

De.mem Delivers Strong Third Quarter for CY2018

Highlights

- Customer receipts up 15% on prior quarter to ~\$3.3m
- Strongest cash receipts in any single quarter in De.mem's history
- Cumulative cash receipts to 30 September are ~\$8.9 million – De.mem to deliver CY2018 revenue of between \$10m-\$12m, up to a 314% year-on-year increase
- Bottom end of CY2018 revenue forecast already achieved based on contracted projects
- Current quarter has commenced well with new technology advances and solid bidding activity

25 October 2018: Water and wastewater treatment company De.mem Limited (ASX: DEM) ("De.mem" or "the Company") is pleased to report its strongest revenue-generating quarter to date with cash receipts of ~\$3.3m for the quarter ended 30 September 2018. This is an increase of 15% on the prior quarter (Q2 CY2018: \$2.9m).

Total receipts from customers in the first 9 months of CY2018 are \$8.9m, placing De.mem in a very strong position to deliver its stated goal of generating revenue of between \$10m-12m for CY2018 which is up to a 314% increase on CY2017 revenue of \$2.9m.

Based on existing longer term contracted Operations & Maintenance services as well as contracted projects due for execution or revenue recognition in the current quarter, De.mem has already met the bottom end of its CY2018 revenue forecast of \$10-\$12m.

Operating cash burn for the quarter was again moderate at -\$300,000, largely in line with -\$230,000 in the prior quarter. Net cash used in investing activities was -\$35,000 (Q2 2018: -\$72,000).

De.mem's cash balance was \$1.8m as at 30 September 2018. The Company is well-funded to meet its near-term growth prospects.

Solid Operational Progress for the Quarter

Operationally, De.mem performed well in the quarter, securing new contracts, progressing technology deployments and strengthening its order pipeline. Some key highlights include:

- Securing a new contract for the delivery of a water treatment plant to a site in Grafton, New South Wales, valued at \$570,000. The contract covers the supply of a potable water treatment plant and related equipment.
- The deployment of the Company's proprietary hollow fibre membrane technologies in numerous new projects and sites in Asia. Using its proprietary hollow fibre membranes, the Company completed pilot projects for waste water treatment in a car wash facility and an electronics factory in Singapore, and at a water treatment facility in the Mekong Delta area, Vietnam.
- The completion of small-scale commercial projects selling proprietary membrane products related to the production of de-ionized water at a car wash facility and the treatment of waste water from a factory from the oil & gas sector, both located in Singapore. Also, a commercial order for the supply of a Forward Osmosis ("FO") water treatment system from an academic institution in Singapore. The collective revenue from those small-scale commercial orders amounted to ~\$90,000, and they are a precursor to a larger scale commercial roll out of De.mem's proprietary technologies in the Asia-Pacific region and Australia.

Comment

De.mem Chief Executive Officer Andreas Kroell said: “De.mem continues to execute on its growth strategy, as reflected in the excellent financial and operational progress we have made this quarter.

“With \$3.3m in cash receipts, Q3 2018 was the strongest quarter to date, and based on revenue that is already contracted and will be booked in the current quarter, we have already met the lower end CY2018 revenue forecast of \$10m-12m. The increase in revenues is matched by moderate operating quarterly cash burn of -\$300,000 reflecting our conservative cost base.

“We continue to manage our cost base very tightly without inhibiting growth, as reflected in our rapidly reducing cash burn. With a healthy cash balance of \$1.8m at the end of the period, De.mem is well capitalised and focused on achieving cash flow positivity in the near term.

“From a strategic perspective, validating our proprietary membranes for broad sector application and across a large customer base in Asia through several small-scale commercial projects is another substantial milestone achieved during the previous quarter. This gives us a major strategic advantage in a highly competitive sector, and larger revenue-generating commercial deployments throughout the Asia-Pacific region are expected.

“We see a strong pipeline of projects building for 2019 in Australia and Asia, largely driven by strong infrastructure spending and the recovery in the mining sector. This is reflected in growing bidding activity.”

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

-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

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.

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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 2018

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	3,390	8,889
1.2 Payments for		
(a) research and development	(20)	(20)
(b) product manufacturing and operating costs	(2,250)	(5,955)
(c) staff costs	(1,058)	(3,037)
(d) advertising and marketing	(13)	(118)
(e) administration & corporate costs	(347)	(991)
(f) leased assets	(10)	(21)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	6
1.5 Interest and other costs of finance paid	-	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other receipts	5	6
1.9 Net cash from / (used in) operating activities	(300)	(1,243)

2. Cash flows from investing activities

2.1 Payments to acquire:

(a) property, plant and equipment	(20)	(75)
(b) businesses (see item 10)	-	(125)
(c) investments	(15)	(43)

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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	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(35)	(243)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
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	-	-
3.5 Proceeds from borrowings	-	-
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	-	-

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	2,132	3,300
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(300)	(1,243)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(35)	(243)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

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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	(15)	(32)
4.6	Cash and cash equivalents at end of quarter	1,782	1,782

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	1,282	1,632
5.2	Call deposits	500	500
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)	1,782	2,132

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**

70

-

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**

33

-

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

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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.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	65
9.2 Product manufacturing, employee and operating costs	2,875
9.3 NF membrane plant setup	-
9.4 Advertising and marketing	40
9.5 Administration and corporate costs	275
9.6 Total estimated cash outflows *	3,255

* Excludes sales revenue

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: 
(Director/Company secretary)

Date:25 October 2018.....

Print name:Brett Tucker.....

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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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