

De.mem Delivers Strong Fourth Quarter for CY2018 and Positioned for Growth in CY2019

Highlights

- Customer receipts of \$1.9 m in Q4 with cumulative cash receipts in CY2018 of \$10.8 million
- CY2018 revenue forecast achieved with accounting revenues of \$10.5 million based on preliminary unaudited financial statements – up 262% YoY (CY2017: \$2.9m)
- Invested in organic growth in the quarter – established offices in Adelaide and Melbourne with experienced sales and BD staff appointed and ongoing expansion into the food & beverage sector
- Technology portfolio broadened with introduction of self-developed Ultrafiltration membrane
- Record bidding activity in Q4 2018 with extensive sales pipeline built and strong outlook for 2019
- Significant project awards expected in H1 2019

30 January 2019: Water and wastewater treatment company De.mem Limited (ASX: DEM) (“De.mem” or “the Company”) is pleased to report cash receipts of ~\$1.9m for the quarter ended 31 December 2018 (Q3 2018: \$3.3m).

Customer receipts were lower than in the prior quarter mainly due to the phasing of the final payments on two major contracts (total volume of the contracts being approx. \$2.27m). While the work on the contracts was largely completed by 31 December 2018, with the majority of supplier bills already being paid for by De.mem, total receipts from the customers of more than \$900k were still outstanding at year-end with an expected payment due date early 2019.

Notwithstanding, De.mem is pleased to confirm total cash receipts during CY 2018 coming in at \$10.8m, even with the above payments outstanding as of year-end.

Furthermore, De.mem is pleased to confirm that it has met its previously stated guidance of CY2018 revenue of between \$10m and \$12m. Based on the preliminary unaudited accounts (variations may apply after finalisation of the audit) the group’s CY 2018 accounting revenues are at 10.5m. On a year-on-year comparison, De.mem has achieved record sales growth of approximately 262% compared to CY2017 revenue of \$2.9m.

Operating cash burn for the quarter was approx. \$740,000, higher than in the previous quarters (-\$300,000 in Q3 and -\$230,000 in Q2) but lower than in Q4 2017 (-\$950,000 in Q4 2017). This is mainly due to variations in working capital and in particular, an excess of at least \$250,000 in customer payments yet to be received by year-end over supplier payments yet to be made from the two above-mentioned projects. This will be reversed during CY 2019 and have a positive impact on cash flows in upcoming quarters.

Furthermore, De.mem had been investing upfront in people and growing its geographical footprint to capture numerous organic growth opportunities in CY2019. Office openings in Adelaide and Melbourne had some minor impact on cash flows during the quarter but it is expected that those will contribute positively to revenues and cash flows from Q1 2019 onwards. Based on the substantial sales pipeline and expected revenue growth for CY 2019, the Company remains positive about its goal to achieve cash break even in the short term.

With the funds received from the entitlement offer to shareholders late in CY2018, De.mem’s cash balance was approx. \$1.7m as at 31 December 2018. An additional approx. \$400,000 were received from investors during January 2019. Based on all funds received and the ongoing focus on managing costs, De.mem is sufficiently funded to meet near-term growth objectives.

Solid Operational Progress during the Quarter

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

- Securing new contracts worth \$350,000 in December. The projects include the delivery of a chlorination system to the Maranoa Regional Council, Queensland, and the sale of a membrane-based water treatment system to South32 Cannington Pty Ltd, Queensland.
- The release of the Company's first in-house-developed hollow fibre Ultrafiltration ("UF") membrane for commercial sales. The new membrane has been extensively pilot tested and shows an excellent technical performance. It combines a relatively low pore size, which indicates a strong rejection of contaminants, with high throughput (= flux), which makes the membrane very economical to use. This marks an important milestone for De.mem as it demonstrates the Company's in-house R&D capabilities and its ability to bring self-developed water & wastewater treatment technology to the market for commercial deployment. The technology comes without any royalty obligations.
- Opening sales offices in Adelaide and Melbourne so De.mem can provide national coverage and customer support. Key senior appointments have been made and the new locations are already contributing significantly to growing the project pipeline. As part of the increased geographic reach, De.mem has further expanded its product offering into the food & beverage industry – a key industrial segment in these new geographies.

Strategy and Outlook for 2019

- Based on record bidding activity in Q4 of CY 2018, De.mem has built an extensive sales pipeline in Australia and Asia, and expects continued sales growth for 2019. The Company will advise on the revenue target for CY2019 in due course.
- A key pillar of the expansion strategy for 2019 is to aggressively target the food & beverage and agricultural sectors. De.mem intends to pursue such opportunities based on an expanded product offering for clients from the sector, around and 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 or other beverages and liquids. While the vast majority of revenues came from the mining/resources and infrastructure segments in CY2018, the current project pipeline and outlook for 2019 includes substantial additional opportunities in the food & beverage sector.
- The other key area of expansion is around the Company's technology portfolio. During CY2018, the Company has established and further validated three proprietary technology opportunities:
 - A range of Ultrafiltration membranes;
 - The low pressure hollow fibre Nanofiltration membrane originally licensed from Nanyang Technological University, Singapore;
 - The hollow fibre Forward Osmosis membrane, which is deployed for industrial waste water treatment by De.mem and – in partnership with Aromatec Pte Ltd, Singapore – for applications in food & beverage production.

The Company will continue to commercialise these existing products and add further hollow fibre membrane products to its proprietary technology portfolio.

Conclusion of Entitlement Offer in December 2018 and Planned Expansion into Germany

- De.mem announced an entitlement offer to its shareholders on 26 November 2018. The Company confirmed written commitments of approx. \$1.2 million, with the majority received prior to year-end and the remainder paid in January. In addition to the \$1.2 million committed, written expressions of interest for another \$500,000 were received. The funds are to be used mainly for Research & Development, working capital requirements and the planned acquisition of an industrial waste water treatment supplier in Germany. De.mem currently is in due diligence with the acquisition target, with completion subject to satisfactory due diligence and to De.mem securing further funding commitments as part of its recent capital raising initiatives.

Comment

De.mem Chief Executive Officer Andreas Kroell said: "CY2018 has been a great year for De.mem with progress in all key areas. We have met our financial forecasts, achieved significant year-on-year revenue growth and firmly established our operations in Australia and Asia.

"The Company built an extensive project pipeline in the second half of CY2018 and we expect this to translate to new revenue generating contracts in CY2019. Significant project awards are expected in the coming months which will reflect this. We are strongly focused on becoming cash flow positive in the near term.

"The built up of our proprietary technology portfolio, a key market differentiator for De.mem, has also advanced significantly with our first self-developed technology being clear evidence of this. A new Ultrafiltration membrane is already in the market and we are receiving encouraging interest from potential customers. We will report about further project awards using this new technology as well as our other proprietary membranes manufactured in Singapore shortly.

"We see considerable scope for growth in the Water & Wastewater treatment market with a lot of opportunity evident in municipal, food & beverage and agricultural sectors. The market opportunity is enormous and we are exceptionally well-placed to capitalise on it."

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

-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 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")

31 December 2018

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	1,947	10,836
1.2 Payments for		
(a) research and development	-	(20)
(b) product manufacturing and operating costs	(1,294)	(7,249)
(c) staff costs	(1,145)	(4,182)
(d) advertising and marketing	-	(118)
(e) administration & corporate costs	(242)	(1,233)
(f) leased assets	(12)	(33)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	11
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	-	6
1.9 Net cash from / (used in) operating activities	(741)	(1,984)

2. Cash flows from investing activities

2.1 Payments to acquire:

(a) property, plant and equipment	(16)	(91)
(b) businesses (see item 10)	-	(125)
(c) investments	(29)	(72)

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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	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(45)	(288)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	749	749
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	(63)	(63)
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	686	686

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	1,782	3,300
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(741)	(1,984)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(45)	(288)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	686	686

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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	(2)	(34)
4.6	Cash and cash equivalents at end of quarter	1,680	1,680

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	1,180	1,282
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)	1,680	1,782

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**

126

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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**

-

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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	85
9.2 Product manufacturing, employee and operating costs	2,875
9.3 Milestone payment – Akwa Worx Aquisition	125
9.4 Advertising and marketing	40
9.5 Administration and corporate costs	275
9.6 Total estimated cash outflows *	3,400

* 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: 
(Director/Company secretary)

Date:30 January 2019.....

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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