

## De.mem Delivers Positive Start into New Calendar Year 2019

### Highlights

- **Significant orders received during Q1 CY 2019 and the month of April for the sale of water treatment equipment and operations & maintenance services**
- **First commercial sale of new domestic water filter product with Singapore distributor**
- **Customer receipts of \$2.0m**
- **Expansion into South East Australia with experienced Sales and Business Development staff appointed, and into the food & beverage sector, expected to contribute to sales growth**
- **Extensive sales pipeline for remainder of CY 2019 with record bidding activity**

**30 April 2019: Water and wastewater treatment company De.mem Limited (ASX: DEM)** (“De.mem” or “the Company”) is pleased to report strong progress for the first quarter of CY 2019 with record contract wins from reputable customers and further important commercial milestones achieved as described further below.

De.mem finished previous CY 2018 with audited group revenues of approx. 10.5m. This is equivalent to record sales growth of approximately 262% compared to CY2017 revenue of \$2.9m.

Cash receipts in the first quarter of the CY 2019 came in at ~\$2.0m (Q4 2018: \$1.9m). Based on the strong progress in operations, new contract wins during the quarter and in the month of April as well as a healthy sales pipeline for the remainder of the year, the Company expects further growth in CY 2019. Historically, cash receipts tend to be strongest in the second and third quarter of a calendar year.

Operating cash burn for the quarter was ~\$600,000, significantly lower than (Q4 2018 burn ~\$780,000) but higher than Q3 2018 (~\$300,000) and Q2 2018 (~\$230,000). The Company advises that the higher than average burn has been offset by receipt of a customer payment of \$715,000 on 8 April 2019, and as a result, operating performance in Q2 2019 is expected to be substantially improved.

During the quarter, De.mem closed the placement of the shortfall from the entitlement offer announced on 26 November 2018. Closing cash balance on 31 March 2019 was approx. \$1.9 million, excluding the above-mentioned customer payment received on 8 April 2019 of approx. A\$ 715,000 and a further \$150,000 not yet booked from a further share placement that closed on 3 April 2019. Based on all funds received, and Management’s continued focus on tightly managing the cost base, 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 both its tendering pipeline and order book. Key highlights include:

- **Securing a Purchase Order from Rio Tinto for the operations of the water and waste water treatment plants at the Amrun mine near Weipa, Queensland. The contract is for 12 months with the potential for additional revenue to be earned from the sale of consumables.**
- **The first commercial Purchase Order for domestic water filters based on De.mem’s proprietary Ultrafiltration Membrane Technology. The order is from an established Singaporean distributor of such products, and marks the start of a partnership with this supplier to promote and sell to consumers in Singapore. This unique product line was only launched by De.mem in Q3 2018 and sales in Singapore will provide an excellent reference point for other markets in Asia.**

- Post balance date, in the month of April, De.mem secured a substantial order valued at \$2.8 million for the delivery of a desalination plant to a site in Queensland, Australia. Revenue is being booked over CY 2019 for this project, which is expected to be completed prior to year-end.

### **2019 Strategy and Outlook**

- Based on record bidding activity, De.mem has built an extensive sales pipeline in Australia and Asia, and expects continued sales growth for the remainder of CY 2019. A revenue target for the year will be reported 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 broaden its presence in these markets based on an expanded product offering 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 and other beverages and liquids. While the vast majority of revenues came from the mining/resources and infrastructure segments in CY 2018, the revenue mix for CY 2019 includes contributions from projects in the food & beverage sector.
- The other key area of expansion is around the Company's technology portfolio. During CY 2018, the Company 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 (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 Placement of Shortfall from the Entitlement Offer announced on 26 November 2018**

- De.mem completed the placement of shortfall from the entitlement offer to its shareholders announced on 26 November 2018. The Company raised a total of \$1.88 million, ensuring the Company is well-funded to achieve its operational goals for CY 2019. The funds are to be used mainly for Research & Development, operational and working capital requirements and the potential acquisition of an industrial waste water treatment supplier in Germany, which is under due diligence.

### **Comment**

**De.mem Chief Executive Officer Andreas Kroell said:** "De.mem has had an excellent start to CY 2019 underpinned by record contract wins from Australian blue chip customers in the first four months of the year.

"Based on orders received, and an extensive project pipeline for the remainder of the year, we expect to witness further growth in CY 2019. We are strongly focused on becoming cash flow positive in the near term and our growing tendering pipeline and order book supports this.

"Further to this, it becomes evident that our proprietary technology portfolio is starting to generate significant market interest. Our proprietary Ultrafiltration membrane technology is now being sold at the commercial scale to consumers in Singapore. This domestic "point of use" market has a substantial size, particularly in Asian countries, and we expect this product line to contribute significantly to revenues going forward.

"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 in domestic and commercial sectors 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-**

**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 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](http://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")**

31 March 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,013	2,013
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,146)	(1,146)
(c) staff costs	(1,159)	(1,159)
(d) advertising and marketing	-	-
(e) administration & corporate costs	(322)	(322)
(f) leased assets	(12)	(12)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	26	26
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(600)</b>	<b>(600)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	(135)	(135)

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property	(52)	(52)
(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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(187)</b>	<b>(187)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	996	996
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	(68)	(68)
3.5 Proceeds from borrowings	95	95
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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>1,023</b>	<b>1,023</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,680	1,680
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(600)	(600)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(187)	(187)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,023	1,023

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(2)	(2)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>1,914</b>	<b>1,914</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,410	1,410
5.2	Call deposits	504	504
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,914</b>	<b>1,914</b>

**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**

129

-

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. <b>Financing facilities available</b> <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 (overdraft facility)	500	500
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.		

Via its subsidiary De.mem-Akwa Pty Ltd, the Company has access to an overdraft facility of up to A\$ 500,000 provided by National Australia Bank (NAB). The facility is secured by a cash deposit.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	77
9.2 Product manufacturing, employee and operating costs	2,665
9.3 Advertising and marketing	30
9.4 Administration and corporate costs	861
<b>9.5 Total estimated cash outflows*</b>	<b>3,633</b>

\* Excludes cash receipts from sales

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	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:  .....  
(Company secretary)

Date: 30 April 2019

Print name: Deborah Ho

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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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