

## DECEMBER 2023 QUARTERLY ACTIVITIES REPORT: RECORD QUARTERLY CASH RECEIPTS, OUTLOOK FOR CONTINUED GROWTH IN CY 2024

### Key Highlights

- **Record quarterly cash receipts** (approx. \$7.1m)
- **Growth momentum continues** with 19 successive quarters of cash receipts growth vs prior corresponding period
- **Operating near break-even with quarterly operating cash outflows of approx. \$-290k** – excluding project payments of ~900k scheduled for H1 CY 2024 with corresponding costs largely incurred
- **Recurring cash receipts >90% of total cash receipts; recurring cash receipts growth approx. 15% vs. prior year (CY 2022)**
- **Strong operational progress**
  - 2 major projects completed with final customer payments received during the December quarter
  - Completion of South 32 project and one other major project now scheduled for early 2024, with project payments of ~900k scheduled for H1 CY 2024
- **Progressing towards NSF (drinking water) certification for new Graphene Oxide membrane;** preparing for commercial launch of domestic water filtration product
- **Appointment of Mr. Andrew Tay as CFO effective 10 October 2023**
- **Positive outlook for continued growth in CY 2024 with strong recurring cash receipts (>90% of total) and existing orderbook for delivery of equipment (projects)**

**30 January 2024:** Industrial water and wastewater treatment company De.mem Limited (ASX: DEM) (“De.mem” or “the Company”) is pleased to report strong December Quarter 2023 results.

### Record Quarterly Cash Receipts

De.mem is delighted to report cash receipts of approx. \$7.1m in the December Quarter 2023, the Company’s highest quarterly cash receipts ever recorded since inception. Total cash receipts in the calendar year are approx. \$24.8m.

Cash receipts in the December quarter are up by approx. 8% vs. \$6.7m in the prior corresponding period (pcp).

De.mem advises that full CY 2023 revenues are expected to grow in the range between 12% and 18% vs. CY 2022 (subject to finalization of the audit). The difference to the growth rate of cash receipts is due to significant sales invoiced but not yet paid for as of 31 December 2023, and the revenue recognition from projects near completion with significant payments falling into CY 2024 (see section below).

### Continued Growth Momentum

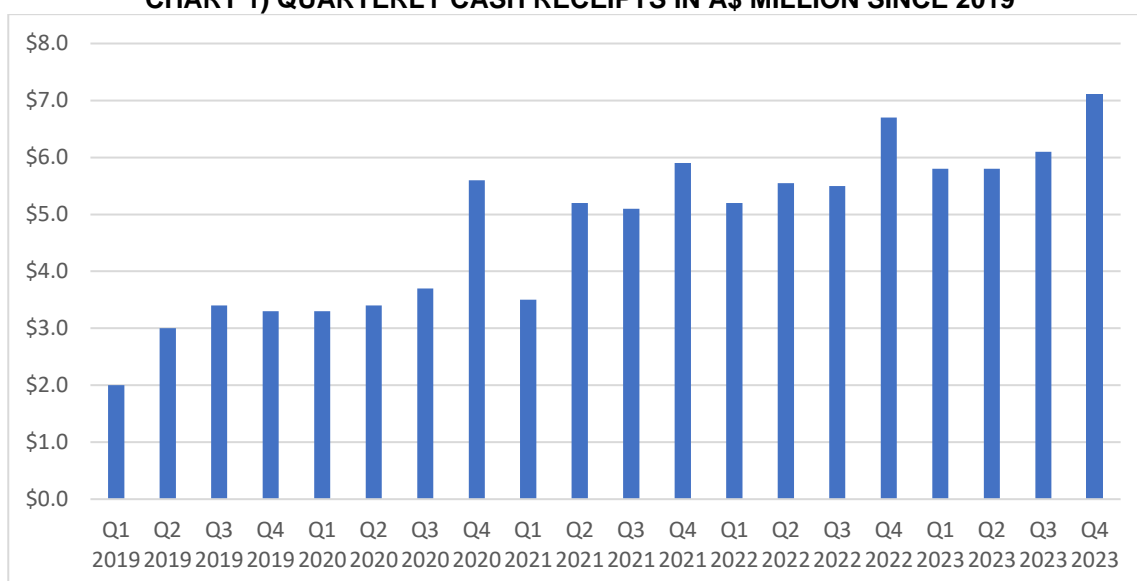
De.mem has now recorded 19 consecutive quarters of cash receipts growth vs. pcp – despite adverse Covid-19 pandemic impacts in CY 2020 and 2021, and the global macroeconomic challenges in CY 2022 and 2023.

December Quarter 2023 cash receipts are almost entirely generated by De.mem’s recurring business segments (see section below, “December Quarter Cash Receipts Largely Recurring”). Furthermore, they exclude approx. \$900k in cash receipts from 2 major projects near completion, which are now scheduled for

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H1 CY 2024 (see section below, “Strong Operational Progress – 4 Major Projects Completed or in Final Stage of Installation”).

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



**Strong Operational Progress – 4 Major Projects Completed or in Final Stage of Installation**

De.mem completed two major contracts/projects during the quarter, as recently reported in quarterly reports. All corresponding payments were received. These are as follows:

- The \$420,000 contract for the supply of a waste water treatment system to an industrial customer in Queensland (award originally announced in the March 2023 Quarterly Activities Report dated 26 April 2023), and
- A plant & equipment upgrade worth \$250,000 in revenues with an industrial customer from Australia (award originally announced in the June 2023 Quarterly Activities Report dated 27 July 2023, section “Strong Sales Momentum”).

De.mem expects a total of approx. \$900k in final project payments during H1 CY 2024, from a subsidiary of South 32 Limited (“South 32”, ASX: S32, market capitalization ~AUD\$15 billion) and another project.

In late CY 2022, De.mem announced a new contract for the supply of a containerized, membrane-based water treatment plant to South 32. The contract value increased from approximately \$1.4 million to \$1.6m by contract variations received during CY 2023. De.mem has delivered the plant to site, and expects milestone payments from South 32 in the March and June Quarters 2024, given that installation and commissioning has been deferred to early CY 2024 (originally late 2023), for reasons beyond De.mem’s control.



**Image 1) De.mem Containerized Membrane Based Water Treatment Plant Being Shipped to Mining Site**

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## **December Quarter and CY 2023 Cash Receipts Largely Recurring – Resulting in Strong Margin Profile**

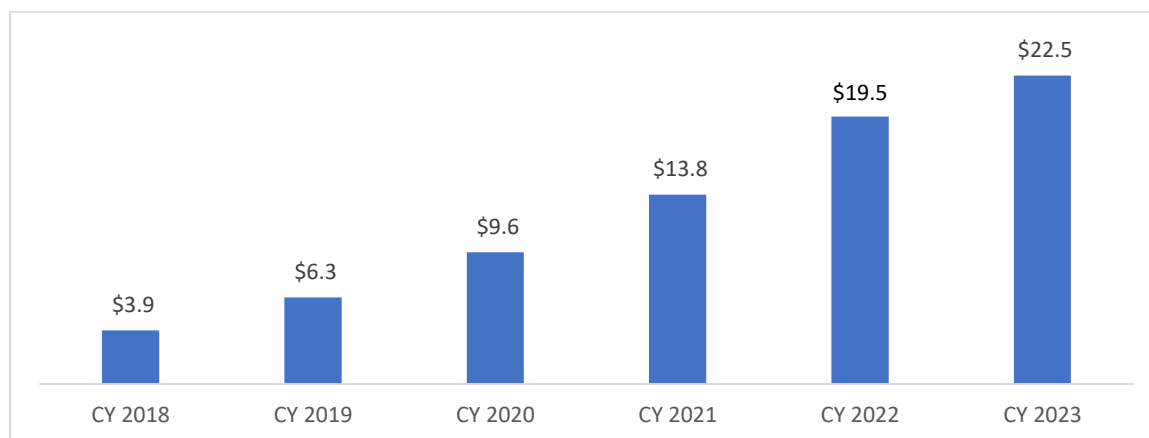
De.mem is delighted to report that it is delivering on its strategic objective of growing recurring cash receipts.

As previously communicated in CY 2023, De.mem's strategy remains focused on growing its recurring revenue segments (see section below, "De.mem Group Business Segments – Focus on Growing Recurring Revenues", for further details).

Recurring cash receipts now comprise more than 90% of total cash receipts, during the December Quarter 2023 and full CY 2023, a substantial increase from 38% in CY 2018.

Recurring cash receipts have grown by approx. 15% in CY 2023 vs. CY 2022.

### **CHART 2) RECURRING CASH RECEIPTS IN A\$ MILLION SINCE 2019**



De.mem's recurring revenue segments are very predictable and generate above industry average gross margins. The recurring revenue growth continues to enhance the margin profile across the combined business (gross margin up from 18% in CY 2017 to 35% in CY 2022 and 37% in H1 CY 2023).

### **Strong Development of Specialty Chemicals Business Segment**

De.mem's Specialty Chemicals business segment, primarily its subsidiary De.mem-Capic Pty Ltd ("Capic") in Perth, continued its growth during CY 2023.

Capic has almost doubled its revenues since De.mem's acquisition in March 2021 (see ASX release, "Investor Presentation", dated 16 March 2021, page 8), growing average annual revenues of ~\$3.3m prior to the acquisition to CY 2023 cash receipts of \$6.0m.

Capic's products generate the highest gross margins within the De.mem business and are also less capital intensive relative to BOO and one-off system sales. Capic's products include anti-scalants for water treatment; mining and industrial applications; corrosion inhibitors; de- and anti-foamers; biocides; and other specialty formulations.

### **Net Operating Cash Outflows of ~\$-290,000 in the December Quarter 2023**

De.mem reports net operating cash outflows for the December Quarter 2023 of approx. \$-290,000 as per the Appendix 4C.

This excludes the scheduled customer payments of approx. \$900k from the two above-mentioned projects, with a large part of the cost already incurred and paid for. The incoming customer payments will have a positive impact on the operating cash flows in the upcoming March and June Quarters 2024.

Please see the Appendix 4C attached to this release for further details regarding the breakdown of incoming and outgoing payments.

## Cash Generating Operating Business Offsets Ongoing Investment in Long-Term Growth Through R&D, and the Corporate Overhead

The net operating cash outflows of approx. \$-290,000 reported for the December Quarter 2023 split up as follows:

- Cash inflows by the Australian and German operations: approx. \$70,000;
- Cash outflows to support the operations of the Singapore subsidiary, which is predominantly in membrane R&D: approx. \$-120,000; and
- Cash outflows to fund expenses related to the holding company, including cost related to listing, corporate administration and overhead: approx. \$-240,000.

## De.mem Group Business Segments – Focus on Growing Recurring Revenues, “one-stop shop” and cross-sell offering

The core of De.mem’s strategy is to grow recurring revenues by providing a comprehensive “one stop shop” offering to its extensive industrial customer base and industrial key accounts, comprising :

- a range of products and services required for potable and industrial water supply,
- the supply of industrial process water,
- the treatment of industrial wastewater and
- the recycling/re-use of water that has previously been used in industrial processes.

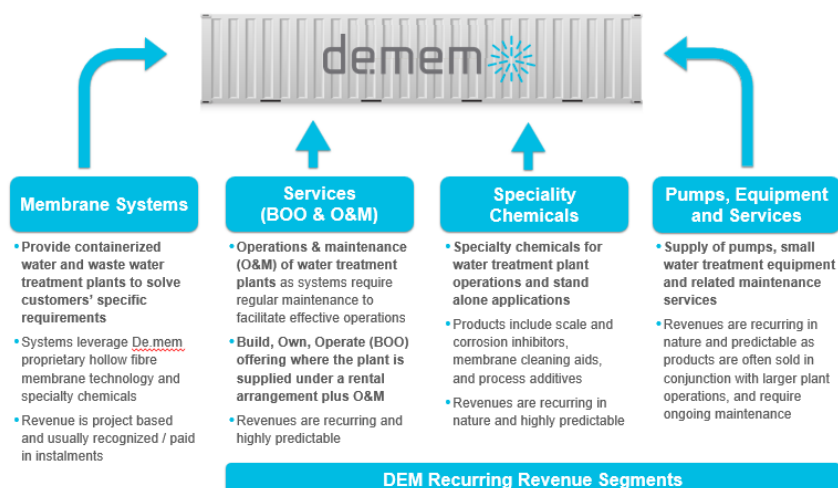
De.mem has successfully grown its “recurring revenue segments”, which are all required for the successful operation of a wastewater plant and are hence recurring in nature. Recurring revenue segments include:

- Build, Own, Operate (“BOO”) and Operations & Maintenance (“O&M”) contracts.
- Regular maintenance work on water treatment equipment.
- Specialty chemicals sales.
- Sales and maintenance services of pumps.
- Sales of small equipment and consumables.
- Membrane replacement sales into existing facilities.

The Company’s broad product portfolio provides extensive cross-selling opportunities, as most industrial customers require several or all of the above products and service lines – from the supply of water treatment plants and systems to O&M services as well as chemicals and consumables for the ongoing operations.

The strategy results in a high-quality revenue/business model and a 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 and services. This provides a strong foundation for the continued growth of the business in the future.

As of October 2023, De.mem’s group structure is as follows:



## **World Leading Membrane Technology Provides Strong Competitive Advantage; Progressing with NSF Certification for New Graphene Oxide Membrane and Preparing for Upcoming Commercial Launch**

De.mem has a strong competitive advantage of proprietary and/or patented technologies, 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 wastewater 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.

During H1 2022, De.mem initiated a process to obtain approval for use of the new GO membrane technology for potable water treatment applications by the NSF (National Sanitation Foundation, the American regulator for drinking water related products). De.mem has been liaising with the NSF since then, including a meeting with NSF representatives in the USA during the December Quarter 2022. During the September Quarter 2023, a key milestone had been met, with De.mem's membrane passing a critical high pressure testing procedure performed by the NSF. The conclusion of the process is expected shortly.

On 19 July 2022, De.mem announced a new 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*). The commercial launch will kick off as soon as the innovative technology has achieved NSF certification.

### **De.mem Appoints CFO**

On 10 October 2023 De.mem announced the appointment of Mr. Andrew Tay as its new Chief Financial Officer.

Mr. Tay is a highly accomplished Australian finance executive. In his most recent role, he worked as the CFO for Powerark Solar Pty Ltd, Australia. Furthermore, he was the CFO of One Stop Warehouse Pty Ltd, Australia's largest solar distributor and a subsidiary of Shenzhen-listed GCL System Int Tech Co Ltd. He had also been appointed as the Finance Manager of Western Resource Recovery, a Joint Venture company between Veolia and Transpacific group. Andrew covered all important finance aspects in his prior roles, including financial accounting and reporting, the development and implementation of cost savings initiatives as well as strategic transactions and capital raisings. He holds an Australian CPA qualification.

Andrew commenced with De.mem on 1 February 2023 in the capacity of Finance Director. His role consolidated other finance functions within De.mem, with no material additional financial burden to the business.

Andrew's appointment strengthens the Company's senior management team, following the growth of the business in recent years. His role will focus on the continued integration and expansion of the different group entities in Australia, Asia (Singapore) and Europe (Germany).

### **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 December Quarter 2023, De.mem treated a total of approx. 572 million liters of water under industrial BOO and O&M contracts, across 18 sites in Australia and Singapore (roughly equivalent to the amount of water contained in ~235 Olympic sized swimming pools).
- 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:

*"We are pleased to report the highest quarterly cash receipts ever recorded during the December Quarter 2023.*

*The cash receipts are largely recurring, excluding significant receipts of approx. \$900k from two major projects in the final stages of installation, which are scheduled to be received in early 2024.*

*We are particularly excited about the development of our specialty chemicals business division located in Perth, which achieved top-line growth of approx. 80% within just 3 years since acquisition of the business in March 2021.*

*With a strong recurring revenue base and existing orderbook for projects and equipment, we look forward to another successful year with continued growth in 2024."*

### **Payments to related parties included in Appendix 4C**

The payments to related parties of De.mem disclosed in item 6.1 of the Appendix 4C for the quarter, accompanying this quarterly activities report, were payments of directors' fees and salaries.

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

**-ENDS-**

### **For further information, please contact:**

**Andreas Kroell**

CEO, De.mem Limited

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**De.mem Limited (ASX:DEM)** is an Australian headquartered, international decentralized 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 offers a "one-stop-shop" of services, chemicals and consumables to its clients, for the ongoing operations of their water and wastewater treatment plants.

De.mem's technology to treat water and wastewater is among the most advanced globally. The Company commercialises an array of innovative proprietary hollow-fibre membrane technologies. De.mem has been partnering with Nanyang Technological University (NTU) in Singapore, a world leader in membrane and water research.

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.



## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

De.mem Limited

**ABN**

12 614 756 642

**Quarter ended ("current quarter")**

31 Dec 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	7,110	24,794
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,336)	(15,966)
(c) advertising and marketing	-	(74)
(d) leased assets	(105)	(308)
(e) staff costs	(2,058)	(7,493)
(f) administration and corporate costs	(888)	(2,429)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	64
1.5 Interest and other costs of finance paid	(17)	(62)
1.6 Income taxes paid	(11)	(46)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	2	74
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(289)</b>	<b>(1,446)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) businesses	-	(125)
(b) property, plant and equipment	(48)	(722)
(c) investments	-	-
(d) intellectual property	-	(36)
(e) other non-current assets	-	(2)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	2	24
	(d) investments	9	167
	(e) intellectual property	-	-
	(f) 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</b>	<b>Net cash from / (used in) investing activities</b>	<b>(37)</b>	<b>(694)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	(36)	(36)
3.9	Other (lease liabilities)	(139)	(485)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(175)</b>	<b>(521)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
	Net Cash and equivalents at beginning of quarter/year to date.	2,956	5,104
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(289)	(1,446)

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(37)	(694)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(175)	(521)
4.5	Effect of movement in exchange rates on cash held	(13)	(1)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,442</b>	<b>2,442</b>

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	2,215	1,979
5.2	Call deposits	227	977
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>2,442</b>	<b>2,956</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	103
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify) Bank overdraft	-	-
7.4 <b>Total financing facilities</b>	-	
7.5 <b>Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(289)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,442
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,442
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	8.4
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## 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.

Date: 30 January 2024

Authorised by: Andreas Kroell  
Chief Executive Officer

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.