410)
1.3 Dividends received (see note 3)		
1.4 Interest received	11	14
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other receipts	72	90
1.9 Net cash from / (used in) operating activities*	(279)	(937)

* Note that cash inflows / outflows from Operating Activities above only include cashflows related to Akwa Worx from acquisition date of 18 September 2017 – see item 10

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(70)	(240)
(b) businesses (see item 10)	(1,563)	(1,563)
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities*	-	(293)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	(34)
2.6	Net cash from / (used in) investing activities*	(1,633)	(2,130)

*loan from De.mem Limited to De.mem Pte Ltd (see note 7)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	4,501
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(512)
3.5	Proceeds from borrowings	7	7
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities*	7	3,996

* Note that cash inflows / outflows from Financing Activities above only includes cashflows related to De.mem Pte Ltd (Singapore) from acquisition date of 14 March 2017 – see item 10

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	3,814	982
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(279)	(937)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,633)	(2,130)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7	3,996

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(2)	(4)
4.6	Cash and cash equivalents at end of quarter	1,907	1,907

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	907	1,814
5.2	Call deposits	1,000	2,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,907	3,814

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

65

-

Relates to salary and fees paid to Directors.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

31

-

Also includes payments to Ventnor Capital Pty Ltd, a company associated with Director Stuart Carmichael as consideration for Company Secretarial services and accounting.


8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	60
9.2 Product manufacturing, employee and operating costs	1,113
9.3 NF membrane plant setup	60
9.4 Advertising and marketing	60
9.5 Administration and corporate costs	286
9.6 Total estimated cash outflows (excludes revenue generated by existing or future contracts. In particular, only shows the forecasted expenses but not the revenues of Akwa-Worx Pty Ltd and Akwa Facility Maintenance Pty Ltd)	1,579

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Akwa Worx Pty Ltd and Akwa Facility Management Pty Ltd	-
10.2 Place of incorporation or registration	Australia	-
10.3 Consideration for acquisition or disposal	\$1,500,000 in cash and \$460,000 in shares plus deferred consideration payable upon prescribed revenue hurdles	-
10.4 Total net assets	~\$1.3m	-
10.5 Nature of business	Manufacture and sale of water and waste water treatment systems	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date:31 October 2017.....
(Director/Company secretary)

Print name:Brett Tucker.....

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.