

30 JUNE 2024 QUARTERLY ACTIVITIES REPORT: RECORD JUNE QUARTER CASH RECEIPTS, CONTINUED GROWTH

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

KEY HIGHLIGHTS

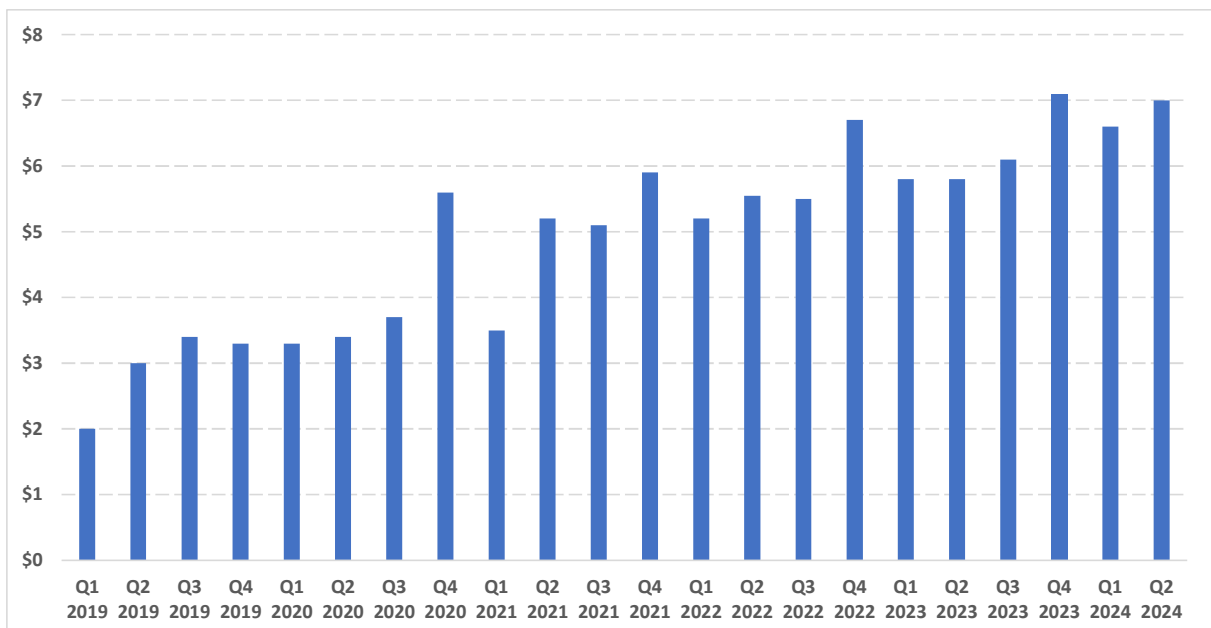
- **Record June Quarter cash receipts** of approximately \$7 million.
- **Record cash receipts growth of 20% vs. pcp**, entirely organic.
- **Continued and stable growth momentum**, 21 successive quarters of cash receipts growth versus prior period.
- **Operating cash flows approximately break-even.**
- **Two acquisitions integrated**, set to contribute to cash receipts and margins in H2.
- **On track for record full-year results.**

Record quarterly results

De.mem is delighted to report the following record results during June Quarter 2024:

- Record June Quarter \$7.0m cash receipts, second highest receipts in Company history.
- 20% cash receipts growth vs pcp (prior corresponding period), entirely organic.
- 21 consecutive quarters of cash receipts growth vs pcp, despite the Covid-19 pandemic in CY2020-21 and slowing global growth in CY2022-23.

CHART 1: RECORD 21 QUARTERS OF CASH RECEIPTS GROWTH (A\$ MILLION)



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The Company reported approximately break-even June Quarter 2024 adjusted operating cashflow of -\$3,000, adding back the Company's one-off \$40,000 cash contribution into the Border Pumpworks acquisition post-1 May 2024. The cash contribution was required as part of the asset deal acquisition structure of the Border Pumpworks transaction.

On track for record full-year results

De.mem is delighted to report that it is on track for record full year CY2024 cash receipts, underpinned by the following factors:

- Record March and June Quarter 2024 results.
- Approx. 90% of cash receipts being recurring, providing cashflow visibility.
- Continued double-digit percentage organic growth momentum.
- Expected contributions from the Border Pumpworks and Auswater Systems acquisitions in H2 CY 2024, noting that June Quarter 2024 cash receipts only include a minor contribution from Border Pumpworks due to the asset deal structure of the transaction, and no contribution yet from Auswater Systems.
- Expected contribution from entering the US market for domestic water filtration.

Recurring cash receipts underpin strong outlook

The Company's approximately 90% recurring cash receipts underpin its strong growth momentum and outlook.

June Quarter 2024 cash receipts were largely generated by De.mem's recurring business segments, which comprise the following:

- 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.

Recurring revenue segments generate above industry average gross margins, increasing the total business gross margins from 18% in CY 2017 to 36% in CY 2023.

Reiterates revenue guidance from USA domestic water filtration market entry

De.mem has initiated the full commercial launch of its potable water applications in the USA, providing premium water filtration solutions to US households.

De.mem reiterates its revenue expectations from entering the USA domestic water filtration market.

The Company expects over \$1m revenues over 2 years from domestic water treatment applications in North America (see ASX release, “*De.mem passes NSF requirements*”, 15 April 2024). De.mem had previously announced first revenues generated from the new product of \$55k (see ASX release, “*First order for Graphene Oxide enhanced cartridges*”, 7 February 2024).

There is further upside to this guidance if the Company enters new geographies and/or introduces new products in these markets.

On 9 May 2024, the Company announced its formal USA National Sanitation Foundation (NSF) certification under NSF Standard 53 for the Company’s Graphene Oxide enhanced membrane technology (see ASX release “*Graphene Oxide enhanced membrane - NSF formal certification*”, 9 May 2024).

De.mem will initially commercialise its new Graphene Oxide enhanced membranes through its sales distribution partnership with Purafy Clean Technologies, Kingston, Ontario, Canada (“Purafy”) (see ASX release, “*De.mem signs technology commercialization partnership agreement*”, 19 July 2022) 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.

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.

Continues strong acquisition value-add track record

During the Quarter, the Company completed two acquisitions, Border Pumpworks and Auswater Systems. It expects both to contribute significantly to cash receipts and margins from 1 July 2024 onwards.

The acquisition of Border Pumpworks, based in Wodonga/regional Victoria, was completed on 1 May 2024 (see ASX release dated 29 April 2024). Border Pumpworks has been operating since 1992, servicing and supplying pumps and small water treatment systems to mainly industrial customers in regional Victoria and New South Wales.

Auswater Systems, based in Perth, Western Australia, was completed on 1 July 2024 (see the ASX Investor Presentation dated 3 June 2024). Auswater Systems has an operating history of 29 years and services water and waste water treatment systems on behalf of more than 50 recurring clients, mainly from the Western Australian mining industry.

De.mem has a strong acquisition track record, reporting 63% revenue growth across 4 acquisitions since 2019 (see the ASX Investor Presentation dated 3 June 2024, page 4).

The Company operates in a highly fragmented sector, with several niche, local operators (see the ASX Investor Presentation dated 3 June 2024, page 11). These smaller operators are unable to compete with De.mem's national reach, proprietary technologies, technical capabilities and "one stop shop" offering (including pumps, chemicals, proprietary membranes, and filters).

De.mem seeks to acquire businesses that meet the following criteria (see *ASX Investor Presentation* dated 3 June 2024, page 5):

- Long-standing customers.
- Recurring revenues.
- High margins.
- Track record of profitability.
- Diversification (by customer, customer industry, geography, and/or product).
- Attractive acquisition multiples (target less than 1x revenue and 5x EBITDA).

CEO Commentary

De.mem Chief Executive Officer Andreas Kroell said:

"I am pleased to report another record quarter with 20% cash receipts growth and nearly balanced operating cash flows.

We are looking forward to a record second half of the Calendar Year 2024, with high recurring cash receipts, ongoing commercialisation of our Graphene Oxide enhanced membranes into the USA and other markets, and revenue and margin contributions from the recent Border Pumpworks and Auswater Systems acquisitions".

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-

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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

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	Quarter ended ("current quarter")	
12 614 756 642	30 Jun 2024	
Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,010	13,570
1.2 Payments for		
(a) research and development	(0)	(8)
(b) product manufacturing and operating costs	(4,614)	(9,010)
(c) advertising and marketing	(20)	(46)
(d) leased assets	(0)	(17)
(e) staff costs	(1,929)	(4,016)
(f) administration and corporate costs	(465)	(1,006)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	22
1.5 Interest and other costs of finance paid	(28)	(45)
1.6 Income taxes paid	(11)	(19)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	0	11
1.9 Net cash from / (used in) operating activities	(43)	(564)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) businesses	(409)	(409)
(b) property, plant and equipment	(126)	(137)
(c) investments	14	0
(d) intellectual property	(5)	(5)
(e) other non-current assets	5	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	11	11
	(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)	-	-
2.6	Net cash from / (used in) investing activities	(510)	(540)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,094	4,294
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	(196)	(341)
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)	(158)	(360)
3.10	Net cash from / (used in) financing activities	1,740	3,593

4.	Net increase / (decrease) in cash and cash equivalents for the period		
	Net Cash and equivalents at beginning of quarter/year to date.	3,754	2,442
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(43)	(564)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(510)	(540)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,740	3,593
4.5	Effect of movement in exchange rates on cash held	(16)	(6)
4.6	Cash and cash equivalents at end of period	4,925	4,925

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	3,814	1,927
5.2	Call deposits	1,111	1,827
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,925	3,754

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	177
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.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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 Total financing facilities	-	
7.5 Unused financing facilities available at quarter end		-
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. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(43)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,925
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	4,925
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	115
<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 July 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.