

ASX RELEASE | De.mem Limited (ASX:DEM) Quarterly Activities Report – 30 June 2017

Highlights

- De.mem successfully listed on ASX
- Successfully installed containerised wastewater treatment system at major international client
- Secured Novaland Group contract and a BOO contract with a Japanese multi-national client
- Pursuing a number of growth opportunities in China, Germany and Australia
- Achieved a significant milestone with the first production of an industrial sized low-pressure hollow fibre nanofiltration membrane
- New manufacturing facility in Singapore operational
- Commenced pilot testing at select customer sites ahead of planned commercial market launch of the technology later this year

De.mem Limited (“De.mem”) is pleased to provide a report of its activities for the quarter ended 30 June 2017.

Successful listing of De.mem on ASX

De.mem commenced trading on the ASX on 7 April 2017 following its successful IPO raise of A\$4.5 million. The funds raised from the IPO are to be applied towards the Company’s growth strategy, namely the in-field validation and commercial launch of the Company’s flagship nanofiltration membrane technology, growing its portfolio of customer projects & proprietary products and geographical expansion.

Hollow-fiber membrane manufacturing / manufacturing of the low pressure nanofiltration membrane

In early May 2017, De.mem achieved a significant milestone with the first production of an industrial sized low-pressure hollow fibre nanofiltration membrane module in conjunction with Nanyang Technological University in Singapore (NTU Singapore). The new low pressure nanofiltration membrane allows for lower operating cost and reduced investment relative to other conventional water treatment technologies. The production of this 4-inch wide module further validates the technology and proves that it can be manufactured at a commercial level. It also highlights the successful technology transfer from NTU Singapore to De.mem and strong partnership between the two organizations.



4-inch hollow fiber nanofiltration module manufactured by De.mem

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During the quarter, De.mem also completed the hiring of the membrane production team. Led by Director of Manufacturing Mr. David Chua, who has extensive experience in the production of hollow fiber membranes with leading international companies.

De.mem announced the completion of the set up of its new facility for membrane production in Singapore shortly after the end of the quarter, on 12 July 2017. This facility brings De.mem the capability to produce industrial sized hollow fiber membrane modules for use in smaller scale industrial and municipal/residential projects, including containerized solutions. De.mem will manufacture its innovative low pressure hollow fiber nanofiltration membrane at this site. With the equipment, it will be possible to also manufacture other types of hollow fiber membranes.

In-field Customer Testing and Development Pipeline

Having successfully achieved the completion of its new facility in Singapore De.mem is currently preparing for in-field customer testing in various locations in Vietnam, Singapore and Australia in advance of planned commercial launch later this year.

In-field testing will be conducted on both municipal/residential as well as industrial waste water applications.

During the quarter, De.mem has also been evaluating further innovative membrane based technologies for water and waste water treatment, which were originally developed at leading research institutions in Singapore. De.mem intends to build a portfolio of membrane based technologies suited for a wide range of industrial and municipal water and waste water treatment applications around the novel nanofiltration membrane as the company's flagship technology. De.mem will update the market further on the extension of the range of proprietary technologies over the coming months.



Interior of containerized waste water treatment plant built by De.mem at a customer site

Business Development and Project Pipeline

De.mem has continued to build its project pipeline and is currently bidding on long term, high margin projects across existing and target geographies.

Projects contracted to De.mem during the quarter included a feasibility study with the Novaland Group in Vietnam, which is among the country's largest residential development firms. While the value of the feasibility study is not material, there is the potential for a more significant follow-on project.

De.mem was awarded a number of contracts during the period including a BOO (Build, Own, Operate) contract with a Japanese multinational corporation from the electronics industry. Under the BOO contract, De.mem operates a waste water treatment system which treats the waste water of this customers' factory in Singapore prior to discharge. While not material in contract value, De.mem considers this another strong customer reference project given the reputation of the customer and the high complexity of the project due to the severe characteristics of the waste water treated.

De.mem continues to develop project leads and customer relationships in its existing markets, Singapore and Vietnam, as well as new target markets such as China, Australia and Germany.

In China, De.mem is currently in discussions with a number of prospective parties. China represents a key growth market for De.mem given the market size and increasing level of regulatory pressure being placed on industrial and manufacturing sites to comply with wastewater standards. Further updates will be provided to the market shortly.

In Germany, the pipeline of opportunities continues to increase. De.mem is currently pursuing a number of high probability leads in Germany with customers from the agricultural sectors, including industries such as dairy or beverage/fruit juice production, thermal spas and aquatic resorts. The sectors can benefit from De.mem's product offering and technologies as it enables them to generate substantial cost savings through water recycling. The German market for water and waste water treatment is considered a key growth market as it is driven by a strict regulatory environment, which obliges companies to undertake extensive waste water treatment before discharge of the water into the environment.

In Australia, De.mem is actively pursuing customer leads across a range of sectors including the agricultural, mining and government sectors.

De.mem looks forward to updating the market further as it delivers on its growth strategy.

Corporate

De.mem held its annual general meeting (AGM) on 25th May 2017 in Perth with all resolutions being passed.

The Company advises that it has reviewed the annual remuneration payable to its CEO Andreas Kroell and increased his annual base remuneration component to S\$192,000 effective 1 July 2017.

Financials

The bank balance amounted to approx. A\$3.8 million as per the end of the quarter. Please refer to the attached Appendix 4C Filing for further details.

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About De.mem Limited

De.mem is a decentralised water treatment business that designs, builds, owns and operates customised and high-quality water and waste water treatment systems for its clients. The company presents its product offering in two industry segments (i) the industrial segment where De.mem provides systems and solutions to its customers in the electronics, chemicals, oil & gas, resources and the food & beverage industries and (ii) the municipal and residential segment. The company has licensed a number of proprietary technologies from its partner in research & development, Singapore's Nanyang Technological University (NTU). De.mem has its main operations and manufacturing in Singapore.

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 2017

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	149	162
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(142)	(156)
(c) staff costs, administration and corporate costs	(579)	(653)
(d) advertising and marketing	(33)	(33)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other receipts	10	18
1.9 Net cash from / (used in) operating activities*	(593)	(659)

* Note that cash inflows / outflows from Operating Activities above only include cashflows related to De.mem Pte Ltd (Singapore) from acquisition date of 14 March 2017 – see item 10

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(155)	(155)
(b) businesses (see item 10)	-	-
(c) investments	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 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*	(189)	(308)

*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	-	4,501
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	(304)	(208)
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*	(304)	4,293

* 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	4,902	982
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(593)	(659)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(189)	(1,200)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(304)	4,693

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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	(2)	(2)
4.6	Cash and cash equivalents at end of quarter	3,814	3,814

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	1,814	4,902
5.2	Call deposits	2,000	-
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)	3,814	4,902

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	111
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	

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	Current quarter \$A'000
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	

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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	180
9.3 NF membrane plant setup	80
9.4 Advertising and marketing	60
9.5 Administration and corporate costs	150
9.6 Total estimated cash outflows (excludes revenue generated by existing or future contracts)	530

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 July 2017.....
(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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