

De.mem Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	De.mem Limited
ABN:	12 614 756 642
Reporting period:	For the half-year ended 30 June 2023
Previous period:	For the half-year ended 30 June 2022

2. Results for announcement to the market

				\$'000
Revenues from ordinary activities	up	16.2%	to	10,692
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	down	29.0%	to	(742)
Loss from ordinary activities after tax attributable to the owners of De.mem Limited	down	19.6%	to	(1,560)
Loss for the half-year attributable to the owners of De.mem Limited	down	19.6%	to	(1,560)

Dividends

There was no dividend paid, recommended or declared during the current financial period.

Brief explanation of above figures

Commentary on the Results for the half year ended 30 June 2023

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$1,560,000 (30 June 2022: \$1,940,000).

The Company is referring to the detailed "*Review of operations and financial position*" section in the Consolidated Interim Financial report for a detailed analysis of the financial results.

The Company's underlying EBITDA is as follows:

	Consolidated 30 June 2023 \$'000	30 June 2022 \$'000
Underlying EBITDA		
Loss before tax	(1,572)	(1,889)
Depreciation and amortisation	793	775
Finance costs	37	63
EBITDA	(742)	(1,051)
Business acquisition cost **	75	23
Share based payments	314	228
	(353)	(800)

* EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude business acquisition and development costs, net fair value loss on remeasurement of contingent consideration on business combinations, share based payments and one-off business expenses. The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.

** 30 June 2022 costs related to the acquisition of Stevco business which were expensed. 30 June 2023 costs mainly include the cash portion of the first milestone payment (\$50,000) to the vendors of Stevco.

De.mem Limited
Appendix 4D
Half-year report

The Company is referring to the detailed *"Review of operations and financial position"* section in the Consolidated interim Financial report attached with Appendix 4D for the half year ended 30 June 2023.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	3.19	3.52

4. Controlled Entities

	Country of Incorporation	Principal Activities	Ownership
Parent entity			
De.mem Limited	Australia	Parent	
Name of Controlled Entity			%
De.mem-Akwa Pty Ltd	Australia	Water and waste water treatment	100.00%
Akwa Facility Maintenance Pty Ltd	Australia	Water and waste water treatment	100.00%
De.mem Pte Ltd	Singapore	Water and waste water treatment	100.00%
De.mem Vietnam Ltd	Vietnam	Technical Advisory services	100.00%
De.mem-Pumptech Pty Ltd	Australia	Water and waste water treatment	100.00%
De.mem-Geutec GmbH	Germany	Water and waste water treatment	100.00%
De.Mem-Capic Pty Ltd	Australia	Water and waste water treatment products	100.00%
De.Mem-Stevco Pty Ltd	Australia	Water and waste water treatment products	100.00%

Control gained over businesses

Not applicable.

5. Details of associates

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
Aromatec Pte Ltd	31.56%	31.56%	-	-
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			-	-

6. Independent Review Report

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Consolidated Interim Financial Report.

7. Signed

A handwritten signature in blue ink, appearing to read 'A. Kroell', is written over a horizontal line.

Signed _____

Date: 30 August 2023

Mr Andreas Kroell
Director
Melbourne

De.mem Limited

ABN 12 614 756 642

Consolidated Interim Financial Report - 30 June 2023

De.mem Limited
Corporate directory
30 June 2023

Directors

Cosimo Trimigliozi - Non-Executive Chairman
Andreas Kroell - Chief Executive Officer and Director
Bernd Dautel - Non-Executive Director
Stuart Carmichael - Non-Executive Director
Michael Edwards - Non-Executive Director
Danny Conlon - Non-Executive Director
Andreas Hendrik (Harry) De Wit - Non-Executive Director

Co-company secretaries

Mr Tony Panther
Ms Patricia Vanni

Registered office

Level 4, 96-100 Albert Road
South Melbourne VIC 3205
Australia
Phone: (03) 9692 7222

Principal place of business

Level 4, 96-100 Albert Road
South Melbourne VIC 3205
Australia
Phone: (03) 9692 7222

Share register

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Australia
Phone: +61 1300 554 474

Auditor

William Buck
Level 20, 181 William Street
Melbourne Vic 3000
Australia
Phone: (03) 9824 8555

Solicitors

HopgoodGanim Lawyers
Level 27, Allendale Square
77 St Georges Terrace
Perth, WA, 6000
Australia

Bankers

Australia and New Zealand Banking Group Limited - Launceston
Commonwealth Bank of Australia - Sydney
National Australia Bank - Brisbane
Westpac Bank - Perth

Stock exchange listing

De.mem Limited shares are listed on the Australian Securities Exchange (ASX code: DEM)

Website

www.demembranes.com

De.mem Limited
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Review of operations and financial position

Overview

De.mem Ltd (ASX:DEM) provides a “one stop shop” offering around high-quality water and waste treatment equipment, services, specialty chemicals, pumps and consumables.

The Company's focus is on industrial customers across a wide range of industries including the mining & resources, infrastructure, food & beverage/agriculture, power generation and heavy industrial sectors. It serves large multinationals as well as SME's (small and medium enterprises) through its offices in Australia (Melbourne, Brisbane, Perth, Launceston), Singapore and Velbert, Germany.

De.mem's business model is generating high margin, recurring revenues from industrial key accounts, from the following segments:

- Operations & Maintenance contracts, under which De.mem operates & maintains the clients' water and waste water treatment facilities.
- Build, Own, Operate (“BOO”) or Build, Own, Operate, Transfer (“BOOT”) services. Under a BOO or BOOT agreement, the equipment is provided to the customer under a leasing scheme and operated & maintained by De.mem under a long term arrangement. Based on its extended range of capabilities, the Company is uniquely positioned as a supplier of BOO/BOOT services to industrial customers in Australia.
- Specialty chemicals required in water and waste water treatment as well as in industrial processes, such as anti-scalants, membrane cleaning agents, process chemicals and flocculants & coagulants. The Company blends its specialty chemicals at its facilities in Perth, Australia, and Velbert, Germany.
- The sale of pumps, small water treatment equipment and the ongoing maintenance of the same, as well as the sale of membranes and other consumables required during the ongoing operations of industrial water and waste water treatment plants.

Equipment manufactured and sold by De.mem includes a wide range of membrane-based water and waste water treatment systems which are deployed on-site at the customer's facility. The Company's offering is backed by leading hollow-fibre membrane technology and Intellectual Property developed and manufactured at the Company's facility in Singapore. De.mem's hollow fibre membranes often serve as the key component in the Company's integrated, turn-key systems, to provide its products with strong competitive advantage.

Key hollow-fibre membrane technologies offered by De.mem comprise the Company's Ultrafiltration, hollow-fibre Nanofiltration and Graphene-Oxide enhanced membranes.

H1 2023 Highlights

Revenue growth and recurring revenue focus drive gross margins

- Revenue growth of 16% vs previous corresponding period
- Gross margin (gross profit divided by revenues) up to 37% (up from 35% in 2022; 25% in 2018)

Underlying EBITDA loss further reduced to near break-even

- Underlying EBITDA loss reduced to \$353,000 (from \$800,000 in H1 CY 2022)
- Thereof, approx. \$240,000 in Q1 CY 2023 and \$113,000 in Q2 CY 2023

Focus on high-margin recurring revenue segments

- Share of high margin recurring revenue segments remains at >85% of total revenues (38% in 2018)
- Perth-based De.mem-Capic specialty chemical subsidiary generated approx. \$2.8m in revenues in H1 CY 2023 (vs. approx. \$3.3m annually prior to the acquisition in April 2021)

Key contract awards received support strong outlook for H2 CY 2023

- Important \$1.6m project with South 32 in manufacturing – majority of cash receipts scheduled for December Quarter 2023
- Three further project awards (see the Quarterly Activities Reports for March and June 2023) of \$420,000, \$250,000 and \$200,000 in revenues add to the above – with most cash receipts scheduled for the December Quarter 2023

\$2.1m BOO contract with multinational corporation in Singapore commissioned

- The \$2.1m, minimum 6-year Build, Own, Operate (BOO) contract with Givaudan in Singapore was commissioned in the June Quarter 2023
- Contract is generating revenue/cash receipts and contributes to the outlook for H2 CY 2023; all material investment required is completed

Advancing with NSF approval of Graphene Oxide enhanced membrane

- Progressing with NSF / American drinking water product certification – expecting to complete within next 6 months
- Preparing for the commercial launch of the new membrane technology into the North American market for domestic water filtration with partner company Purafty, Canada

Business Development & Operations

During H1 CY 2023, De.mem progressed with the manufacturing of a membrane-based water treatment system for South 32. The order was awarded to the Company originally in late 2022 (see the ASX announcement dated 17 October 2022). While initially the contract was worth \$1.4m in revenues, the client awarded variations to De.mem which increased its value to a total of \$1.6m in revenues. The majority of the cash receipts for the project are scheduled for the December Quarter 2023.

In addition to this, the Company received several important contract awards during H1 CY 2023 related to the supply of equipment (through its “Membrane Systems” division):

- A contract award for the supply of a waste water treatment system to an industrial customer in Queensland, Australia. The project is worth approx. \$420,000 in revenue (announced in the March Quarter 2023 Quarterly Activities Report).
- A purchase order for the supply of waste water treatment equipment to a company from the Australian agricultural sector, worth approx. \$200,000 (announced in the June Quarter 2023 Quarterly Activities Report).
- A purchase order for the upgrade of membrane-based water treatment equipment for a leading international mining corporation, worth approx. \$250,000 (announced in the June Quarter 2023 Quarterly Activities Report).

The vast majority of the revenues and cash receipts from these orders are scheduled to be realized / received in H2 CY 2023, in particular the December Quarter 2023.

Within its “Services” business segment, the Company received the following key awards:

- A new contract for the provision of water treatment operations & maintenance services to an international mining corporation, worth approx. \$240,000 over an initial 6-month period.
- The 12-month extension of an existing operations & maintenance agreement for the water treatment facilities of an industrial customer in Queensland, worth approx. \$700,000 per annum.

De.mem Limited
Directors' report
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In the June Quarter 2023, De.mem commissioned a new Build, Own, Operate ("BOO") plant with Givaudan in Singapore. The BOO contract is worth at least \$2.1m over a minimum term of 6 years. Under the contract, De.mem treats the waste water from one of the client's Singapore factories to regulatory discharge standards. Revenues and cash receipts from the contract add to the positive outlook for H2 CY 2023. The contract was originally announced on 29 August 2022.

Within its Specialty Chemicals division, De.mem's Perth-based Capic subsidiary remained the driver of growth. The entity increased its revenues to approx. \$2.8m in the 6-month period ended 30 June 2023, compared to a total of \$3.3m in annual revenues prior to the acquisition of the Capic business by De.mem in April 2021.

Membrane Technology & R&D

De.mem is progressing with the NSF (American drinking water) product certification for its new Graphene-Oxide enhanced membrane technology. The completion of the process is expected within the next 6 months.

The Company intends to launch the new membrane for domestic water treatment applications commercially through the partnership with Purafty, Canada (see the ASX release dated 19 July 2022, "De.mem Signs Technology Commercialization Partnership Agreement" for further details). Purafty is part of Grafoid Inc., Canada, a graphene research, development and investment company, and promotes a range of products for domestic water treatment filtration as well as portable water treatment systems. The domestic point-of-use and point-of-entry water purification market is estimated to be a US\$82.6bn global market by 2027 (source: Market Research Future, study on the Water Purifier Market, May 2021).

Financials

De.mem Group revenues increased by 16% to \$10.7 million in H1 2023 (H1 2022: 9.2 million).

The vast majority of revenues in H1 2023 (>85%) were derived from De.mem's recurring revenue segments, which include the Company's services (BOO and Operations & Maintenance contracts), specialty chemicals and pumps & small water treatment equipment business divisions. The recurring revenue segments comprise the revenues from the rendering of services and the sale of goods as per note 4 in the "Notes to the Consolidated Financial Statements".

Due to the focus on the high margin recurring revenue segments, gross margins (gross profit divided by revenues) increased to 37% (from 25% in 2018, 35% in 2022).

With the focus on growing its recurring revenue segments and Build, Own, Operate and service contracts, complemented by bolt-on acquisitions of profitable businesses with a strong industrial customer base, De.mem has been achieving significant revenue growth while moving towards EBITDA and operating cash flow break even. In H1 2023, De.mem recorded an underlying EBITDA loss of approx. \$353,000; thereof approx. \$240,000 in the March Quarter and approx. \$113,000 in the June quarter.

	H1 2023 \$'000	2022 \$'000	2021 \$'000
Loss before taxes	(1,572)	(3,412)	(4,362)
Depreciation and amortisation	793	1,613	1,264
Interest expenses	37	98	159
Business acquisition cost**	75	40	353
Share based payments expense	314	381	60
Doubtful debts expense	-	81	63
Inventory write-offs (within cost of goods sold)	-	-	277
Underlying EBITDA	(353)	(1,199)	(2,186)

**Underlying EBITDA is a non-IFRS earnings measure which does not have any standardized meaning defined by IFRS. Hence, it may not be comparable to EBITDA as presented by other companies. Underlying EBITDA excludes the effect of significant items of income and expenditure which are considered one-off or non-recurring. These unaudited measures are important for the company to assess its performance.*

***Cost items related to the acquisition of Capic and Stevco which were expensed – including stamp duty for Capic (2021) and the cash portion of the first milestone payment for Stevco (H1 2023)*

****Legal fees of one-off nature and severance payments*

De.mem Limited
Directors' report
30 June 2023

Net loss before taxes for the year amounted to approx. \$1.6 million during the period. The reported net loss includes:

- a number of non-cash expenses including depreciation and amortisation of \$0.8 million; and
- share based payments expense of approx. \$0.3 million, mainly related to an issuance of stock options to the directors replacing options which had previously expired.

Net assets were \$13.3 million as at 30 June 2023 (\$14.3 million as at 31 December 2022).

As of 30 June 2023, De.mem has approx. \$4.1 million in cash and term deposits.

Corporate

On 23 May 2023, De.mem Limited held its 2023 Annual General Meeting, with all resolutions being passed.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of De.mem Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2023.

Key risks and uncertainties

De.mem is subject to both general risks and risks specific to De.mem's business activities.

Covid-19

There is a risk to the business from a potential deterioration of the Covid-19 pandemic. Should there be new lockdowns, this could have a substantial impact on De.mem's business, in particular the ability to secure new contracts and build new and existing customer relationships.

Overall macroeconomic situation

The worldwide macroeconomic situation appears fragile, in particular since the war in the Ukraine started in H1 2022. Should the crisis worsen and result in global macroeconomic recession, there could be an impact on De.mem's business or growth rates.

Inability to retain key personnel and to recruit new qualified personnel

The successful operation and expansion of De.mem's business relies on the company's ability to recruit and retain experienced and skilled management, scientists, engineers and technicians. Product know how, product development efforts and well as relationships with certain clients might be dependent on single individuals. The loss of such individuals could have an impact on De.mem's business or growth rates. Also, the labour market for such qualified staff is increasingly competitive, which can lead to increased labour costs for De.mem and a decline of its financial margins.

De.mem has addressed the risk through the introduction of appropriate incentive schemes including the payment of cash performance bonuses to senior staff and the award of share options and performance shares.

Inflation and higher prices for raw materials and components

Most countries are currently experiencing high inflation rates. De.mem is buying a substantial amount of raw materials and components for its business and hence, exposed to potential price increases. Higher prices could have a negative impact on De.mem's profitability and margins.

De.mem addresses the risk through supplier management, i.e. ensuring that there are alternative suppliers for key raw materials and components.

Workplace accidents

De.mem is providing on-site installations and service work at mining and other industrial sites. De.mem's staff are exposed to a general risk of workplace accidents.

De.mem addresses this risk through appropriate operational health & safety policies and compliance with the customer's site requirements, as well as adequate insurance policies.

Contract liability and warranty

Given the nature of De.mem's business, there is a risk of claims made by customers for indemnities or damages which may arise in connection with significant contracts.

De.mem addresses the risk through strict contract management and review and the ongoing review of insurance policies.

Legal & regulatory risk

In particular with respect to its service contracts and on-site maintenance work, the company may be exposed to environmental and regulatory regulations. The failure to meet such requirements may result in financial damages.

With respect to the company's membrane filtration products, there is a risk from not achieving regulatory product certifications. The Company currently is engaged in a process to obtain NSF (National Sanitation Foundation) approval, which would enable it to sell its Graphene Oxide enhanced membrane technology into the USA for drinking water applications. Should the Company fail to obtain such certification, the commercial market opportunity for its membrane technology might be significantly smaller than expected.

De.mem is managing the risk through strict contract management, ensuring proper qualification of its staff as well as appropriate policies, procedures & documentation.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of De.mem Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2023.

Directors

The following persons were directors of De.mem Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Cosimo Trimigliozi - Non-Executive Chairman
Andreas Kroell - Chief Executive Officer and Director
Bernd Dautel - Non-Executive Director
Stuart Carmichael - Non-Executive Director
Michael Edwards - Non-Executive Director
Danny Conlon - Non-Executive Director
Andreas Hendrik (Harry) De Wit - Non-Executive Director (appointed on 5 April 2023)

Principal activities

De.mem Limited (ASX:DEM) is an Australian-Singaporean de-centralised water and waste water treatment business that designs, builds, owns and operates water and waste water treatment systems for its clients. Established in 2013, the company has offices in Australia, Singapore, Vietnam and Germany.

De.mem operates in the industrial segment providing systems and solutions in particular to customers from mining, electronics, chemicals, oil and gas and food and beverage industries as well as in the municipal and residential segments. Customers include leading multinational corporations in their respective industries and municipalities and government organizations from the different countries.

Review of operations and financial position

Refer to the Review of operations and financial position in the preceding section.

Significant changes in the state of affairs

On 21 March 2023, the Company issued 387,958 fully paid ordinary shares (Shares) at a deemed issue price of \$0.3222 (32.22 cents) per Share to the vendor of the Capic Business (Capic) in connection with the Capic acquisition as announced on 1 April 2021.

On 5 April 2023, the Company appointed Mr. Andreas Hendrik (Harry) De Wit as Non-Executive Director.

On 28 April 2023, the Company has issued 383,142 fully paid ordinary shares (Shares) at a deemed issue price of \$0.1305 (13.05 cents) per Share to the vendors of the Stevco business (Stevco) in connection with the Stevco acquisition as announced on 22 March 2022.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

De.mem Limited
Directors' report
30 June 2023

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.
The directors have the power to amend and reissue the financial statements.

On behalf of the directors



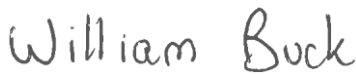
Mr Andreas Kroell
Director

30 August 2023
Melbourne

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF DE.MEM LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2023 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.


William Buck
William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136


N. S. Benbow
Director
Melbourne, 30 August 2023

De.mem Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2023

		Consolidated	
	Note	30 June 2023	30 June 2022
		\$'000	\$'000
Revenue		10,692	9,203
Cost of sales		(6,710)	(6,067)
Gross profit		3,982	3,136
Other income		59	110
Administrative and corporate expenses		(4,428)	(4,049)
Finance income		34	3
Finance costs		(37)	(63)
Share based payments		(314)	(228)
Depreciation and amortisation		(793)	(775)
Business acquisition costs		(75)	(23)
Loss before income tax (expense)/benefit		(1,572)	(1,889)
Income tax (expense)/benefit		12	(28)
Loss after income tax (expense)/benefit for the half-year		(1,560)	(1,917)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		114	66
Other comprehensive income for the half-year, net of tax		114	66
Total comprehensive loss for the half-year		(1,446)	(1,851)
Loss for the half-year is attributable to:			
Non-controlling interest		-	23
Owners of De.mem Limited		(1,560)	(1,940)
		(1,560)	(1,917)
Total comprehensive loss for the half-year is attributable to:			
Non-controlling interest		-	23
Owners of De.mem Limited		(1,446)	(1,874)
		(1,446)	(1,851)
		Cents	Cents
Basic loss per share	10	(0.64)	(0.87)
Diluted loss per share	10	(0.64)	(0.87)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

De.mem Limited
Consolidated statement of financial position
As at 30 June 2023

		Consolidated	31 December
	Note	30 June 2023	2022
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	5	3,985	5,138
Trade and other receivables		2,932	2,890
Inventories		1,212	842
Term deposits		100	253
Income tax refund due		16	-
Prepayments		286	210
Contract assets		501	412
Security deposits		20	-
Total current assets		9,052	9,745
Non-current assets			
Term deposits		50	50
Property, plant and equipment		4,083	3,696
Right-of-use assets		1,085	1,102
Intangibles		5,713	5,969
Total non-current assets		10,931	10,817
Total assets		19,983	20,562
Liabilities			
Current liabilities			
Trade and other payables		3,416	2,510
Contract liabilities		220	577
Borrowings		60	48
Lease liabilities		544	461
Income tax payable		3	3
Employee benefits		822	823
Other provision		38	38
Deferred consideration payable for business acquisitions		89	164
Total current liabilities		5,192	4,624
Non-current liabilities			
Contract liabilities		674	630
Lease liabilities		804	886
Deferred consideration		-	79
Employee benefits		31	28
Total non-current liabilities		1,509	1,623
Total liabilities		6,701	6,247
Net assets		13,282	14,315
Equity			
Issued capital	6	39,337	39,238
Reserves		1,099	881
Accumulated losses		(27,154)	(25,804)
Total equity		13,282	14,315

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

De.mem Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2023

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Share based payment reserve \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 January 2022	36,243	162	290	(22,347)	33	14,381
Profit/(loss) after income tax expense for the half-year	-	-	-	(1,940)	23	(1,917)
Other comprehensive income for the half-year, net of tax	-	66	-	-	-	66
Total comprehensive income/(loss) for the half-year	-	66	-	(1,940)	23	(1,851)
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments	280	-	-	-	-	280
Shares issued for acquisition of Capic business (note 6)	125	-	-	-	-	125
Exercise of options	6	-	(6)	-	-	-
Vesting charge for share based payments	-	-	228	-	-	228
Lapsed/forfeited of options	-	-	(24)	24	-	-
Balance at 30 June 2022	<u>36,654</u>	<u>228</u>	<u>488</u>	<u>(24,263)</u>	<u>56</u>	<u>13,163</u>

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Share based payment reserve \$'000	Acquisition reserve \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 January 2023	39,238	362	810	(291)	(25,804)	-	14,315
Loss after income tax benefit for the half-year	-	-	-	-	(1,560)	-	(1,560)
Other comprehensive income for the half-year, net of tax	-	114	-	-	-	-	114
Total comprehensive income/(loss) for the half-year	-	114	-	-	(1,560)	-	(1,446)
<i>Transactions with owners in their capacity as owners:</i>							
Shares issued for acquisition of Stevco	50	-	-	-	-	-	50
Shares issued for acquisition of Capic business	49	-	-	-	-	-	49
Vesting charge for share based payments	-	-	314	-	-	-	314
Expired options	-	-	(210)	-	210	-	-
Balance at 30 June 2023	<u>39,337</u>	<u>476</u>	<u>914</u>	<u>(291)</u>	<u>(27,154)</u>	<u>-</u>	<u>13,282</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

De.mem Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2023

Consolidated
30 June 2023 30 June 2022
\$'000 \$'000

Cash flows from operating activities

Receipts from customers (inclusive of GST)	11,685	10,730
Payments to suppliers and employees (inclusive of GST)	(11,986)	(12,191)
	(301)	(1,461)
Interest received	34	3
Other receipts	-	110
Interest and other finance costs paid	(37)	(63)
Income taxes paid	(4)	(28)
Net cash used in operating activities	(308)	(1,439)

Cash flows from investing activities

Payment for purchase of Stevco, net of cash acquired	(124)	(1,363)
Payment for purchase of Capic business, net of cash acquired	-	(308)
Payments for property, plant and equipment	(621)	(1,461)
Payments for intangibles	(97)	(142)
(Investment in)/proceeds from settlement of term deposits	153	246
Net cash used in investing activities	(689)	(3,028)

Cash flows from financing activities

Proceeds from borrowings	12	149
Repayment of lease liabilities	(191)	(271)
Net cash used in financing activities	(179)	(122)

Net decrease in cash and cash equivalents	(1,176)	(4,589)
Cash and cash equivalents at the beginning of the financial half-year	5,138	8,608
Effects of exchange rate changes on cash and cash equivalents	23	(6)
Cash and cash equivalents at the end of the financial half-year	<u>3,985</u>	<u>4,013</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

De.mem Limited
Notes to the consolidated financial statements
30 June 2023

Note 1. General information

The financial statements cover De.mem Limited as a consolidated entity consisting of De.mem Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is De.mem Limited's functional and presentation currency.

De.mem Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4, 96-100 Albert Road
South Melbourne VIC 3205
Australia

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2023.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 30 June 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Segment Reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the Directors in order to allocate resources to the segment and to assess its performance. Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the consolidated entity's accounting policies. The following tables are an analysis of the consolidated entity's revenue and results by reportable segment provided to the Directors.

De.mem Limited
Notes to the consolidated financial statements
30 June 2023

Note 3. Segment Reporting (continued)

Operating segment information

Consolidated - 30 June 2023	Singapore \$'000	Australia \$'000	Germany \$'000	Other \$'000	Total \$'000
Revenue					
Revenue from external customers	352	8,914	1,445	-	10,711
Intersegment revenue	(19)	-	-	-	(19)
Total revenue	333	8,914	1,445	-	10,692
EBITDA	(100)	139	129	(554)	(386)
Depreciation and amortisation	(144)	(272)	(27)	(350)	(793)
Impairment of assets	-	-	-	-	-
Business acquisition cost	-	-	-	(75)	(75)
Interest revenue	-	5	-	28	33
Finance costs	(2)	(35)	-	-	(37)
Share based payments expense	-	-	-	(314)	(314)
Profit/(loss) before income tax benefit	(246)	(163)	102	(1,265)	(1,572)
Income tax benefit					12
Loss after income tax benefit					(1,560)
Assets					
Segment assets	2,713	12,123	1,162	20,714	36,712
Intersegment eliminations					(16,729)
Total assets					19,983
Liabilities					
Segment liabilities	531	18,449	577	7,597	27,154
Intersegment eliminations					(20,453)
Total liabilities					6,701

Note 3. Segment Reporting (continued)

	Singapore \$'000	Australia \$'000	Germany \$'000	Other \$'000	Total \$'000
Consolidated - 30 June 2022					
Revenue					
Revenue from external customers	389	7,295	1,651	-	9,335
Intersegment revenue	(71)	(61)	-	-	(132)
Total revenue	<u>318</u>	<u>7,234</u>	<u>1,651</u>	<u>-</u>	<u>9,203</u>
EBITDA	(118)	(598)	129	(213)	(800)
Depreciation and amortisation	(129)	(460)	(22)	(164)	(775)
Business acquisition cost	-	-	-	(23)	(23)
Interest revenue	-	-	-	3	3
Finance costs	(3)	(59)	-	(4)	(66)
Share based payments expense	-	-	-	(228)	(228)
Profit/(loss) before income tax expense	<u>(250)</u>	<u>(1,117)</u>	<u>107</u>	<u>(629)</u>	<u>(1,889)</u>
Income tax expense					(28)
Loss after income tax expense					<u>(1,917)</u>

Consolidated - 31 December 2022

Assets					
Segment assets	2,490	5,048	800	29,404	37,742
Intersegment eliminations					(17,180)
Total assets					<u>20,562</u>
<i>Total assets includes:</i>					
Acquisition of non-current assets	306	1,707	-	1,312	3,325
Liabilities					
Segment liabilities	82	10,570	339	(96)	10,895
Intersegment eliminations					(4,648)
Total liabilities					<u>6,247</u>

Note 4. Revenue

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Rendering of services \$'000	Sale of goods \$'000	Projects and equipment \$'000	Total \$'000
Consolidated - 30 June 2023				
Geographical regions				
Australia	1,797	5,838	1,279	8,914
Singapore	333	-	-	333
Germany	123	1,235	87	1,445
	<u>2,253</u>	<u>7,073</u>	<u>1,366</u>	<u>10,692</u>
Timing of revenue recognition				
Goods transferred at a point in time	-	7,073	-	7,073
Services transferred over time	2,253	-	1,366	3,619
	<u>2,253</u>	<u>7,073</u>	<u>1,366</u>	<u>10,692</u>

De.mem Limited
Notes to the consolidated financial statements
30 June 2023

Note 4. Revenue (continued)

Consolidated - 30 June 2022

Geographical regions

	Rendering of services \$'000	Sale of goods \$'000	Projects and equipment \$'000	Total \$'000
Australia	1,373	5,151	710	7,234
Singapore	318	-	-	318
Germany	123	1,478	50	1,651
	<u>1,814</u>	<u>6,629</u>	<u>760</u>	<u>9,203</u>

Timing of revenue recognition

Goods transferred at a point in time	-	6,629	-	6,629
Services transferred over time	1,814	-	760	2,574
	<u>1,814</u>	<u>6,629</u>	<u>760</u>	<u>9,203</u>

Note 5. Cash and cash equivalents

	Consolidated 30 June 2023 \$'000	31 December 2022 \$'000
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Current assets

Cash on hand	2	2
Cash at bank	2,956	3,787
Cash on deposit	1,027	1,349
	<u>3,985</u>	<u>5,138</u>

Note 6. Issued capital

	Consolidated 30 June 2023 Shares	31 December 2022 Shares	Consolidated 30 June 2023 \$'000	31 December 2022 \$'000
Ordinary shares - fully paid	<u>245,177,435</u>	<u>244,406,335</u>	<u>39,337</u>	<u>39,238</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 January 2023	244,406,335		39,238
Issue of shares as partial consideration for acquisition of Capic business	21 March 2023	387,958	\$0.12	49
Issue of shares as partial consideration for acquisition of Stevco	28 April 2023	383,142	\$0.13	50
Balance	30 June 2023	<u>245,177,435</u>		<u>39,337</u>

Note 7. Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 30 June 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Deferred consideration payable for business acquisitions	-	89	-	89
Total liabilities	-	89	-	89

Consolidated - 31 December 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Deferred consideration payable for business acquisitions	-	243	-	243
Total liabilities	-	243	-	243

The deferred consideration payable for business acquisitions relates to one potential milestone payment remaining from the acquisition of the Capic business effective 1 April 2021. The amount is calculated based on the estimated probability with which the respective milestone will be met (50%), multiplied with the cash amount payable and the value of the share tranche based on current share price respectively, and then discounted to its present value.

There were no transfers between levels during the financial half-year.

Note 8. Contingent liabilities

As at 30 June 2023 there are \$94,000 in current term deposits held, representing bank warranties relating to three projects and the completion of the defect liability period and bank guarantees for lease obligations.

Note 9. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

For personal use only

De.mem Limited
Directors' declaration
30 June 2023

In the directors' opinion:

- The consolidated interim financial statements and notes comply with the Corporations Act 2001, and Australian Accounting Standard AASB 134 'Interim Financial Reporting' and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Andreas Kroell
Director

30 August 2023
Melbourne

De.mem Limited
Independent auditor's review report to members

REPORT ON THE REVIEW OF THE HALF-YEAR FINANCIAL REPORT

Conclusion

We have reviewed the accompanying half-year financial report of De.mem Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity) which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of De.mem Limited is not in accordance with the Corporations Act 2001 including:

- a. giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the half year ended on that date; and
- b. complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Responsibilities of the Directors for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and its performance for the half-year ended on that date; and

- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of De.mem Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

William Buck

William Buck Audit (Vic) Pty Limited
ABN 59 116 151 136

N. S. Benbow

N. S. Benbow
Director
Melbourne, 30 August 2023