

De.mem continues growth in contracted revenues with ongoing reduction in net quarterly operating cash outflow

Highlights

- Significant orders received during Q2 CY 2019 for the sale of water treatment equipment – including a A\$2.8 million order for the delivery of a desalination plant.
- Approx. A\$9.0 million in revenues for CY 2019 secured, on track for CY2019 to exceed CY2018 revenues of \$10.5m.
- Customer cash receipts of A\$3.0m and strongly reduced operating cash outflow of \$212k in Q2.
- Cash balance of A\$3.5m as at 30 June 2019.
- Extensive sales pipeline for remainder of CY 2019.
- Announced strategic acquisition in Tasmania after the end of the quarter.

31 July 2019: Water and wastewater treatment company De.mem Limited (ASX: DEM) (“De.mem” or “the Company”) is pleased to report strong progress for the second quarter of CY 2019 with record contract wins from reputable customers and further important commercial milestones achieved as described further below.

Overview

Cash receipts in the second quarter of the CY 2019 were at A\$3.0 million (Q1 2019: A\$2.0m). Operating cash outflow for the quarter was A\$212,000, significantly lower than in Q1 2019 (A\$600,000).

Furthermore, De.mem advises that as the time of writing, it has approx. A\$9.0 million in secured revenues for CY 2019. This includes:

- Revenues already recorded;
- Revenues yet to be recognized during H2 2019 from contracted projects, in particular the desalination plant mentioned below; and
- Revenues yet to be recognized during H2 2019 from the recurring business lines of the company, ie. its service business (Build, Own, Operate & Operations & Maintenance contracts), and the sales of replacement components and consumables.

During the quarter, De.mem closed a share placement with leading institutional investors led by the Perennial Value Microcap Opportunities Trust (Money Management’s *2019 Fund Manager of the Year* in the Australian Small Cap Category). Total amounts raised prior to placement costs were A\$1.9 million.

Ending cash balance as at 30 June 2019 was A\$3.5 million.

Solid Operational Progress during the Quarter

Operationally, De.mem performed well throughout the quarter. The Company secured new contracts, progressed technology deployments and strengthened both its sales pipeline and order book. Key highlights include:

- First revenues generated from the Company’s new hollow fibre Forward Osmosis membrane technology, which is used for concentration or de-watering applications. De.mem generated revenues of A\$150,000 by selling Forward Osmosis systems in June 2019 and is now preparing to scale up this product into a range of industrial scale applications.

- The award of a substantial A\$2.8 million order from Mulpha, a leading international infrastructure investor which is headquartered in Malaysia and has a number of operations in Australia. The contract is for the delivery of a desalination plant to a site in Queensland, Australia. The project is expected to be completed prior to end of CY2019 and the majority of revenues and cash received in H2 of CY 2019.
- Securing Purchase Orders from customers in Australia and Singapore amounting to A\$440,000 in total, covering the delivery of bioreactors, a chlorination system and a Build, Own, Operate (“BOO”) contract for a membrane-based water treatment system.

Announced Strategic Acquisition in Tasmania after the End of the Quarter

On 29 July 2019, De.mem announced the signing of a binding share purchase agreement to acquire 100% of leading Tasmanian water and waste water treatment systems business Pumptech Tasmania Pty Ltd. There is strong strategic rationale supporting the acquisition including further geographic expansion into South East Australia, rapid penetration of the strategic food & beverage customer segment, product portfolio expansion, cross-sell opportunities, economies of scale, cost synergies and earnings accretion.

The consideration is A\$1.05 million, comprising A\$900,000 in cash with A\$450,000 immediately payable followed by three deferred cash payments over 36 months plus A\$150,000 in DEM shares (subject to 12-months escrow).

2019 Strategy and Outlook

- **Continued revenue growth.** Based on record bidding activity, De.mem has built an extensive sales pipeline in Australia and Asia, and expects continued sales growth for the remainder of CY 2019.
- **On track to exceed CY18 revenues.** De.mem expects to exceed the \$10.5 million in revenues recorded during CY 2018 based on the total of approx. A\$9.0 million in secured revenues for CY 2019 already secured and its strong sales pipeline.
- **Revenue diversification by customer segment; targeted growth in food & beverage segment.** While the vast majority of CY 2018 revenues were generated from the mining/resources and infrastructure segments, the revenue mix for CY 2019 includes some contributions from projects in the food & beverage sector. A key pillar of the expansion strategy for 2019 is to aggressively target the high growth food & beverage and agricultural sectors across Australia. De.mem intends to broaden its presence in these markets based on an expanded product offering beyond its proprietary membrane technologies including the hollow fibre Forward Osmosis membrane which has applications in beverage production such as the concentration of milk, orange juice and other beverages and liquids. The acquisition of Pumptech Tasmania Pty Ltd provides an additional platform for the accelerated roll out of the Company’s innovative membrane technologies into this important target segment.
- **Product enhancements.** The Company intends to develop further proprietary membrane technology related to the food & beverage sector and other customer diversification opportunities.

Comment

De.mem Chief Executive Officer Andreas Kroell said: “We are pleased with our performance in the first half of 2019. Welcoming quality long-term institutional investors onto our register demonstrates our ability to access the working capital required to service larger contracts for our clients. We are looking forward to continuing to grow our revenues. To this end, we are targeting diversification across customer segments (including a focus on the high potential food & beverage and agricultural sectors) and geographic diversification (with most revenues generated from Queensland, we see potential for Australia-wide expansion).”

Please refer to the attached Appendix 4C Filing for further details on the results for the quarter.

-ENDS-

For further information, please contact:

Andreas Kroell

CEO

De.mem Limited

investor@demem.com.sg

George Gabriel, CFA

Managing Director

BLETCHLEY Park Capital

+61 3 8686 9144

investors@bletchleyparkcapital.com.au

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 turn-key water and waste water treatment systems for its clients. The Company 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 makes use of a portfolio of proprietary hollow fibre membrane technologies, which are commercialized as a key component within the Company's water and waste water treatment systems. Some of the technologies were originally developed by the De.mem's partner in research & development, Singapore's Nanyang Technological University (NTU), and exclusively licensed to the Company. Those include a revolutionary low-pressure hollow fibre nanofiltration membrane and a hollow fibre forward osmosis membrane for de-watering or concentration of liquids. Through its wholly owned subsidiary De.mem-Akwa Pty Ltd (formerly: Akwa-Worx Pty Ltd), De.mem has a strong presence in Australia. De.mem-Akwa has a market reputation for building high quality Australian-made water and waste water treatment systems and has long-term customers in the Australian mining, infrastructure and food & beverage industries. To learn more please visit: www.demembranes.com

Forward Looking Statements

Statements contained in this release, particularly those regarding possible or assumed future performance, revenue, costs, dividends, production levels or rates, prices or potential growth of De.mem Limited, are, or may be, forward looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors.

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 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,992	5,005
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,881)	(3,027)
(c) staff costs	(937)	(2,096)
(d) advertising and marketing	(22)	(22)
(e) administration and corporate costs	(387)	(709)
(f) leased assets	(43)	(55)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	7
1.5 Interest and other costs of finance paid	(4)	(8)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	67	93
1.9 Net cash from / (used in) operating activities	(212)	(812)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	(31)	(166)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property	(51)	(103)
	(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	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(82)	(269)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	2,057	3,053
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	(72)	(140)
3.5	Proceeds from borrowings	-	95
3.6	Repayment of borrowings	(95)	(95)
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	1,890	2,913

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	1,914	1,680
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(212)	(812)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(82)	(269)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,890	2,913

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	8	6
4.6	Cash and cash equivalents at end of quarter	3,518	3,518

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	3,014	1,410
5.2	Call deposits	504	504
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)	3,518	1,914

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**

162

-

Comprises Director fees & salaries and amounts paid to Ventnor Capital, a company associated with the Director Stuart Carmichael, for Company secretarial and accounting services on arms length rates.

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**

-

-

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)	500	-
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.		

Via its subsidiary De.mem-Akwa Pty Ltd, the Company has access to an overdraft facility of up to A\$ 500,000 provided by National Australia Bank (NAB). The facility is secured by a cash deposit.

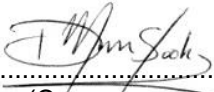
9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	65
9.2 Product manufacturing and operating costs	2,698
9.3 Advertising and marketing	30
9.4 Administration and corporate costs	761
9.8 Total estimated cash outflows*	3,554

* Excludes cash receipts from sales

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

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

Sign here: 
(Company secretary)

Date: 31 July 2019

Print name: Deborah Ho

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.