

## MARCH 2024 QUARTERLY ACTIVITIES REPORT:

### RECORD MARCH QUARTER CASH RECEIPTS UNDERPIN RECORD OUTLOOK

**29 April 2024:** Industrial water and wastewater treatment company De.mem Limited (ASX: DEM) (“De.mem” or “the Company”) is pleased to report record March Quarter 2024 results.

#### KEY HIGHLIGHTS

- **Record March Quarter cash receipts** of approximately \$6.6 million.
- **Continued Growth Momentum**, 20 successive quarters of cash receipts growth versus pcp.
- **Entering US\$12 billion global domestic water filtration market**, with over \$1m revenues expected over 2 years from North American market alone, plus upside from other markets.
- **Visible path to operating cash positive**
- **On track for record full-year results** underpinned by March quarter results, record June quarter cash receipts expected, ~90% recurring cash receipts, and domestic water filtration market entry.

#### Record March Quarter

De.mem is delighted to report record March Quarter 2024 cash receipts of approx. \$6.6m, a 14% increase compared to prior corresponding period (pcp), as well as adjusted operating cashflow positive of approximately +\$500k.

This is a significant result, noting that the cash receipts exclude approximately \$1.1m in payments from two major projects deferred until the June Quarter 2024 (see section below “*Strong Operational Performance*”). Out of the \$1.1m, a total of approximately \$800k has already been received by De.mem as at the date of this report.

#### Continued growth momentum underpins record outlook

De.mem has now reported 20 consecutive quarters of cash receipts growth vs pcp, demonstrating the resilience of the company’s recurring cashflow business model (Chart 1). This growth has continued uninterrupted despite the Covid-19 pandemic in CY 2020 and 2021 and slowing global growth in CY 2022 and 2023.

March Quarter 2024 cash receipts are almost entirely generated by De.mem’s recurring business segments (see section below “*High recurring cash receipts, driving high margins*”).

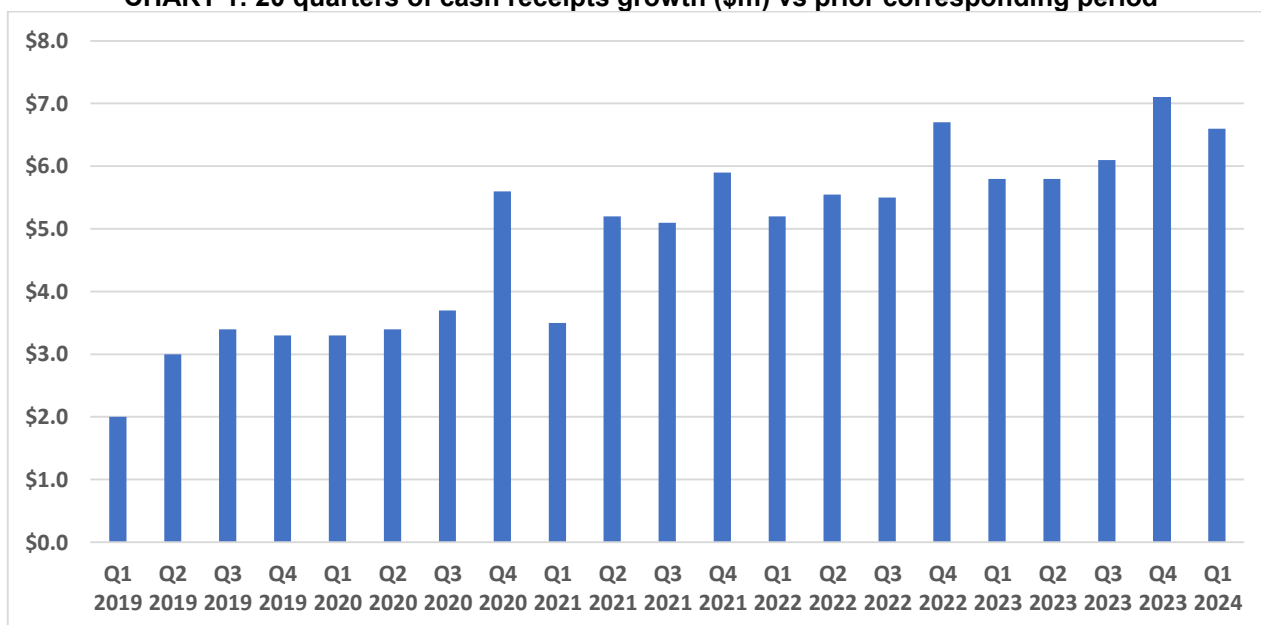
De.mem is delighted to report that it is on track for record CY 2024 cash receipts, underpinned by the following factors:

- Record March Quarter 2024 results.
- March Quarter historically accounts for approx. 21% of total annual cash receipts only.
- On track for record June Quarter 2024 cash receipts.
- Over 90% of cash receipts are recurring, providing cashflow visibility.

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- An additional approximately \$1.1m cash is expected in the June Quarter 2024 from two major projects. Thereof, approximately \$800k have been received as at the date of this report (see section below “*Strong operational performance*”).

**CHART 1: 20 quarters of cash receipts growth (\$m) vs prior corresponding period**



### Adjusted operating cashflow positive

Reported March Quarter 2024 net operating cash outflow is -\$521k, as per the Appendix 4C attached to this release.

Adjusted for approximately \$1.1m in customer payments related to two major projects outstanding as of 31 March 2024, adjusted March Quarter 2024 operating cash flows are positive with approximately \$500k.

From the \$1.1m in outstanding customer payments, approximately \$800k have been received in the month of April 2024 with the remaining balance expected to be paid during the remainder of the June Quarter 2024. Corresponding project costs have almost entirely been incurred and paid for prior to the end of the March Quarter 2024. See section “*Strong operational performance*” for further details.

### High recurring cash receipts, driving high margins

De.mem is delivering on its strategic objective of growing recurring cash receipts. In the March Quarter 2024, recurring cash receipts comprise more than 90% of total cash receipts, a substantial increase from 38% in CY 2018.

The Company’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 36% in CY 2023).

As previously communicated, De.mem’s strategy remains focused on growing its recurring revenue segments (see section below, “*One stop shop offering supports recurring revenue model*”).

De.mem has successfully grown its “recurring revenue segments”, which comprise products and services that are essential for the successful and ongoing operations of a water or wastewater treatment 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.

## **Entering the global domestic water filtration market**

The Company is preparing to fully launch its entry into the global water filtration market utilising its unique Graphene Oxide enhanced membranes in domestic water filtration systems.

The global domestic water filtration market is a large commercial market that was estimated at US\$12.1 billion in 2022 and is expected to grow by 10.5% per annum to US\$26.7 billion by 2030 (source: *Grand View Research, November 2022*). The Asia-Pacific region accounts for the largest share in the overall market for domestic water filters.

### *National Sanitation Foundation certification*

On 15 April 2024, De.mem reported that its unique Graphene Oxide enhanced membranes have met all technical requirements of the USA National Sanitation Foundation (NSF) and shortly expects formal NSF certification under NSF Standard 53 (see ASX release “*De.mem passes NSF requirements*”, 15 April 2024).

Following the NSF approval, De.mem will commence the full commercial launch of its potable water applications in the USA, providing premium water filtration solutions for USA households.

### *Purafy/Grafoid distribution partnership*

De.mem previously announced a sales distribution partnership with Purafy Clean Technologies, Kingston, Ontario, Canada (“Purafy”) (see ASX release, “*De.mem signs technology commercialization partnership agreement*”, 19 July 2022).

De.mem will initially commercialise its new Graphene Oxide enhanced membranes through Purafy/Grafoid in the North American market, whereby the Company provides its unique membranes to Purafy on a wholesale basis, with De.mem taking no retail sales risk and assuming no distribution costs.

Purafy manufactures and sells portable water treatment systems and a range of domestic water filtration products.

### *Significant financial upside*

De.mem previously reported the significant financial upside expected from the sales of its new Graphene Oxide enhanced membranes, including:

- First revenues of \$55k through wholesale distribution partnership with Purafy, for domestic water treatment applications in markets outside the USA (see ASX release, “*First order for Graphene Oxide enhanced cartridges*”, 7 February 2024)
- Expect over \$1m additional revenues over 2 years, from domestic water treatment applications in North America (see ASX release, “*De.mem passes NSF requirements*”, 15 April 2024)
- Further upside from rest of world and new products.

## Strong operational performance

During the March Quarter, the Company achieved several operational milestones. These include:

- In February 2024, first order for new Graphene Oxide enhanced membrane cartridges.
- In late March 2024, successful completion of the South 32 project.

In late CY 2022, De.mem announced a new contract for the supply of a containerized, membrane-based water treatment plant to a subsidiary of South 32 Limited ("South 32", ASX: S32, market capitalization ~\$15 billion), which was ultimately valued at \$1.6m. In late March 2024 the Company completed the project, with the plant installed on site and being fully operational. With corresponding project costs almost entirely being paid for prior to 31 March 2024, De.mem had a balance of \$1.1m in outstanding customer payments from this and another industrial project as of 31 March 2024. Thereof, approximately \$800k have already been received as at the date of this report.

**IMAGE 1: De.mem containerized membrane-based water treatment plant being shipped to mining site**



## World leading membrane technology provides strong competitive advantage

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.

These membranes are commercialized through:

- inclusion as the key component of the Company's integrated water and wastewater treatment systems in its Build, Own, Operate and service contracts, and
- 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, and
- in domestic water filtration systems.

The Company's new Graphene Oxide enhanced membrane is one of De.mem's flagship technologies, providing the cornerstone technology for the Company's domestic water filtration products.

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.

### “One-stop shop” offering supports recurring revenue model

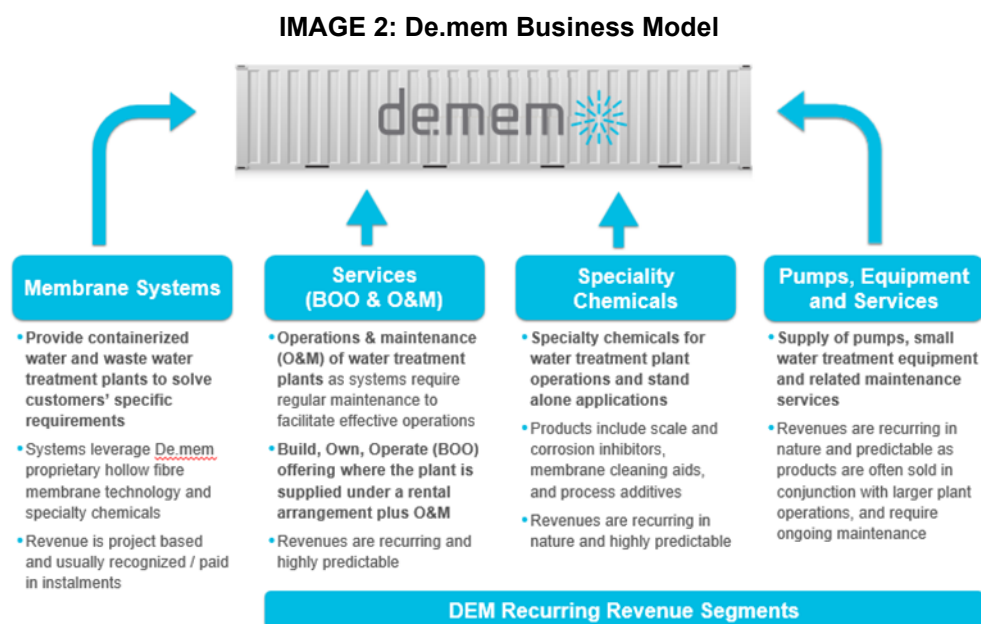
De.mem’s strategy is to provide a comprehensive “one stop shop” offering to its extensive industrial customer base, resulting in substantial cross-selling opportunities and a recurring revenue business model which is unique within the water treatment industry.

The Company’s one-stop shop offering includes the following:

- 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.

The Company’s business model attracts long-term, stable customer relationships, as most industrial customers require several or all of the above product and service lines – from the supply of water treatment plants and systems to Build, Own, Operate (“BOO”) and Operations and Maintenance (“O&M”) services, as well as chemicals and consumables for the ongoing operations.

As of April 2024, De.mem’s business model and group structure is as follows:



### Environmental, Sustainability, Governance (ESG) focus

De.mem is fulfilling its significant environmental and social mission of treating industrial wastewater and providing purified water for industrial and domestic use.

The Company is committed to ESG principles and satisfies several of the United Nations’ 17 Sustainable Development Goals.

Some examples of how De.mem’s products, services and business model contribute to the Goals are below (see ASX Investor Presentation, 28 July 2022, slide 18, for further details).

#### Goal #6 - Clean water and sanitation

Goal #6 is to ensure availability and sustainable management of water and sanitation for all.

De.mem's membrane technology and treatment plants clean waste water, facilitate water discharge and water reuse/recycling.

During the March Quarter 2024, De.mem treated a total of approx. 572 million litres 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).

#### Goal #9 - Industry, innovation and infrastructure

Goal #9 is to build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

De.mem's water treatment systems often facilitate the deployment of a membrane-based separation process using De.mem's proprietary hollow fibre 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 for the ongoing operations.

#### Goal #11 - Sustainable cities and communities

Goal #11 is to make cities and human settlements inclusive, safe, resilient and sustainable.

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 in a March Quarter. Typically, the March Quarter is the slowest quarter within a calendar year, given some minor seasonality of our business.*

*We are particularly excited to achieve a key milestone with the NSF requirements for our GO enhanced membrane now being met. This will allow us to generate additional revenue streams from promoting the new technology for domestic water treatment applications into the North American market.*

*With a strong recurring revenue base and existing orderbook for projects and equipment, we look forward to another successful year with an outlook for a record 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:**

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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 equipment, 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

<b>Name of entity</b>		
De.mem Limited		
<b>ABN</b>	<b>Quarter ended ("current quarter")</b>	
12 614 756 642	31 Mar 2024	
<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	6,560	6,560
1.2 Payments for		
(a) research and development	(8)	(8)
(b) product manufacturing and operating costs	(4,396)	(4,396)
(c) advertising and marketing	(26)	(26)
(d) leased assets	(17)	(17)
(e) staff costs	(2,087)	(2,087)
(f) administration and corporate costs	(541)	(541)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	8
1.5 Interest and other costs of finance paid	(17)	(17)
1.6 Income taxes paid	(8)	(8)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	11	11
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(521)</b>	<b>(521)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) businesses	-	-
(b) property, plant and equipment	(11)	(11)
(c) investments	(14)	(14)
(d) intellectual property	-	-
(e) other non-current assets	(5)	(5)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(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>(30)</b>	<b>(30)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,200	2,200
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	(145)	(145)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (lease liabilities)	(202)	(202)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,853</b>	<b>1,853</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.	2,442	2,442
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(521)	(521)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(30)	(30)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,853	1,853
4.5	Effect of movement in exchange rates on cash held	10	10
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,754</b>	<b>3,754</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	1,927	2,215
5.2	Call deposits	1,827	227
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>3,754</b>	<b>2,442</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.*

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7. <b>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.		

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(521)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,754
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,754
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	7.2
<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: 29 April 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.