

ASX RELEASE | De.mem Limited (ASX:DEM) Quarterly Activities Report – 31 December 2017

Highlights

- De.mem won a number of contract awards totalling approximately A\$1.8 million
- Executed a non-binding Memorandum of Understanding (MOU) with VCCL to jointly pursue opportunities in China
- Raised A\$2.5 million through an oversubscribed share placement
- Participated in the QWater'17 "The Water Industry of the Future" conference
- Completed the set up of several water treatment systems for the deployment of De.mem's proprietary nanofiltration membrane

Wednesday, 31 January 2018: **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 31 December 2017.

De.mem Establishes Itself in the Australian Market

De.mem further established itself as a leading water and waste water treatment company in Australia by winning a number of contract awards totally worth approximately A\$1.8 million in revenues. The contracts were won through the Company's 100%-owned subsidiary Akwa-Worx Pty Ltd ("Akwa Worx"), based in Queensland, Australia. De.mem acquired Akwa-Worx during the September 2017 quarter.

The contracts and scope of works conducted in the December quarter include but are not limited to:

- Delivery of an integrated portable water treatment system for John R Keith Group.
- Delivery of containerised and mobile solutions for the storage of potable water or sewage for Ausco Modular Pty Ltd.
- Delivery of a containerised sludge dewatering system for Bechtel Australia Pty Ltd.
- Delivery and installation of two water treatment systems for St Hilliers Property Pty Ltd's \$6 million Shoalwater Bay Training Area Vehicle Wash Point Facility project in Northern Queensland.



Picture: De.mem / Akwa-Worx project site during installation

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Those contract awards only refer to the company's projects business and do not reflect the long-term Build, Own, Operate ("BOO") and Operations & Maintenance ("O&M") agreements which the company has in place, both in Singapore and in Australia.

Technology

De.mem began running its first commercial-scale plants using its proprietary low pressure hollow fibre nanofiltration membrane ("NF membrane") in early October [ASX Announcement: October 9, 2017]. The water treatment systems are being run as part of a pilot phase which aims to validate the new technology in various commercial scale on-site projects. The NF membrane was developed at Nanyang Technological University (NTU) in Singapore and exclusively licensed to De.mem in 2016. It aims to provide high quality treated water at relatively low energy consumption. The pilot trials are still in progress and the Company will be providing further updates soon.



Picture: De.mem NF membrane deployed at customer site for industrial waste water treatment

Expansion into China

De.mem announced the signing of a non-binding Memorandum of Understanding (MOU) with Virtual Curtain China Limited ("VCCL") in November [ASX Announcement: November 9, 2017]. VCCL is a waste water treatment business backed by technology from Australia's Commonwealth Scientific and Industrial Research Organisation (CSIRO). Under the terms of the MOU, De.mem is partnering with VCCL to jointly pursue a number of imminent market opportunities in the Chinese nuclear, mining and minerals, and coal-to-chemicals sectors. China produces approximately 68 billion tonnes of waste water per annum making it the largest producer of waste water in the world. The market size is estimated to be worth A\$20 billion. De.mem is also exploring additional growth strategies with a number of established partners to further expand its potential operations in China.

Raise of A\$2.5 million in oversubscribed share placement

De.mem raised A\$2.5 million through an oversubscribed share placement to high net wealth and sophisticated investors from Australia and Singapore in November [ASX Announcement: November 6, 2017]. The Company undertook the placement to raise A\$2 million and accepted oversubscriptions up to A\$2.5 million. Proceeds of the placement are being used to support and accelerate technology development and growth opportunities both in Australian and international markets. Alto Capital and Xcel Capital acted as Joint and Lead Manager to the Placement.

Participation in the QWater'17 "The Water Industry of the Future" conference

De.mem / Akwa-Worx participated in the QWater'17 "The Water Industry of the Future" conference in Sunshine Coast, Queensland, in early November. The conference included a comprehensive range of 20+ displays from suppliers to the water industry and presentations and exhibitions on economic trends in Queensland, the environment and the waste and waste water industry.

Financials

De.mem's bank balance amounted to approximately A\$3.3 million as per the end of the quarter. Please refer to the accompanying Appendix 4C Filing for further details.

Andreas Kroell, CEO of De.mem: "We are very pleased with our achievements in the December quarter. During the quarter, we quickly established ourselves as a leading provider of water and waste water treatment solutions in Australia by winning a number of contracts through our wholly-owned Australian subsidiary. We also began actively pursuing opportunities in China and have made excellent progress in the technology side of the business. The momentum we created in 2017 has continued into 2018, and we are looking forward to updating the market on recent and upcoming developments."

Ends.

For further information, please contact:

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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")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,400	3,232
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(1,840)	(2,406)
(c) staff costs	(1,148)	(1,938)
(d) advertising and marketing	(50)	(157)
(e) administration & corporate costs	(361)	(771)
(f) leased assets	(5)	(5)
1.3 Dividends received (see note 3)		
1.4 Interest received	11	25
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other receipts	45	135
1.9 Net cash from / (used in) operating activities*	(949)	(1,886)

* 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	(19)	(259)
(b) businesses (see item 10)	-	(1,563)
(c) investments	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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*	(19)	(2,149)

*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	2,500	7,001
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	(126)	(638)
3.5 Proceeds from borrowings	-	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)	(14)	(14)
3.10 Net cash from / (used in) financing activities*	2,360	6,356

* 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	1,907	982
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(949)	(1,886)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(19)	(2,149)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,360	6,356

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	1	(3)
4.6	Cash and cash equivalents at end of quarter	3,300	3,300

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	3,000	907
5.2	Call deposits	300	1,000
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)	3,300	1,907

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**

155

-

Relates to salary and fees paid to Directors.

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

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**

-

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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.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	60
9.2 Product manufacturing, employee and operating costs	1,228
9.3 NF membrane plant setup	50
9.4 Advertising and marketing	30
9.5 Administration and corporate costs	307
9.6 Vendor milestone payment – Akwa Worx	125
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)	1,800

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	-	-

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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 January 2018.....
(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.

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