

Market Update – Covid-19

Highlights

- No reported incidence of COVID-19 among either staff or customers.
- Main workshop in Caboolture, Queensland, remains fully operational.
- Existing revenues remain intact.
- Supply chain not materially affected.
- Manufacturing and delivery of new business is proceeding on schedule.
- First order for \$140k from new food & beverage customer in Australia.
- Continued organic growth in the Pumptech Tasmania business.
- Revenue growth opportunities are being actively pursued across the business.
- Strong balance sheet, with \$8.2m cash reported as at 31 December 2019.

26 March 2020: Water and wastewater services and technology company De.mem Limited (ASX:DEM) (the “Company”) is pleased to provide a market update in view of the unprecedented COVID-19 pandemic and global macroeconomic environment.

Key Priorities

In light of the COVID-19 pandemic, De.mem has identified three key priorities:

1. Safety of all staff and customers.
2. Revenue retention.
3. Revenue growth, including both existing organic and opportunistic revenue growth.

The Company is pleased to advise that it is currently achieving all of the above priorities and the current outlook remains for ongoing success in each of these three areas.

Safety Measures

De.mem advises that it has implemented detailed risk management, health & safety and workplace management policies to minimize any disruption and ensure the safety of all staff and clients.

These measures include:

- Frequent scheduled cleaning and hygiene maintenance practices.
- Rotating work rosters for manufacturing staff.
- Working from home for administrative staff.
- Customer relationships and sales prospects maintained by electronic and video communications.
- Postponement of travel until further notice.

Revenue Retention

De.mem is pleased to report that in spite of the current COVID-19 crisis, all major existing service (Operations & Maintenance (O&M) and Build, Own, Operate (BOO)) contracts remain in place. This includes in particular the O&M contracts with Rio Tinto and Civeo for water treatment facilities at mining sites in Queensland, and the existing BOO agreement with Givaudan for the waste water treatment plant at one of the customer’s factories in Singapore.



De.mem is pleased to advise that the Company's main workshop in Caboolture, Queensland, remains fully operational. Staff which remain in the workshop are working on rotating rosters, have been instructed to adhere to strict routines regarding hygiene and maintain social distancing protocols at all times.

At this stage, the Company's supply chain has not been materially affected. Furthermore, the Company has pre-emptively prepared a number of contingency plans which would allow it to respond effectively to supply chain challenges which may arise.

Revenue Growth

Contracted Business Under Execution

De.mem advises that the manufacturing and delivery of a number of projects recently awarded to the Company are proceeding according to plan.

These projects include:

- A membrane-based water treatment plant for ACCIONA (see ASX release dated 10 September 2019).
- Water treatment equipment for Metro Mining (see ASX release dated 28 January 2020).
- A waste water treatment plant for Givaudan, which is to be deployed at a second Singapore site of this customer (see ASX release dated 25 November 2019).

At this stage, on-schedule delivery is expected for all projects.

Food & Beverage Expansion

De.mem is pleased to advise that it has received a first order of approx. \$140k from a leading Australian manufacturer of food products.

Whilst the first order is not material for the overall revenues of the Company, it is significant because it highlights that, despite COVID-19, revenue growth and customer expansion are continuing, and the Company is succeeding with its long-term objective of expansion into the high growth food & beverage segment (see ASX release dated 29 July 2019).

Tasmania Expansion

De.mem advises that to date, the Company has observed no negative impact on its 100% owned Tasmanian subsidiary Pumptech Tasmania Pty Ltd ("Pumptech").

Furthermore, the Company is delighted to report that Pumptech has received two new orders of approx. A\$100k each which provide growth on Pumptech's historical revenues. Whilst not material to the Company's overall revenues, these orders demonstrate that revenue growth is still being captured across various operating business units of the Group.

COVID-19 Products

De.mem has previously announced its launch of a range of new disinfection products in response to high demand due to the COVID-19 pandemic (see ASX release dated 16 March 2020).

These new product lines include a number of anti-microbial products such as hand sanitisers and surface disinfectants. Even once the immediate COVID-19 pandemic subsides, the Company anticipates ongoing demand for these products. Accordingly, these products will continue to be cross-sold as a part of the Company's wider product range for both the business and consumer segments.



Outlook

The Company remains well placed to navigate the uncertainty of the COVID-19 pandemic, particularly given its \$8.2m cash on balance sheet (as at 31 December 2019).

Although the Company acknowledges that the macroeconomic environment is rapidly evolving, at the time of writing, the Company remains confident in its ability to continue meeting its three key strategic priorities in response to COVID-19 of ensuring safety, revenue retention and revenue growth.

CEO Commentary

De.mem CEO Andreas Kroell said: "While the current situation is challenging for all of us, we believe that De.mem is well placed to deal with this crisis. Our key customer relationships are stable and well-managed, and projects under execution remain on track. We are optimistic that in spite of the COVID-19 crisis, CY 2020 will be a good year for our Company."

The release of this announcement was authorised by the Chief Executive Officer, Mr Andreas Kroell, on behalf of the Board.

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For further information, please contact:

De.mem Limited

Andreas Kroell

CEO

De.mem Limited

investor@demem.com.sg

Investor Enquires

George Gabriel, CFA

Managing Director

BLETCHLEY Park Capital

+61 3 8686 9144

investors@bletchleyparkcapital.com.au

De.mem Limited (ASX:DEM) is a decentralised water and wastewater treatment business that designs, builds, owns and operates turnkey water and wastewater treatment systems for some of the world's largest companies in the mining, electronics, chemical, oil & gas, and food & beverage industries. Its systems also provide municipalities, residential developments and hotels/resorts across the Asia Pacific with a reliable supply of clean drinking water.

De.mem's technology to treat water and wastewater is among the most advanced globally. The Company is headquartered in Australia and has international locations in Singapore, Germany and Vietnam. It is commercialising an array of innovative proprietary technologies from its research and development partner, Nanyang Technological University (NTU) in Singapore, a world leader in membrane and water research. Technologies uniquely offered by De.mem include a revolutionary low-pressure hollow fibre nanofiltration membrane that uses less electricity and is cheaper to operate than conventional systems, as well as a new Forward Osmosis membrane deployed in de-watering applications or the concentration of liquids.

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.