

**Significant revenue and gross margin growth, strong operational progress,
strong outlook for H2 CY 2023**

Key Highlights – H1 CY 2023:

- Record H1 revenues of \$10.7m, 16% above prior corresponding period (pcp)
- Strong growth momentum maintained with 17 consecutive quarters of cash receipts growth vs pcp
- Continued focus on recurring revenue segments which account for more than 85% of total revenue (38% in CY 2018)
- Gross margin increasing further to 37% in H1 CY 2023 (25% in CY 2018)
- Underlying EBITDA loss further reduced to \$353,000 in H1, thereof \$240,000 in Q1 and \$113,000 in Q2
- Key contract awards and orders received support strong outlook for H2 CY 2023
- Commissioned BOO project with multinational customer in Singapore in June 2023; contract contributing to revenues and cash receipts from H2 CY 2023 onwards and required investment completed
- Progressing towards NSF (American drinking water) certification for new Graphene Oxide enhanced membrane; preparing for commercial launch of domestic water filtration product
- Company well-funded with cash and term deposits balance of approx. \$4.1 million as of 30 June 2023
- Appointment of senior corporate leader Mr. Andreas Hendrik (Harry) De Wit to the De.mem board (effective 5 April 2023)

31 August 2023: Water and wastewater treatment company De.mem Limited (ASX: DEM) (“De.mem” or “the Company”) is pleased to report strong H1 CY 2023 results.

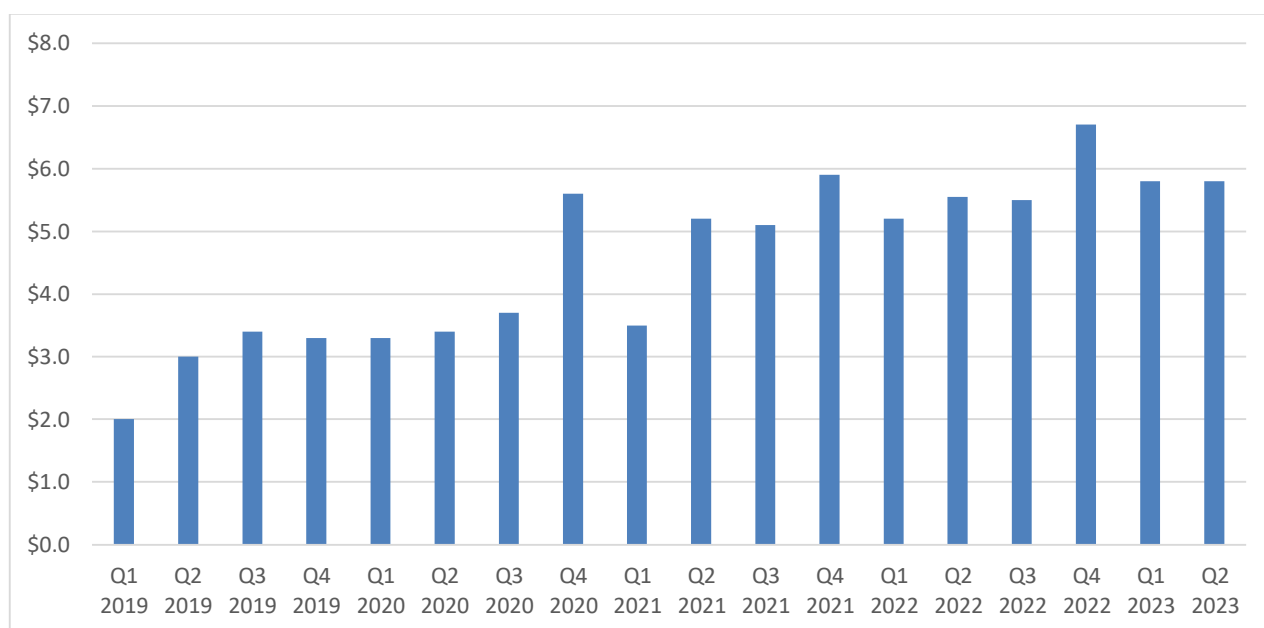
Record revenues

De.mem is pleased to report its highest ever H1 revenues of approx. \$10.7 million in H1 CY 2023, approx. 16% growth vs. prior corresponding period (“pcp”), H1 CY 2022.

The Company’s ongoing track record of growth and growth momentum was continued within the half year with now 17 consecutive quarters of cash receipts growth being recorded vs the respective prior corresponding quarter (see Chart 1 below, Quarterly Cash Receipts in A\$ Million Since 2019).

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CHART 1: QUARTERLY CASH RECEIPTS IN A\$ MILLION SINCE 2019



Focus on high margin recurring revenue segments

In line with the strategy communicated to the Company's shareholders, growth initiatives remain focused on De.mem's high-margin recurring revenue segments.

The vast majority of revenues in H1 CY 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.

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.

De.mem's recurring revenue, in addition to being very predictable, generates above industry average gross margins, and continues to enhance the margin profile across the combined business (see section below, "Strong gross margins").

In absolute numbers, recurring revenues have grown from approx. \$5.9m in H1 CY 2021 and approx. \$8.4m in H1 CY 2022 to approx. \$9.3m in H1 CY 2023.

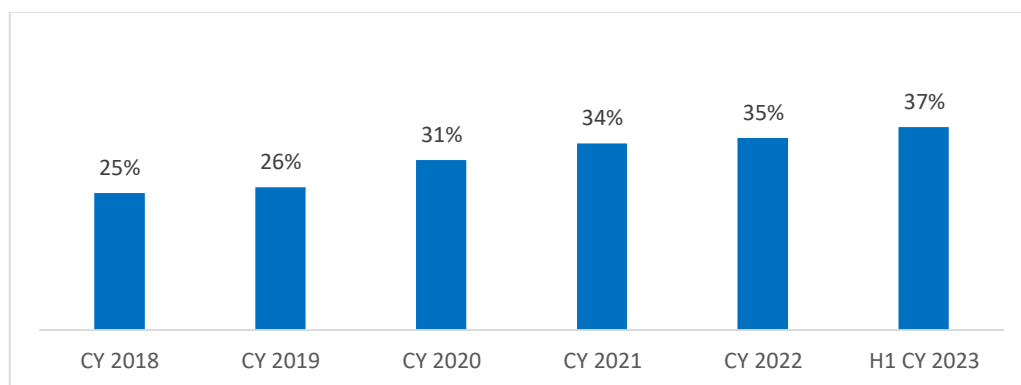
The strategy results in a high-quality revenue/business model and comprehensive offering of products & services, which is unique within the water treatment industry. It brings long-term, stable customer relationships and key accounts to De.mem, which provide a strong opportunity for the cross-selling of other De.mem products.

Strong gross margins

Due to the growth of De.mem's high margin recurring revenue segments, gross margins (gross profit divided by revenues) increased steadily during the past few years, from 25% in 2018, to 37% in H1 CY 2023.

The Company is pleased to achieve this margin growth in what has been a particularly challenging period due to cost pressures faced in light of supply chain issues and inflation. With respect to its long term BOO contracts, De.mem typically figures in reasonable assumptions with respect to inflation, salaries and supplier price increases.

CHART 2: GROWING GROSS MARGINS

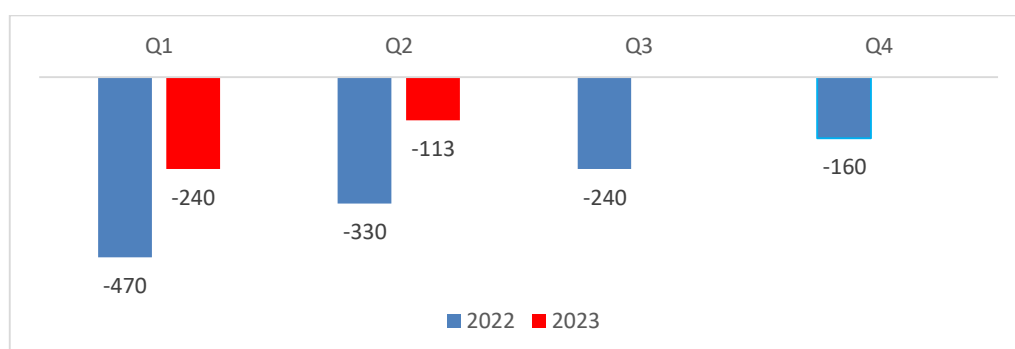


Underlying EBITDA loss further reduced to near break-even

With the focus on growing its recurring revenue segments including Build, Own, Operate and service contracts as well as specialty chemicals sales, complemented by bolt-on acquisitions of profitable businesses with a strong industrial customer base, and only selective involvement in lower margin projects business, De.mem's strategy has continued to shift towards achieving EBITDA and operating cash flow break even.

In H1 CY 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.

CHART 3: QUARTERLY UNDERLYING* EBITDA LOSS (A\$ '000's) REDUCED TO NEAR-BREAK EVEN



*EBITDA adjusted for share based payments and business acquisition cost

Strong Sales Momentum - Key Contract Awards and Orders Support Strong Outlook for H2 CY 2023

During H1 CY 2023, De.mem received the following key contract awards and purchase orders across its different business segments. These orders are below the materiality threshold for individual contracts and hence, have not been reported to the ASX separately.

Projects:

- 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 in revenue (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).

Chemicals:

- Consecutive orders for the supply of specialty chemicals to a new customer from the Western Australian mining industry. The orders are worth approx. \$100,000 per month.

Services:

- 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.

The new contracts support the growth trajectory of the business and strong outlook for H2 CY 2023. The vast majority of the revenues and cash receipts from the contracts are scheduled to be realized / received in H2 CY 2023, in particular the December Quarter 2023.

\$2.1m Build, Own, Operate (“BOO”) Project with Multinational Corporation in Singapore Commissioned and Generating Revenue

On 29 August 2022 the Company signed its fourth BOO contract in Singapore with long-term multinational customer Givaudan (see ASX release dated 29 August 2022, “De.mem signs \$2.1m BOO agreement”). This BOO contract has minimum value of \$2.1 million of revenue payable to the Company over a fixed term of 6 years.

Givaudan is the global leader in the creation of flavours and fragrances with sales of CHF 7.1 billion (A\$ 12.1 billion) in 2022. Headquartered in Switzerland with a local presence in over 185 locations, it has more than 16,800 employees worldwide.

During Q2 CY 2023, the manufacturing of the BOO waste water treatment plant was completed. The system has been commissioned at the customer's factory and is being operated by De.mem since then. Hence, the BOO contract has started generating revenue from June 2023 onwards. The investment into the equipment has been completed in June 2023. No material investment requirements remain beyond 30 June 2023.



Image 1) De.mem Singapore BOO waste water treatment plant



Image 2) De.mem Ultrafiltration membranes as key component of overall BOO plant

World leading membrane technology provides strong competitive advantage

De.mem has a strong competitive advantage of proprietary and/or patented technology, underpinning the Company's unique portfolio of hollow fibre Microfiltration, Ultrafiltration and Nanofiltration membranes. The Company commercializes its membranes as the key component of its integrated water and waste water treatment systems or its Build, Own, Operate and service contracts, and in combination with the Company's wide range of specialty chemicals, pumps and consumables that are typically required by clients during operations of membrane based water treatment plants.

On 7 September 2021, De.mem presented its “next-gen” membrane technology, based on Graphene Oxide (“GO”) enhanced polymer membranes, with substantially improved membrane characteristics such as 20-40% higher water flux (throughput), leading to significantly reduced operating cost for the water treatment process.

In CY 2022, De.mem initiated a process to obtain approval for use of its new GO enhanced membrane technology for potable water treatment applications by the NSF (National Sanitation Foundation, the American regulator for drinking water related products).

On 19 July 2022, De.mem announced a partnership with Purafy, Canada, related to the commercialization of the GO membrane technology (see the ASX release dated 19 July 2022, "De.mem Signs Technology Commercialization Partnership Agreement" for further details). Purafy 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. Through the partnership, De.mem intends to launch the GO membrane technology initially into domestic point-of-use and point-of-entry water purification applications, which is estimated to be a US\$82.6bn global market by 2027 (*source: Market Research Future, study on the Water Purifier Market, May 2021*). This product launch is subject to the completion of the NSF certification, which the Company expects to finalize within the next six months.

De.mem Appoints Senior Corporate Executive to its Board of Directors

On 5 April 2023, De.mem announced the appointment of senior corporate leader Mr. Andreas Hendrik (Harry) De Wit to the Company's board of directors.

Mr. De Wit is a senior corporate executive who has worked in several locations across the globe. He has been the CEO of Asia Pacific for Fresenius Medical Care since 2016. In this role, he is also responsible for the company's operations in Australia & New Zealand. In addition, he served as a member of Fresenius Medical Care's management board from 2016 to 2021. Prior to this, Mr. De Wit held further senior corporate roles within the healthcare industry, amongst others with Covidien (previously named Tyco Healthcare).

Fresenius Medical Care is the world's leading provider of products and services for individuals with renal diseases. The company operates more than 4,100 dialysis clinics and 42 production sites for dialysis products globally. In Australia alone, the group has 23 dialysis clinics and more than 350 staff. Fresenius Medical Care is listed on the Frankfurt Stock Exchange and the New York Stock Exchange, being a member of the German DAX index, which represents 40 of the largest and most liquid companies that trade on German stock markets.

Water treatment and the use of membranes are of key importance for dialysis. While many clinics operate their own waste water treatment processes which are typically relying on membranes, the dialysis process itself deploys hollow fibre membranes – the technology that De.mem is specializing in – serving as artificial kidneys for the patient.

As a non-executive director, Mr. De Wit will support De.mem with its strategic development, sales & marketing, operations and financial performance objectives.

ESG Impact

With its core business model focusing on the treatment, re-use and recycling of industrial wastewater, De.mem is fulfilling an important environmental and social mission.

De.mem is committed to ESG and believes that it delivers against several of the United Nations' 17 Sustainable Development Goals – including, for example:

- Goal no. 6: Clean water and sanitation – Ensure availability and sustainable management of water and sanitation for all.
- Goal no. 9: Industry, innovation and infrastructure – Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.
- Goal no. 11: Sustainable cities and communities – Make cities and human settlements inclusive, safe, resilient and sustainable.

In particular, De.mem's products, services and business model contribute to the above objectives as follows (see the Company's Investor Presentation, lodged to the ASX on 28 July 2022, slide 18 for further details):

- De.mem's membrane technology and treatment plants clean waste water, facilitate water discharge and water reuse/recycling. During the June 2023 quarter, De.mem treated a total of approx. 565 million liters of water under industrial BOO and O&M contracts, across 17 sites in Australia and Singapore (roughly equivalent to the amount of water contained in ~230 Olympic sized swimming pools). The new Build, Own, Operate project in Singapore (see the ASX announcement "De.mem signs \$2.1m BOO contract" dated 29 August 2022), which has just been commissioned as reported above, adds another approx. 7 million liters of high-quality treated water per quarter.
- De.mem's water treatment systems often facilitate the deployment of a membrane-based separation process using De.mem's proprietary hollow fiber membranes. This process not only relies on lower power consumption, but also meaningfully reduces usage of bulk and other harmful chemicals as only small amounts of high value specialty chemicals are required.

- De.mem's domestic water filtration products are being used by customers to replace bottled drinking water. Hence, they can help to significantly reduce plastic waste. As a benchmark – more than 373 million plastic bottles are used in Australia annually with only 36% being recycled (source: University of Wollongong).

CEO Commentary

De.mem Chief Executive Officer Andreas Kroell said:

"De.mem made strong progress during the first half of the calendar year 2023. We delivered the BOO plant under an important contract with a multinational customer in Singapore in the month of June. On top of that, we received a number of contract awards which provide a strong basis for continued growth in the second half of the calendar year.

We have achieved significant revenue growth driven in particular by our recurring revenue segments. This has further increased our margins and taken us to near-EBITDA break even.

Key milestones ahead of us include the completion of the NSF certification for our new Graphene Oxide enhanced Ultrafiltration membrane, which we intend to deploy initially in domestic water filtration applications.

We look forward towards delivering a strong second half of the calendar year to our shareholders."

This release was authorized by the Company's CEO, Andreas Kroell, on behalf of the board.

-ENDS-

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De.mem Limited (ASX:DEM) is an Australian-Singaporean decentralised water and wastewater treatment business that designs, builds, owns and operates turnkey water and wastewater treatment systems for some of the world's largest companies in the mining, electronics, chemical, oil & gas, and food & beverage industries. Its systems also provide municipalities, residential developments and hotels/resorts across the Asia Pacific with a reliable supply of clean drinking water.

De.mem's technology to treat water and wastewater is among the most advanced globally. The Company has commercialised an array of innovative proprietary technologies, both developed in-house and from its research and development partner, Nanyang Technological University (NTU) in Singapore, a world leader in membrane and water research. Its technology portfolio includes a revolutionary low-pressure hollow fibre nanofiltration membrane that uses less electricity and is cheaper to operate than conventional systems, as well as a new Forward Osmosis membrane deployed in de-watering applications for the concentration of liquids.

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.