

De.mem Limited

ABN 12 614 756 642

Consolidated Financial Report - 31 December 2024

De.mem Limited
Corporate directory
31 December 2024

Directors

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

Company Secretary

Mr Tony Panther

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

MUFG Corporate Markets (AU) Limited
Level 10, Tower 4, 727 Collins Street,
Docklands VIC 3008
Australia
Phone: +61 1300 554 474

Auditor

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

Solicitors

HopgoodGanim Lawyers
Level 8, Waterfront Place, 1 Eagle Street,
Brisbane Qld 4000
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

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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 year ended 31 December 2024.

Review of operations

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 and heavy industrial sectors.

The Company serves large multinationals as well as SMEs (small and medium enterprises) through its offices in Australia (Melbourne, Brisbane, Perth, Launceston), Singapore and Velbert, Germany. Since May 2024, De.mem also maintains a workshop in Wodonga, Victoria, through the acquisition of Border Pumpworks. In addition, the Company started another location in Kalgoorlie, Western Australia, during 2024.

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. De.mem's de-centralised solutions are typically containerised, packaged and/or with modular design, for easy transport to and turn-key deployment at the customer site.

De.mem offers Operations & Maintenance services as well as a Build, Own, Operate ("BOO") or Build, Own, Operate, Transfer ("BOOT") option. 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.

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, Graphene-Oxide enhanced and hollow-fibre Nanofiltration membranes.

De.mem's product and services range is complemented by specialty chemicals such as anti-scalants, corrosion inhibitors, de- and antifoamers, membrane cleaners or flocculants & coagulants, which are typically required during the ongoing operations of membrane-based water treatment plants. The Company blends its specialty chemicals at its facilities in Perth, Australia, and Velbert, Germany.

2024 Highlights

During the year, De.mem made substantial progress and delivered on key business milestones.

Cash Receipts / Revenue growth

- Revenues increased by 6%, or 27% over two years, to \$24.9 million (2023: \$23.4 million)
- Cash receipts increased by 15% to \$28.4 million (2023: \$24.8 million)
- As of 31 December 2024, the Company has recorded 23 successive quarters of cash receipts growth vs. prior corresponding period

Transition to recurring revenue segments drives growth and margins

- High-margin recurring revenue segments contributed approximately 92% of total revenues
- In absolute numbers, recurring revenues up by 15% to \$22.9 million (2023: \$20.0 million)
- Gross margin further increased to 41% (2023: 36%); or \$10.1 million in absolute numbers (2023: \$8.4 million)

Positive operating cash flows for the full CY 2024; positive adjusted EBITDA in the second half of CY 2024

- Positive operating cash flows of \$115,000 during the full CY 2024; this marks the first full calendar year for which De.mem reports positive operating cash flows.

- Adjusted EBITDA loss for the year 2024 reduced to \$60,000, from \$713,000 in 2023, \$1,280,000 in 2022 and \$2,249,000 in 2021 (Adjusted EBITDA = EBITDA less business acquisition cost, share based payments expense, and other one-off items; These unaudited measures are important for the Company to assess its performance; For further details please see section below)
- The full year result splits up into an adjusted EBITDA profit of \$329,000 in the second half of 2024 and an adjusted EBITDA loss of \$389,000 reported for the first half of 2024 (see the half year report released to the ASX on 29 August 2024).

Two new acquisitions integrated

- De.mem acquired Border Pumpworks, Wodonga, Victoria, in May 2024 and Auswater Systems Pty Ltd (Auswater), Perth, Western Australia, in July 2024
- Border Pumpworks provides pumps, water filtration systems and related maintenance services to industrial customers in regional Victoria and New South Wales. Auswater provides water treatment systems and related maintenance services, chemicals and consumables to mining and industrial clients in Western Australia
- Both companies have been integrated into the existing De.mem group organisation in CY 2024 and will contribute in full to revenues, cash receipts and margins in CY 2025

Key milestones accomplished for proprietary membrane technology R&D and commercialisation

- NSF (National Sanitation Foundation) product certification of new Graphene Oxide enhanced membrane technology completed in May 2024
- Received first order for Graphene Oxide enhanced membrane technology in February 2024 for non-NSF applications (all applications excluding potable water treatment in the US and other jurisdictions which require NSF or similar approval), kicking off the commercial launch of the product
- New standardised, small scale water treatment systems presented in November 2024; targeting launch through further distribution partnerships in Asian countries

Strong balance sheet provides the ability to fund further growth

- Cash and cash equivalent of \$3.6 million as at 31 December 2024
- Net assets of \$12.9 million as at 31 December 2024 (\$11.6 million as at 31 December 2023)
- Strong cash position and improved EBITDA/operating cash flow providing the Company with the ability to fund further growth, for example through strategic acquisitions and/or further Build, Own, Operate contracts with industrial clients

Business Development and Operations

Key Focus on Recurring Revenue Segments

De.mem's recurring revenue segments, which mainly include the Company's service (Build, Own, Operate and Operations & Maintenance) and specialty chemicals businesses, are the key focus of the Company's growth strategy. During 2024, recurring revenue segments totalled \$22.9 million (92% of total revenue), an increase by 15% from 2023 (85% of total revenue).

Commissioned \$1.6m Water Treatment Plant Delivered to South 32 in March 2024

De.mem delivered a membrane-based water treatment plant to an Australian mining site of South 32 Limited in late 2023. The plant was commissioned and handed over to the client in March 2024. The project is worth approximately \$1.6 million in revenue (see ASX announcement dated 17 October 2022 for further details). While majority of revenue from the contract had been recognised in 2023, a large portion of the cash receipts were received in 2024.

Unique Build, Own, Operate & Service Offering for Industrial Clients

Based on its extended range of capabilities, De.mem is uniquely positioned as a supplier of Build, Own, Operate ("BOO") and Operations & Maintenance ("O&M") services to industrial customers. De.mem continued to operate a number of Build, Own, Operate agreements during 2024, including contracts related to waste water treatment plants in Singapore on behalf of Givaudan, the world wide market leader in flavours & fragrances, and on behalf of the Selwyn Snow Resort in Australia.

Key Milestones Achieved For Development and Commercialisation of Hollow Fibre Membrane Technology

Progressing With Partnership For Commercialisation of New Graphene Oxide Enhanced Membrane – First Order Received

De.mem presented its new Graphene Oxide enhanced membrane on 7 September 2021 (see ASX release "De.mem Presents Next Generation Membrane Technology"). The new technology delivers up to 40% higher water flux (throughput, or volume of clean water produced) vs. standard polymer ultrafiltration membranes, leading to significant cost reductions for the user.

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In February 2024, De.mem received its first order for Graphene Oxide enhanced membrane cartridges from its partner company Purafy Clean Technologies, Kingston, Ontario, Canada ("Purafy"). The order is worth \$55,000 in revenues. The products were used by Grafoid/Purafy for applications which are not subject to NSF certification.

NSF Certification Completed

In May 2024, De.mem completed the NSF (National Sanitation Foundation) certification for the new membrane, which is a prerequisite for usage of the technology in potable water treatment applications in the USA and other countries.

New Product Range of Small Scale Filtration Systems Presented to the Market

In November 2024, De.mem presented its suite of small-scale, standardised water treatment systems deploying the Graphene Oxide enhanced Ultrafiltration membrane as its key component. The systems can be used for domestic water treatment or small-scale industrial applications. De.mem intends to launch the new products into further Asian markets.

Financials

Strong Cash Receipts and Revenue Growth

De.mem's achieved significant growth in 2024. Cash receipts increased by 15% to \$ 28.4 million (2023: \$24.8 million).

De.mem's revenues increased by 6%, or 27% p.a. over a 2-years period, to 24.9 million in 2024 (2023: \$23.4 million; 2022: 19.6 million).

Revenues derived from the Company's recurring revenue segments are up by 15% to \$22.9 million (2023: \$20.0 million, 2022: \$18.1 million).

Increasing Margins

Along with the successful transition to its high-margin recurring revenue segments, the Company's gross margin increased from 25% in 2018 to 35% in 2022, 36% in 2023 and 41% in 2024. In absolute numbers, gross margin increased from \$8.4 million in 2023 to \$10.2 million in 2024.

Positive Adjusted EBITDA in the Second Half of 2024

Adjusted EBITDA for the year 2024 was nearly balanced with -\$60,000 loss. The result compares to a loss of approximately \$713,000 in 2023, \$1,280,000 in 2022 and \$2,249,000 in 2021 (Adjusted EBITDA = EBITDA less business acquisition cost, share based payments expense, and other one-off items; for further details please see section below).

The adjusted EBITDA splits up into a profit of \$329,000 in the second half of 2024, and a loss of \$389,000 in the first half of 2024 (see half year report, lodged to the ASX on 29 August 2024).

The reconciliation of the loss before taxes to Adjusted EBITDA * (unaudited) is as follows:

	2024 \$'000	2023 \$'000	2022 \$'000
Loss before taxes	(2,740)	(3,119)	(3,412)
Add: Depreciation and amortisation	2,395	1,813	1,613
Add: Interest expense (net of interest income)	102	75	98
<u>Adjustments for one off expenses</u>			
Add: Business acquisition cost	55	112	40
Add: Legal fees of one-off nature and severance payments	153	-	-
Add/(less): Share based payments	(25)	406	381
Adjusted EBITDA	<u>(60)</u>	<u>(713)</u>	<u>(1,280)</u>

* Adjusted EBITDA is a non-IFRS earnings measure which does not have any standardised meaning defined by IFRS. Hence, it may not be comparable to EBITDA as presented by other companies. It 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.

Key risks and uncertainties

De.mem is subject to both De.mem specific as well as general risks.

Overall macroeconomic situation

The worldwide macroeconomic situation appears volatile. If there is any expansion of tariffs imposed by the major economies it could escalate into full trade wars and result in a global recession. Consequently, there could be an impact on De.mem's business or growth rates.

However, De.mem does not foresee any adverse impact on its profitability derived from the United States of America market based on the tariff policies announced by the United States Government since January 20th 2025, up to the date of this Report.

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

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 that the NSF (National Sanitation Foundation) revokes its certification.

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

Market Risk & Non-Continuation of Contracts from Key Customers

Changes in market demand, competition, or technological advancements may affect sales and profitability.

De.mem strives to establish its market position as providing premium quality systems and services to support our price structure and differentiate ourselves from cheaper competitors to encourage customer loyalty/attraction regardless of price differentials.

Operational Risk

Operational failures, including supply chain disruptions, equipment breakdowns, or cybersecurity breaches, may disrupt business operations.

De.mem mitigates this risk by implementing robust operational procedures, diversifying supplier base, investing in technology and security measures, and establishing contingency plans.

Technology and Cyber Risk

Failure of technology systems, data breaches, or inadequate IT infrastructure may compromise data security and business operations. There are also potential threats of unauthorised access, data breaches, malware attacks, or other cyber incidents that could compromise the confidentiality, integrity, or availability of De.mem's digital assets, including sensitive information, intellectual property, and operational systems.

De.mem engages technical consultants to conduct regular IT audits, implement robust cybersecurity measures, adhere to resilient processes and investing in technology upgrades and backups. Apart from this, De.mem also has in place a cyber risk insurance.

Directors

The following persons were directors of De.mem Limited during the whole of the financial 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
Michael Edwards - Non-Executive Director
Danny Conlon - Non-Executive Director
Andreas Hendrik (Harry) De Wit - Non-Executive Director
Stuart Carmichael - Non-Executive Director (retired on 28 May 2024)

Principal activities

De.mem designs, builds, owns and operates modern water treatment systems for clients from the industrial, municipal and residential sectors.

De.mem Limited (ASX:DEM) is an Australian-headquartered, international 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 the mining, infrastructure, food and beverage and heavy manufacturing industries as well as in the municipal and residential segments. Customers include leading multinational corporations in their respective industries and municipalities and government organisations from the different countries.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Significant changes in the state of affairs

On 26 February 2024, the Company raised \$2.2 million before costs institutional and sophisticated investors as per the Placement announced on 21 February 2024. 18,333,168 fully paid ordinary shares were issued at a deemed of \$0.09 (9 cents) per share on 26 February 2024 and issuance for the balance of 6,111,111 shares was postponed until 28 June 2024 pending approval in the Company's Annual General Meeting. See below event on 28 June 2024.

On 2 May 2024, the Company acquired all assets included under Border Pumpworks from Flotech Pty Ltd, which is based in Wodonga in regional Victoria with consideration of \$400,000 in cash. The identifiable assets acquired included \$337,700 in customer lists and \$62,300 in motor vehicles.

On 28 May 2024, Mr. Stuart Carmichael retired as Non-Executive Director of the Company.

On 12 June 2024, the Company issued 18,500,000 fully paid ordinary shares at \$0.10 (10 cents) per shares and raised \$1,850,000 before costs for the purposes of financing the acquisition of Auswater Systems Pty Ltd ("Auswater"), a Perth-

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based, high-margin service business that operates & maintains water and waste water treatment plants for industrial clients, including the supply of chemicals and consumables for customers' ongoing operations.

On 28 June 2024, the Company issued 6,111,111 fully paid ordinary shares at \$0.09 (9 cents) per share to Mr Cosimo Trimigliozi and Mr Harry de Wit as approved at the Company's Annual General Meeting on 28 May 2024.

On 2 July 2024, the Company completed the acquisition of Auswater. Refer to Note 24 in the Financial Statements for details on the total consideration paid for this acquisition.

On 20 August 2024, an Extraordinary General Meeting was held to approve and confirm the allotment and issue of the remaining 2,500,000 fully paid ordinary shares in the Company at an issue price of \$0.10 cents per share to the Company's directors. The shares were issued on 21 August 2024.

On 21 August 2024, the Company issued 249,219 fully paid ordinary shares at a deemed issue price of \$0.1204 (12.04 cents) per share as consideration for the provision of corporate advisory service to the Company.

On 26 September 2024, the Company issued a total of 692,593 fully paid ordinary shares; The issuance comprised of:

- (i) 500,000 shares for an exercise of 500,000 performance rights, previously issued under the Company's Employee Incentive Plan, at an exercise price of \$nil per share; and
- (ii) 192,593 Shares at a deemed issue price of \$0.135 (13.5 cents) per share to settle a supplier's invoice;

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2024 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.

Likely developments and expected results of operations

The consolidated entity will continue to design, build, and operate water and waste water treatment systems for its clients.

Environmental regulation

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

Information on directors

Name:	Cosimo Trimigliozi
Title:	Non-Executive Chairman
Qualifications:	MBA equivalent, University of Basel, Switzerland
Experience and expertise:	Mr. Trimigliozi looks back at a successful, almost 30-year long career in the feed and food ingredients / flavours and fragrances industry, one of the key target sectors for De.mem Limited. In his last assignment, he was the COO of Wild Flavors International, Germany, responsible in particular for the Asian and South American business expansion. Mr. Trimigliozi was a member of the key management team involved in the sale of Wild Flavors on behalf of owner Mr. Wild and private equity investor KKR to ADM Group for approximately 2.5 billion USD. Prior to that, Mr. Trimigliozi had been in other senior management roles, amongst others as Managing Director – Asia for Givaudan, a multinational corporation headquartered in Switzerland.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	1,865,902 fully paid ordinary shares
Interests in options:	750,000 unlisted options
Contractual rights to shares:	None

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Name: Andreas Kroell
Title: Chief Executive Officer and Director
Qualifications: MBA equivalent, University of Frankfurt, Germany
Experience and expertise: Mr. Kroell has been the director and CFO of De.mem Singapore since the Company was established and was appointed as the Chief Executive Officer of De.mem Limited in 2016. Prior to that, Mr. Kroell has been involved in the venture capital and finance industries in Germany and Singapore since 2000. Mr. Kroell has led investments and held board seats in numerous companies within the water, environmental, industrial and other technology related sectors and has managed over 20 venture capital investments throughout his career, including a number of exits by trade sale and initial public offerings. Andreas Kroell has worked with several portfolio companies in management roles.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 3,213,341 fully paid ordinary shares
Interests in options: None
Contractual rights to shares: None

Name: Bernd Dautel
Title: Non-Executive Director
Qualifications: Master of Chemical Engineering, University of Karlsruhe, Germany
Experience and expertise: Mr. Dautel has been a Venture Capital expert with New Asia Investments Pte Ltd in Singapore since 2012. In this function, he managed investments into companies from the chemicals and electronics sectors. Prior to this, Mr. Dautel was the Managing Director Asia/Pacific for Wieland Metals, a large German manufacturer of semi-finished copper goods. He built the company's business in the Asia/Pacific region from the early stage to approximately 400 million in annual revenues over 20 years, with operations in Singapore, China, India and many other countries in the Asia/Pacific region.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 800,000 fully paid ordinary shares
Interests in options: 500,000 unlisted options
Contractual rights to shares: None

Name: Michael Edwards
Title: Non-Executive Director
Qualifications: Bachelor of Business (Economics and Finance), Curtin University of Technology, Bachelor of Science (Geology), University of Western Australia, Perth
Experience and expertise: Mr Edwards is a Geologist and an Economist with over 25 years' experience in senior management roles in both the private and public sectors. He worked for Barclays Australia in their Corporate Finance department before working as an Exploration and Mine Geologist with several companies including Gold Mines of Australia, Eagle Mining and International Mineral Resources.

Mr Edwards has worked as a consultant across a range of industries both as a Geologist and Corporate Advisor, predominantly in Australia and Africa. He has been involved in numerous ASX listings, raising seed and IPO capital as well as being intimately involved in several reverse take overs across a range of commodities and industries.

Other current directorships: Non-Executive Chairman of Somerset Minerals Limited (ASX:SMM) (appointed July 2024), Non-Executive Director of Metal Hawk Ltd (ASX:MHK).
Former directorships (last 3 years): Non-Executive Chairman of Greenstone Resources Ltd (ASX:GSR) (August 2021 to June 2024), Non-Executive Chairman of Future Battery Minerals Ltd (ASX:FBM) (August 2020 to June 2024),
Special responsibilities: None
Interests in shares: None
Interests in options: 500,000 unlisted options
Contractual rights to shares: None

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Name: Danny Conlon
 Title: Non-Executive Director
 Experience and expertise: Mr Conlon is a proven water industry expert and veteran. Most recently, from 2018 to 2020, he was Veolia's CEO and Managing Director for the Australia & New Zealand region. In this role, he oversaw Veolia's broad portfolio of water, waste and energy operations, with a strong focus on driving the growth of recurring revenues and the company's service business. Mr. Conlon was responsible for more than 4,000 employees and 240 locations across the region.

Mr. Conlon's long-term career at Veolia started originally with an appointment at Collex Waste Management in 1998. He advanced within Veolia group over more than two decades and held several leadership positions during these years. Prior to being appointed as CEO he was the Executive General Manager of Veolia's East Coast Operations in Australia & New Zealand, a position he held since 2014.

Other current directorships: None
 Former directorships (last 3 years): None
 Special responsibilities: None
 Interests in shares: None
 Interests in options: 500,000 unlisted options
 Contractual rights to shares: None

Name: Andreas Hendrik (Harry) De Wit
 Title: Non-Executive Director
 Experience and expertise: 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 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.

Other current directorships: None
 Former directorships (last 3 years): None
 Special responsibilities: None
 Interests in shares: 21,777,942 fully paid ordinary shares
 Interests in options: 500,000 unlisted options
 Interests in rights: None
 Contractual rights to shares: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Mr Anthony Panther CA AGIA ACIS

Mr Panther has over 30 years' experience in a variety of fields. Following completion of university commerce and law degrees he worked as an external auditor with a major international chartered accounting firm and has progressed to a range of internal audit, compliance, senior finance and company secretarial roles with a number of ASX-listed and unlisted public companies covering financial services, utilities, biotech, IT services and environmental technologies. He specialises in financial reporting and company secretarial practice.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2024, and the number of meetings attended by each director were:

	Full Board Attended	Held
Cosimo Trimiglozzi	7	8
Andreas Kroell	8	8
Bernd Dautel	7	8
Stuart Carmichael *	3	3
Michael Edwards	8	8
Danny Conlon	8	8
Andreas Hendrik (Harry) De Wit	8	8

* Retired on 28 May 2024

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board of Directors. The Board of Directors may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

Executive directors and senior executives remunerations

Remuneration levels for Directors and senior executives of the Company will be competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Board may obtain independent advice on the appropriateness of remuneration packages given trends in comparative companies both locally and internationally and the objectives of the Group's remuneration strategy. No such advice was obtained during the current year.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the Directors and senior executives;
- the Directors and senior executives ability to control the relevant performance;
- the Group's performance; and
- the amount of incentives within each Directors and senior executive's remuneration.

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Remuneration packages include a mix of fixed remuneration and variable remuneration and short and long-term performance-based incentives. Short-term incentives include De.mem's Employee Incentive Option Plan. The Company's Employee Incentive Option Plan allows the Board from time to time, in its absolute discretion, make a written offer to any Eligible Participant (as defined in the Plan) to apply for Options, upon the terms set out in the Plan and upon such additional terms and conditions as the Board determines. In exercising that discretion, the Board may have regard to the following (without limitation):

- The Eligible Participant's length of service within the Group;
- The contribution made by the Eligible Participant to the Group;
- The potential contribution of the Eligible Participant to the Group; or
- Any other matter the Board considers relevant.

Fixed remuneration consists of base remuneration, as well as employer contributions to superannuation funds where applicable. Remuneration levels will be, if necessary reviewed annually by the Board through a process that considers the overall performance of the Group. During the year, external consultants were not used to provide any analysis nor advice to the Directors' and senior executives' with respect to remuneration.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of De.mem Limited:

- Cosimo Trimigliozi
- Andreas Kroell
- Bernd Dautel
- Michael Edwards
- Danny Conlon
- Andreas Hendrik De Wit
- Stuart Carmichael (retired on 28 May 2024)

And the following person:

- Andrew Tay (Chief Financial Officer)

Fixed Remuneration

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Annual Leave	Super-annuation	Long service leave	Equity-settled	Total
2024	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:							
Cosimo Trimigliozi	36,000	-	-	-	-	-	36,000
Bernd Dautel	30,000	-	-	-	-	-	30,000
Stuart Carmichael *	15,000	-	-	1,650	-	-	16,650
Michael Edwards	30,000	-	-	3,375	-	-	33,375
Danny Conlon	30,000	-	-	3,375	-	-	33,375
Andreas Hendrik De Wit	30,000	-	-	-	-	-	30,000
Executive Director:							
Andreas Kroell	302,917	-	17,205	37,933	5,510	-	363,565
Other Key Management Personnel:							
Andrew Tay **	165,759	-	11,094	21,675	-	26,750	225,278
	639,676	-	28,299	68,008	5,510	26,750	768,243

Variable Remuneration

Executive Director:

Andreas Kroell ***	-	120,000	-	-	-	-	120,000
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Other Key Management

Personnel:

Andrew Tay ****	-	30,000	-	-	-	-	30,000
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Total	<u>639,676</u>	<u>150,000</u>	<u>28,299</u>	<u>68,008</u>	<u>5,510</u>	<u>26,750</u>	<u>918,243</u>
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* Retired on 28 May 2024.

** Share-based payments consist of \$15,000 in shares and up to \$11,750 worth of options granted in 2023 and vested in 2024. Both share-based payment and options have not been issued in 2024.

*** The "Cash bonus" was approved by the Board in January 2025 after an assessment was carried out on the Group's and the CEO's individual performance during the year; It remains unpaid as of the date of this report. During the year, an amount of \$35,000 in respect of 2021 was paid.

**** The "Cash bonus" is contractual. It is 50% based on the Company's profitability and 50% based on the CFO's individual performance. It remains unpaid as of the date of this report.

Fixed Remuneration

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Annual Leave	Super-annuation	Long service leave	Equity-settled	Total
2023	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Cosimo Trimiglozzi	36,000	-	-	-	-	67,500	103,500
Bernd Dautel	30,000	-	-	-	-	45,000	75,000
Stuart Carmichael	30,000	-	-	3,225	-	45,000	78,225
Michael Edwards	30,000	-	-	3,225	-	45,000	78,225
Danny Conlon	30,000	-	-	3,225	-	-	33,225
Andreas Hendrik De Wit	22,500	-	-	-	-	53,000	75,500
<i>Executive Director:</i>							
Andreas Kroell	280,000	-	-	30,100	3,833	-	313,933
<i>Other Key Management Personnel:</i>							
Andrew Tay	138,750	-	13,023	14,970	-	8,668	175,411
	<u>597,250</u>	<u>-</u>	<u>13,023</u>	<u>54,745</u>	<u>3,833</u>	<u>264,168</u>	<u>933,019</u>

Variable Remuneration

Executive Director:

Andreas Kroell	-	100,000	-	-	-	-	100,000
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Other Key Management

Personnel:

Andrew Tay *	-	27,500	-	-	-	-	27,500
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Total	<u>597,250</u>	<u>127,500</u>	<u>13,023</u>	<u>54,745</u>	<u>3,833</u>	<u>264,168</u>	<u>1,060,519</u>
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* \$30,000 annually, pro-rated for period of service in 2023

De.mem Limited
Directors' report
31 December 2024

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2024	2023	2024	2023	2024	2023
Non-Executive Directors:						
Cosimo Trimiglozzi	100%	35%	-	-	-	65%
Bernd Dautel	100%	40%	-	-	-	60%
Stuart Carmichael	100%	42%	-	-	-	58%
Michael Edwards	100%	42%	-	-	-	58%
Danny Conlon	100%	100%	-	-	-	-
Andreas Hendrik De Wit	100%	30%	-	-	-	70%
Executive Directors:						
Andreas Kroell	75%	76%	25%	24%	-	-
Other Key Management Personnel:						
Andrew Tay	88%	81%	12%	14%	-	5%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Andreas Kroell
Title:	Chief Executive Officer and Director
Agreement commenced:	1 November 2019
Term of agreement:	Permanent
Details:	Base salary of A\$305,000 per annum, and an annual bonus to be decided by the Board.
Name:	Andrew Tay
Title:	Chief Financial Officer
Agreement commenced:	11 October 2023
Term of agreement:	Permanent
Details:	Base salary of A\$185,000 per annum, up to \$30,000 performance bonus per annum and \$15,000 per annum in shares.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2024.

Options

The table below set out the options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 31 December 2024:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Andreas Hendrik De Wit	500,000	5 April 2023	5 April 2023	5 April 2026	\$0.1790	\$0.1060
Andrew Tay	250,000	6 April 2023	6 April 2025	6 April 2027	\$0.1398	\$0.0940
Cosimo Trimiglozzi	750,000	23 June 2023	23 June 2023	23 May 2026	\$0.2058	\$0.0900
Bernd Dautel	500,000	23 June 2023	23 June 2023	23 May 2026	\$0.2058	\$0.0900
Michael Edwards	500,000	23 June 2023	23 June 2023	23 May 2026	\$0.2058	\$0.0900
Danny Conlon	500,000	14 June 2022	14 June 2022	24 June 2025	\$0.2240	\$0.0640

Options granted to Andrew Tay during the year ended 31 December 2023 have minimum service period of 2 years.

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Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 31 December 2024 are set out below:

Name	Number of options granted during the year 2024	Number of options granted during the year 2023	Number of options vested during the year 2024	Number of options vested during the year 2023
Danny Conlon	-	-	-	-
Andreas Hendrik De Wit	-	500,000	-	500,000
Cosimo Trimiglozzi	-	750,000	-	750,000
Bernd Dautel	-	500,000	-	500,000
Stuart Carmichael	-	500,000	-	500,000
Michael Edwards	-	500,000	-	500,000
Andrew Tay	-	250,000	-	-

Performance rights

There were no performance rights over ordinary shares issued or granted to directors and other key management personnel as part of compensation that were outstanding as at 31 December 2024.

Additional information

The earnings of the consolidated entity for the five years to 31 December 2024 are summarised below:

	2024 \$'000	2023 \$'000	2022 \$'000	2021 \$'000	2020 \$'000
Loss after income tax	(2,770)	(3,134)	(3,455)	(4,440)	(3,539)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2024	2023	2022	2021	2020
Share price at financial year end (\$)	0.13	0.11	0.11	0.23	0.23
Basic earnings per share (cents per share)	(1.00)	(1.28)	(1.51)	(2.15)	(2.02)
Diluted earnings per share (cents per share)	(1.00)	(1.28)	(1.51)	(2.15)	(2.02)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions*	Other**	Balance at the end of the year
Ordinary shares					
Cosimo Trimiglozzi	810,346	-	1,055,556	-	1,865,902
Andreas Kroell	3,213,341	-	-	-	3,213,341
Bernd Dautel	800,000	-	-	-	800,000
Stuart Carmichael	21,500	-	-	(21,500)	-
Danny Conlon	-	-	-	-	-
Andreas Hendrik De Wit	14,222,387	-	7,555,555	-	21,777,942
Andrew Tay	-	-	500,000	-	500,000
	19,067,574	-	9,111,111	(21,500)	28,157,185

De.mem Limited
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* - "Additions" for Cosimo Trimiglozzi, Andreas Hendrik De Wit and Andrew Tay are the number of shares acquired during the year through placements.

** - "Other" for Stuart Carmichael is the number of shares held when he retired as director on 28 May 2024.

Option holding

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired / other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Cosimo Trimiglozzi	750,000	-	-	-	750,000
Bernd Dautel	500,000	-	-	-	500,000
Stuart Carmichael *	500,000	-	-	(500,000)	-
Michael Edwards	500,000	-	-	-	500,000
Danny Conlon	500,000	-	-	-	500,000
Andreas Hendrik De Wit	500,000	-	-	-	500,000
Andrew Tay	250,000	-	-	-	250,000
	<u>3,500,000</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>	<u>3,000,000</u>

* "Other" for Stuart Carmichael is the number of options held when he retired as director during the year.

Loans to key management personnel and their related parties

There were no loans to or from key management personnel or their related parties at the current and previous reporting date.

Other transactions with key management personnel and their related parties

There were no other transactions conducted between the Group and Key Management Personnel or their related parties, apart from those disclosed above and below, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of De.mem Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
1 April 2022	31 May 2025	\$0.2800	500,000
1 April 2022	30 June 2025	\$0.2800	500,000
1 April 2022	30 September 2025	\$0.2800	500,000
1 April 2022	31 December 2025	\$0.2800	500,000
14 June 2022	23 June 2025	\$0.1820	2,000,000
28 July 2022	2 August 2025	\$0.2240	500,000
16 January 2023	16 January 2026	\$0.1206	500,000
5 April 2023	5 April 2026	\$0.1790	500,000
6 April 2023	6 April 2026	\$0.1380	250,000
23 June 2023	23 June 2026	\$0.2058	2,250,000
			<u><u>8,000,000</u></u>

No person entitled to exercise the options had or has any right by virtue of the option the ability to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of De.mem Limited issued on the exercise of options during the year ended 31 December 2024 and up to the date of this report.

Shares under performance rights

Unissued ordinary shares of De.mem Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
1 March 2022	31 December 2025	\$0.0000	110,000
16 January 2023	16 January 2026	\$0.0000	500,000
			<u>610,000</u>

The vesting of the performance rights granted are subject to a service period of 3 years from dates granted and have no specific performance hurdles.

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of performance rights

There were 500,000 ordinary shares of De.mem Limited issued on the exercise of performance rights during the year ended 31 December 2024 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the Company who are former directors of William Buck Audit (Vic) Pty Ltd

There are no officers of the Company who are former directors of William Buck Audit (Vic) Pty Ltd.

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.

Auditor

William Buck Audit (Vic) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support and have adhered to principles of sound corporate governance. The Company continued to follow best practice recommendations as set out by 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. Where the Company has not followed best practice for any recommendation, explanation is given in the Corporate Governance Statement which is available on the Company's website at <http://demembranes.com>.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(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

27 February 2025
Melbourne

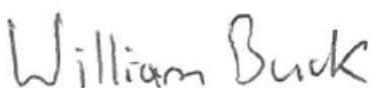
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of De.Mem Limited

As lead auditor for the audit of De.Mem Limited for the year ended 31 December 2024, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of De.Mem Limited and the entities it controlled during the year.



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



R. P. Burt
Director
Melbourne, 27 February 2025

De.mem Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2024

		Consolidated	
	Note	2024	2023
		\$'000	\$'000
Revenue	5	24,898	23,407
Cost of sales		(14,735)	(15,012)
Gross profit		10,163	8,395
		10,163	8,395
Finance income		47	71
Other income		178	151
Administrative and corporate expenses	6	(2,800)	(2,408)
Depreciation and amortisation expense		(2,395)	(1,813)
Employee benefits expenses	7	(7,776)	(7,328)
Interest expense		(102)	(75)
Business acquisition costs		(55)	(112)
Loss before income tax expense		(2,740)	(3,119)
Income tax expense		(30)	(15)
Loss after income tax expense for the year attributable to the owners of De.mem Limited		(2,770)	(3,134)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(24)	(94)
Other comprehensive loss for the year, net of tax		(24)	(94)
Total comprehensive loss for the year attributable to the owners of De.mem Limited		(2,794)	(3,228)
		Cents	Cents
Basic earnings per share	28	(1.00)	(1.28)
Diluted earnings per share	28	(1.00)	(1.28)

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 31 December 2024

	Note	Consolidated 2024 \$'000	2023 \$'000
Assets			
Current assets			
Cash and cash equivalents	8	3,632	2,403
Trade and other receivables	9	3,949	3,384
Inventories	10	1,265	1,060
Term deposits		86	65
Income tax receivable		13	12
Prepayments		291	244
Contract assets		196	841
Total current assets		9,432	8,009
Non-current assets			
Term deposits		50	100
Property, plant and equipment	12	3,175	3,859
Right-of-use assets	11	1,228	1,290
Intangible assets	13	6,692	5,442
Total non-current assets		11,145	10,691
Total assets		20,577	18,700
Liabilities			
Current liabilities			
Trade and other payables	14	4,152	3,499
Contract liabilities		467	294
Borrowings		52	99
Lease liabilities	15	660	654
Employee benefits		1,094	1,022
Total current liabilities		6,425	5,568
Non-current liabilities			
Trade and other payables	15	50	-
Contract liabilities		483	630
Lease liabilities	16	654	895
Employee benefits	17	45	34
Total non-current liabilities		1,232	1,559
Total liabilities		7,657	7,127
Net assets		12,920	11,573
Equity			
Issued capital	18	43,621	39,357
Reserves		1,088	1,235
Accumulated losses		(31,789)	(29,019)
Total equity		12,920	11,573

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 year ended 31 December 2024

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Share based payment reserve \$'000	Acquisition reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2023	39,238	362	810	(291)	(25,804)	14,315
Loss after income tax expense for the year	-	-	-	-	(3,134)	(3,134)
Other comprehensive loss for the year, net of tax	-	(94)	-	-	-	(94)
Total comprehensive loss for the year	-	(94)	-	-	(3,134)	(3,228)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued for the acquisition of Capic business (note 16)	49	-	-	-	-	49
Shares issued for the acquisition of Stevco (note 16)	50	-	-	-	-	50
Vesting of share-based payment arrangements (note 29)	-	-	367	-	-	367
Shares issued for advisory services	20	-	-	-	-	20
Expiry of options	-	-	(210)	-	210	-
Transfer	-	-	-	291	(291)	-
Balance at 31 December 2023	<u>39,357</u>	<u>268</u>	<u>967</u>	<u>-</u>	<u>(29,019)</u>	<u>11,573</u>

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Share based payment reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2024	39,357	268	967	(29,019)	11,573
Loss after income tax expense for the year	-	-	-	(2,770)	(2,770)
Other comprehensive loss for the year, net of tax	-	(24)	-	-	(24)
Total comprehensive loss for the year	-	(24)	-	(2,770)	(2,794)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 16)	2,164	-	-	-	2,164
Shares issued for the acquisition of Auswater business (note 16)	1,909	-	-	-	1,909
Exercise of performance rights	135	-	(135)	-	-
Shares issued for advisory services rendered (note 16)	56	-	-	-	56
Vesting of share based payment	-	-	12	-	12
Balance at 31 December 2024	<u>43,621</u>	<u>244</u>	<u>844</u>	<u>(31,789)</u>	<u>12,920</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 year ended 31 December 2024

		Consolidated	
	Note	2024	2023
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		28,438	24,794
Payments to suppliers and employees (inclusive of GST)		(28,198)	(26,196)
Interest received		59	64
Interest and other finance costs paid		(83)	(62)
Income tax paid		(46)	(46)
Transaction costs relating to Border Pumpworks and Auswater acquisition		(55)	-
Net cash from/(used in) operating activities	27	<u>115</u>	<u>(1,446)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(125)	(599)
Payments for intangibles (Development)	12	(167)	(180)
Payment for Capic's deferred consideration and transaction costs		-	(140)
Payment for assets purchase of Border Pumpworks	23	(380)	-
Payment for acquisition of Auswater Systems Pty Ltd, net of cash acquired	24	(1,363)	-
Proceeds from disposal of property, plant and equipment		11	24
Proceeds from maturity of long-term deposits		800	-
Proceeds from release of security deposits		-	167
Net cash used in investing activities		<u>(1,224)</u>	<u>(728)</u>
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		3,094	-
Repayment of borrowings		(119)	51
Repayment of lease liabilities		(693)	(536)
Net cash from/(used in) financing activities		<u>2,282</u>	<u>(485)</u>
Net increase/(decrease) in cash and cash equivalents		1,173	(2,659)
Cash and cash equivalents at the beginning of the financial year		2,403	5,138
Effects of exchange rate changes on cash and cash equivalents		56	(76)
Cash and cash equivalents at the end of the financial year		<u><u>3,632</u></u>	<u><u>2,403</u></u>

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

Note 1. General information

The financial statements cover De.mem Limited as a consolidated entity consisting of De.mem Limited ("the company") and the entities it controlled (collectively "the consolidated entity" or "the Group") at the end of, or during, the 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 27 February 2025. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The accounting policies that are material to the consolidated entity are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, 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.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for deferred consideration measured at fair value.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 22.

The financial statements are presented in Australian dollars, which is De.mem Limited's functional and presentation currency.

Note 2. Material accounting policy information (continued)

Foreign currency transactions and balance

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit and loss and other comprehensive income. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of profit and loss and comprehensive income.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenues earned under construction contracts (contracting revenue)

Revenues earned under construction contracts are earned over the life of the contract according to the fulfilment of distinct and separable performance milestones. The % of budgeted expenditure method is applied for these contracts, which records revenue proportionately to the quantum of actual expenditure incurred under each performance milestone relative to its budgeted expenditure, less any expectations for any future losses under the contract.

Revenues earned for the provision of waste water treatment services (rendering of services)

These revenues are earned as services are rendered under contract.

Revenues earned from the sale of waste water treatment products (sale of goods)

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Differences between the timing of invoicing for services and recording of revenue

From time to time, revenues are billed to customers that may be in-advance or in-arrears for when that revenue is earned. When in-advance, the difference is recorded as a contract liability; when in-arrears, the difference is recorded as a contract asset.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Construction contracts

Construction revenue is recognised by management after assessing all factors relevant to each contract. Significant management estimation is required in assessing the following:

Note 3. Critical accounting judgements, estimates and assumptions (continued)

- Estimation of total contract revenue, including determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims;
- Estimation of total contract costs, including revisions to total forecast costs for events or conditions that occur during the performance of the contract, or are expected to occur to complete the contract;
- Estimation of project contingencies and variations; and
- Estimation of stage of completion.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Capitalisation of development costs

In April 2024, De.mem's Singaporean subsidiary successfully obtained National Sanitation Foundation (NSF)'s approval to sell its Graphene Oxide enhanced membrane technology into the USA for drinking water applications. As disclosed in the previous financial statement, the accumulated costs incurred during the approval process has been recognised as an internally generated intangible asset following the principle and guidance outlined under *AASB 138 Intangible Assets*. Refer to note 13.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and carry forward losses only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Business combinations

Significant judgement was applied in determining whether transactions constituted a business combination or an asset acquisition under AASB 3. A business combination involves acquiring a set of activities and assets that can operate as a business, typically including inputs, processes, and outputs.

When an acquisition is accounted for as a business combination under AASB3, the assets acquired and liabilities assumed in a business combination were recognised and measured based on their estimated fair values at the acquisition date, while transaction and integration costs related to business combinations are expensed as incurred. Any excess of the purchase consideration when compared to the fair value of the net tangible and intangible assets acquired, if any, is recorded as goodwill.

An independent valuer was engaged to assist with the determination of the fair value of assets acquired, liabilities assumed, and goodwill, based on recognised business valuation methodologies. An income valuation method was utilised to estimate the fair value of the assets acquired and liabilities assumed in a business combination.

Conversely, an asset acquisition does not constitute a business and involves allocating the transaction price to individual assets and liabilities based on their relative fair values. Refer to note 24 for material accounting policies information of business combination.

Customer relationships

The useful life of the respective customer relationships has been assessed as 10 years, based upon past experience of customer turnover within these businesses and general expectations of ongoing customer relationships. The respective businesses experience with their customers indicates that: both businesses are well-established and have long relationships with their customers; the type of customer obtained by these business is usually larger businesses which are better able to survive variations in overall business and economic conditions; the type of products and services sold by the businesses are long-lived, resulting in greater probability of ongoing service arrangements with those customers and repeat business. This assessed 10 year life is reflected in the expected churn of 10% per annum used in the net present value calculations.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Impairment

In accordance with the impairment policy, the directors considered whether or not any indicator of impairment existed as at report date of any of its non-current and non-monetary assets. In assessing whether or not any trigger existed, the directors specifically considered the following:

- (a) Each of its cash-generating units, which are the same as those geographic areas set out in the segment note, continue to operate according to their projected plans; and
- (b) The overall market capitalisation of the Group is in-excess of the Group's net assets as at report date.

Note 4. Segment Reporting

Identification of reportable operating segments

The consolidated entity is organised into three operating segments: Australia, Germany and Singapore. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews profit/(loss) before income tax. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group 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 Group's accounting policies. The following tables are an analysis of the Group's revenue and results by reportable segment provided to the Directors.

Major customers

In 2024, no revenue from sales was recorded from transactions with any single customer that amount to 10% or more of De.mem's gross revenue. In 2023, there was one customer in the Australian segment that transacted approximately \$3.0 million of external sales revenue with the Company.

Other represents head office.

Operating segment information

Consolidated - 2024	Singapore \$'000	Australia \$'000	Germany \$'000	Corporate \$'000	Total \$'000
Revenue					
Revenue from external customers	967	21,172	3,411	42	25,592
Intersegment revenue	(43)	(651)	-	-	(694)
Total revenue	924	20,521	3,411	42	24,898
Segment result before tax	(793)	(573)	11	(1,385)	(2,740)
Loss before income tax expense					(2,740)
Income tax expense					(30)
Loss after income tax expense					(2,770)
Assets					
Segment assets	3,154	12,193	1,140	17,422	33,909
Intersegment eliminations					(13,332)
Total assets					20,577
Liabilities					
Segment liabilities	2,082	19,110	504	13,461	35,157
Intersegment eliminations					(27,500)
Total liabilities					7,657

Note 4. Segment Reporting (continued)

	Singapore \$'000	Australia \$'000	Germany \$'000	Corporate \$'000	Total \$'000
Consolidated - 2023					
Revenue					
Revenue from external customers	864	19,152	3,516	61	23,593
Intersegment revenue	(101)	(85)	-	-	(186)
Total revenue	<u>763</u>	<u>19,067</u>	<u>3,516</u>	<u>61</u>	<u>23,407</u>
Segment result before tax	<u>(763)</u>	<u>(725)</u>	<u>52</u>	<u>(1,683)</u>	<u>(3,119)</u>
Loss before income tax expense					(3,119)
Income tax expense					(15)
Loss after income tax expense					<u>(3,134)</u>
Assets					
Segment assets	<u>2,696</u>	<u>12,361</u>	<u>986</u>	<u>28,356</u>	<u>44,399</u>
Intersegment eliminations					(25,699)
Total assets					<u>18,700</u>
Liabilities					
Segment liabilities	<u>889</u>	<u>18,914</u>	<u>487</u>	<u>264</u>	<u>20,554</u>
Intersegment eliminations					(13,427)
Total liabilities					<u>7,127</u>

Note 5. 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 - 2024				
<i>Geographical regions</i>				
Australia	2,927	16,107	1,598	20,632
Singapore	967	-	-	967
Germany	188	2,748	363	3,299
	<u>4,082</u>	<u>18,855</u>	<u>1,961</u>	<u>24,898</u>
<i>Timing of revenue recognition</i>				
Goods transferred at a point in time	-	18,855	-	18,855
Services transferred over time	<u>4,082</u>	<u>-</u>	<u>1,961</u>	<u>6,043</u>
	<u>4,082</u>	<u>18,855</u>	<u>1,961</u>	<u>24,898</u>

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Note 5. Revenue (continued)

Consolidated - 2023

Geographical regions

	Rendering of services \$'000	Sale of goods \$'000	Projects and equipment \$'000	Total \$'000
Australia	2,666	13,023	3,439	19,128
Singapore	763	-	-	763
Germany	252	3,234	30	3,516
	<u>3,681</u>	<u>16,257</u>	<u>3,469</u>	<u>23,407</u>

Timing of revenue recognition

Goods transferred at a point in time	-	16,257	-	16,257
Services transferred over time	<u>3,681</u>	<u>-</u>	<u>3,469</u>	<u>7,150</u>
	<u>3,681</u>	<u>16,257</u>	<u>3,469</u>	<u>23,407</u>

Note 6. Administrative and corporate expenses

	Consolidated	
	2024	2023
	\$'000	\$'000
Sales, marketing and business development costs	142	121
Consulting, professional fees and legal costs	19	52
Compliance, listing and other regulatory costs	476	32
Legal expenses	174	123
Insurance	317	154
Consulting costs	140	341
Technology and IT	139	118
Bad and doubtful debts	(6)	(40)
Fair value movement of deferred consideration	-	(119)
Rent & Outgoings	87	-
Other administration and corporate expense	<u>1,312</u>	<u>1,626</u>
	<u>2,800</u>	<u>2,408</u>

Note 7. Employee benefits expenses

	Consolidated	
	2024	2023
	\$'000	\$'000
Short-term employee benefits	7,392	6,578
Post-employment benefits	353	305
Long-term benefits	56	39
Share based payments	<u>(25)</u>	<u>406</u>
	<u>7,776</u>	<u>7,328</u>

Note 8. Cash and cash equivalents

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Cash on hand	1	1
Cash at bank	2,831	2,402
Short-Term Deposits	800	-
	<u>3,632</u>	<u>2,403</u>

Note 9. Trade and other receivables

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	3,924	3,262
Less: Allowance for expected credit losses	(3)	(12)
	<u>3,921</u>	<u>3,250</u>
Other receivables	28	134
	<u>3,949</u>	<u>3,384</u>

The Company has \$42,000 (2023: \$33,000) in retentions receivables as at 31 December 2024 against its Provision for Defects Liabilities upon expiry of the warranty period.

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2024	2023	2024	2023	2024	2023
Consolidated	%		\$'000	\$'000	\$'000	\$'000
Not overdue	-	-	2,708	2,009	-	-
0 to 2 months overdue	-	-	1,014	1,296	-	-
3 to 4 months overdue	1%	-	138	37	2	-
Over 4 months overdue	1%	22%	92	54	1	12
			<u>3,952</u>	<u>3,396</u>	<u>3</u>	<u>12</u>

Note 10. Inventories

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Consumables and supplies	<u>1,265</u>	<u>1,060</u>

Note 10. Inventories (continued)

Accounting policy for inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Note 11. Right-of-use assets

Consolidated
2024 **2023**
\$'000 **\$'000**

Non-current assets

Land and buildings - right-of-use

Less: Accumulated depreciation

1,868 1,614

(890) (547)

978 1,067

Motor vehicles - right-of-use

Less: Accumulated depreciation

427 351

(177) (128)

250 223

1,228 1,290

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated

Balance at 1 January 2023

Additions

Disposals

Depreciation expense

Motor vehicles - right-of-use \$'000	Land and buildings - right-of-use \$'000	Total \$'000
151	951	1,102
116	836	952
(17)	(76)	(93)
(27)	(644)	(671)

Balance at 31 December 2023

Additions

Disposals

Exchange differences

Depreciation expense

223	1,067	1,290
60	520	580
-	(54)	(54)
-	3	3
(33)	(558)	(591)

Balance at 31 December 2024

<u><u>250</u></u>	<u><u>978</u></u>	<u><u>1,228</u></u>
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Note 12. Property, plant and equipment

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Non-current assets</i>		
Leasehold improvements - at cost	47	47
Less: Accumulated depreciation	(38)	(36)
	<u>9</u>	<u>11</u>
Plant and equipment - at cost	5,745	5,102
Less: Accumulated depreciation	(2,579)	(1,263)
	<u>3,166</u>	<u>3,839</u>
Buildings	-	9
	<u><u>3,175</u></u>	<u><u>3,859</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Buildings \$'000	Leasehold improvements \$'000	Property, plant and equipment at cost \$'000	Construction in progress \$'000	Total \$'000
Balance at 1 January 2023	9	12	2,127	1,548	3,696
Additions	-	-	599	-	599
Exchange differences	-	-	(1)	-	(1)
Transfers in/(out)	-	-	1,548	(1,548)	-
Depreciation expense	-	(1)	(434)	-	(435)
Balance at 31 December 2023	9	11	3,839	-	3,859
Additions	-	-	125	-	125
Exchange differences	-	-	-	-	-
Impairment of assets	(9)	-	-	-	(9)
Depreciation expense	-	(2)	(798)	-	(800)
Balance at 31 December 2024	<u><u>-</u></u>	<u><u>9</u></u>	<u><u>3,166</u></u>	<u><u>-</u></u>	<u><u>3,175</u></u>

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets is depreciated over its useful life commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Plant and equipment	10 - 66.67%
Leasehold improvements	10 - 50%

Note 12. Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date and where adjusted, shall be accounted for as a change in accounting estimate. Where depreciation rates or method are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

Note 13. Intangible assets

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Non-current assets</i>		
Goodwill - at cost	259	-
Development - at cost	633	466
Less: Accumulated amortisation	(82)	-
	551	466
Software - at cost	19	77
Less: Accumulated amortisation	(11)	(65)
	8	12
Customer relationships	8,319	7,009
Less: Accumulated amortisation	(2,445)	(2,045)
	5,874	4,964
	<u>6,692</u>	<u>5,442</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill	Development	Software	Customer	Total
	\$'000	\$'000	\$'000	relationships	\$'000
				\$'000	
Balance at 1 January 2023	-	286	17	5,666	5,969
Additions	-	180	-	-	180
Amortisation expense	-	-	(5)	(702)	(707)
Balance at 31 December 2023	-	466	12	4,964	5,442
Additions	-	140	-	-	140
Additions through acquisition of Auswater (note 24)	259	-	-	1,490	1,749
Additions through acquisition of assets (note 23)	-	-	-	338	338
Exchange differences	-	27	-	-	27
Amortisation expense	-	(82)	(4)	(918)	(1,004)
Balance at 31 December 2024	<u>259</u>	<u>551</u>	<u>8</u>	<u>5,874</u>	<u>6,692</u>

Note 13. Intangible assets (continued)

Accounting policy for intangible assets

Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Development cost

The costs incurred for the application to obtain National Sanitation Foundation ("NSF")'s approval ("the process") were recognised in the consolidated statement of financial position as internally generated intangible asset. As the process has been completed in March 2024, no additional cost has been capitalised since and the capitalised costs are now amortised over a period of 5 years, ending March 2029.

Note 14. Trade and other payables

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	2,296	2,346
Accruals and other payables	1,656	1,153
Deferred consideration (refer Note 24 Tranche 2)	150	-
Contingent consideration (refer Note 24)	50	-
	<u>4,152</u>	<u>3,499</u>
<i>Non-current liabilities</i>		
Contingent consideration (refer Note 24)	50	-
	<u>4,202</u>	<u>3,499</u>

Refer to note 17 for further information on financial instruments.

De.mem Limited
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Note 15. Lease liabilities

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current liabilities</i>		
Lease liability - land and buildings	660	543
Lease liability - motor vehicles	-	111
	<u>660</u>	<u>654</u>
<i>Non-current liabilities</i>		
Lease liability - land and buildings	480	754
Lease liability - motor vehicles	174	141
	<u>654</u>	<u>895</u>
	<u><u>1,314</u></u>	<u><u>1,549</u></u>

Refer to note 17 for further information on financial instruments.

	Within 1 year	Between 1 and 5 years	Total
Future minimum lease payments at 31 December 2024			
Lease payments	670	511	1,181
Finance charges	(16)	(29)	(45)
Net present values	<u>654</u>	<u>482</u>	<u>1,136</u>
Future minimum lease payments at 31 December 2023			
Lease payments	667	924	1,591
Finance charges	(13)	(29)	(42)
	<u>654</u>	<u>895</u>	<u>1,549</u>

Note 16. Issued capital

	Consolidated		
	2024	2023	2024
	Shares	Shares	\$'000
			\$'000
Ordinary shares - fully paid	<u>292,793,377</u>	<u>245,306,369</u>	<u>43,621</u>
			<u>39,357</u>

Note 16. Issued capital (continued)

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	\$0.1263	49
Issue of shares as partial consideration for acquisition of Stevco	28 April 2023	383,142	\$0.1305	50
Issue of shares for advisory services	6 October 2023	128,934	\$0.1551	20
Balance	31 December 2023	245,306,369		39,357
Placement	26 February 2024	18,333,168	\$0.0900	1,650
Placement	12 June 2024	18,500,000	\$0.1000	1,850
Placement	28 June 2024	6,111,111	\$0.0900	550
Shares issued for the acquisition of Auswater	1 July 2024	1,100,917	\$0.1090	120
Placement	21 August 2024	2,500,000	\$0.1000	250
Issue of shares for advisory services	21 August 2024	249,219	\$0.1204	30
Placement	26 September 2024	192,593	\$0.1350	26
Exercise of performance rights	26 September 2024	500,000	\$0.2700	135
Capital raising cost		-	\$0.0000	(347)
Balance	31 December 2024	<u>292,793,377</u>		<u>43,621</u>

Accounting policy for issued capital

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Ordinary shares entitle the holder to the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid on the shares held.

Ordinary shares entitle holders to one vote, either in person or by proxy at a meeting of the Company.

The Company has an unlimited authorised capital and the shares have no par value.

Note 17. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: foreign currency risk, credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed, such as sensitivity analysis and maturity analysis.

The Consolidated entity's principal financial instruments are as follows.

Note 17. Financial instruments (continued)

	Consolidated	
	2024	2023
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	3,632	2,403
Trade and other receivables	3,949	3,384
Term deposits	136	165
Total Financial assets	<u>7,717</u>	<u>5,952</u>
Financial liabilities		
Trade and other payables	3,952	3,499
Borrowings	52	99
Lease liabilities	1,314	1,549
Deferred consideration	150	-
Contingent consideration	100	-
Total financial liabilities	<u>5,568</u>	<u>5,147</u>

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets		Liabilities	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
Euros	708	594	(405)	(393)
Singapore dollars	757	597	(58)	(77)
	<u>1,465</u>	<u>1,191</u>	<u>(463)</u>	<u>(470)</u>

The consolidated entity had net assets denominated in foreign currencies of \$466,000 as at 31 December 2024 (2023: net assets of \$721,000).

Based on this exposure, the following sensitivity analysis has been performed. The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date.

Consolidated - 2024	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
		\$'000	\$'000		\$'000	\$'000
Euro	5%	35	35	5%	(35)	(35)
Singapore dollar	8%	61	61	8%	(61)	(61)
		<u>96</u>	<u>96</u>		<u>(96)</u>	<u>(96)</u>

Note 17. Financial instruments (continued)

Consolidated - 2023	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax \$'000	Effect on equity \$'000		Effect on profit before tax \$'000	Effect on equity \$'000
Euro	10%	59	59	10%	(59)	(59)
Singapore dollar	10%	60	60	10%	(60)	(60)
		<u>119</u>	<u>119</u>		<u>(119)</u>	<u>(119)</u>

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2024	Weighted average interest rate %	1 year or less \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives					
<i>Non-interest bearing</i>					
Trade and other payables	-	3,952	-	-	3,952
Deferred consideration	-	150	-	-	150
Contingent consideration	-	50	50	-	100
<i>Interest-bearing - fixed rate</i>					
Lease liabilities	-	660	654	-	1,314
Borrowings	-	52	-	-	52
Total non-derivatives		<u>4,864</u>	<u>704</u>	<u>-</u>	<u>5,568</u>

Note 17. Financial instruments (continued)

Consolidated - 2023	Weighted average interest rate %	1 year or less \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives					
<i>Non-interest bearing</i>					
Trade and other payables	-	3,499	-	-	3,499
<i>Interest-bearing - fixed rate</i>					
Lease liabilities	-	654	895	-	1,549
Borrowings	-	-	99	-	99
Total non-derivatives		4,153	994	-	5,147

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Fair value hierarchy

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; and

Level 3: Unobservable inputs for the asset or liability.

Consolidated - 2024	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Liabilities				
Deferred consideration	-	-	150	150
Contingent consideration	-	-	100	100
	-	-	250	250

At the time of the transaction, the Directors have assessed the probability of achieving the hurdles which triggering the payment of contingent consideration to be 100%. The assessment remains valid as at the date of this report.

There were no transfers between levels during 2024.

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

Note 17. Financial instruments (continued)

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.

Note 18. Key management personnel disclosures

Directors

The following persons were directors of De.mem Limited during the financial year:

Cosimo Trimiglozzi	Non-Executive Chairman
Andreas Kroell	Chief Executive Officer and Director
Bernd Dautel	Non-Executive Director
Stuart Carmichael	Non-Executive Director (retired on 28 May 2024)
Michael Edwards	Non-Executive Director
Mr Danny Conlon	Non-Executive Director
Andreas Hendrik De Wit	Non-Executive Director
Andrew Tay	Chief Financial Officer

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2024	2023
	\$	\$
Short-term employee benefits	817,975	737,773
Post-employment benefits	68,008	54,745
Long-term benefits	5,510	3,833
Share-based payments	26,750	264,168
	<u>918,243</u>	<u>1,060,519</u>

Note 19. Remuneration of auditors

	Consolidated	
	2024	2023
	\$	\$
<i>Audit services - William Buck Audit (Vic) Pty Ltd</i>		
Audit or review of the financial statements	<u>81,135</u>	<u>59,250</u>

Note 20. Contingent liabilities

As at 31 December 2024 there are \$136,000 in term deposits held (note 17), representing bank warranties relating to a project and the completion of the defect liability period and bank guarantees for lease obligations.

Note 21. Related party transactions

Parent entity

De.mem Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 25.

Note 21. Related party transactions (continued)

Key management personnel

Disclosures relating to key management personnel are set out in note 18 and the remuneration report included in the directors' report.

Transactions with related parties

With the exception of the below, there were no transactions with related parties during the current year.

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 22. Parent entity information

	Parent 2024 \$'000	Parent 2023 \$'000
Financial position		
Total current assets	1,060	707
Total non-current assets	5,874	4,965
Total assets	<u>6,934</u>	<u>5,672</u>
Total current liabilities	(859)	(263)
Total non-current liabilities	(50)	-
Total liabilities	<u>(909)</u>	<u>(263)</u>
Net assets	<u>6,025</u>	<u>5,409</u>
	Parent 2024 \$'000	Parent 2023 \$'000
Issued capital	43,621	39,357
Reserves	844	673
Accumulated losses	<u>(38,439)</u>	<u>(34,621)</u>
Total equity	<u>6,026</u>	<u>5,409</u>
	Parent 2024 \$'000	Parent 2023 \$'000
Financial performance		
Profit/(Loss) for the year	<u>(3,818)</u>	<u>(3,286)</u>

Note 23. Acquisition of assets

On 30 April 2024, De.mem announced that it had entered into a binding agreement to acquire Border Pumpworks for a cash consideration of \$400,000. The transaction was completed on 1 May 2024. The identifiable assets acquired included \$337,700 in customer lists and \$62,300 in motor vehicles which were recorded under intangible assets and property, plant, and equipment, respectively. The Group has assessed the useful life of the customer lists and has chosen to amortise this balance over a 24-month period.

Note 24. Business combinations

Auswater acquisition

On 2 July 2024, the Company acquired 100% of the shares in Auswater Systems Pty Ltd ("Auswater").

Auswater is a high-margin service business that operates & maintains water and waste water treatment plants for industrial clients, including the supply of chemicals and consumables for the customers' ongoing operations.

Auswater has an operating history of 29 years and services more than 50 recurring clients, mainly from the Western Australian mining sector.

The Company acquired Auswater with the total consideration of \$1,750,000 consists of:

- Tranche 1 (completed on 2 July 2024): \$1,380,000 in cash plus \$120,000 in Company's shares (based on 20 day weighted average share price)
- Tranche 2 (payable after 12 months from completion): \$110,000 in cash plus \$40,000 in Company's shares (based on 20 day weighted average share price prior to the respective date in 12 months)
- If revenue increase by Auswater of at least 15% in the first 12 months after completion (relative to the 12 months prior to completion), \$25,000 in cash plus \$25,000 in the Company's shares (based on 20 day weighted average share price prior to the respective date in 12 months)
- If revenue increase by Auswater of at least 30% in the second 12 months after completion (relative to the 12 months prior to completion), \$25,000 in cash plus \$25,000 in Company's shares (based on 20 day weighted average share price prior to the respective date in 24 months)

At the date of acquisition, management has assessed the likelihood of achieving the aforementioned contingent future consideration and have recognised a contingent consideration liability in accordance with AASB 3 Business Combinations.

The acquisition has been accounted for under AASB 3 Business Combinations. The fair value of customer relationships of \$1,491,000 represents the value of future benefits that will accrue to the Group in the future from the Auswater's customer base on the date of acquisition and has been valued by a licenced valuer based on the future cash flow contributions expected from Auswater, derived from its existing contracts and customers lists. These cash flows have been discounted to present value using s De.mem-specific discount rate. The residual value of \$259,000 has been allocated to goodwill arising from the acquisition. The acquired business contributed revenues of \$482,000 and profit after tax of \$98,000 to the consolidated entity for the period from the date of acquisition to 31 December 2024.

If the acquisition of Auswater had been completed on the first day of the financial year, Group revenue for the year ended 31 December 2024 would have been \$25,513,000 and the Group loss would have been \$2,485,000.

Note 24. Business combinations (continued)

	Fair value \$'000
Cash and cash equivalents	17
Trade receivables, Other receivables and Prepayments	89
Plant and equipment	25
Customer relationships	1,491
Trade and other payables	(78)
Employee benefits	(53)
Net assets acquired	1,491
Goodwill	259
Acquisition-date fair value of the total consideration paid and payable in the future	<u>1,750</u>
Representing:	
Cash used or payable to vendor	1,540
De.mem Limited shares issued/to be issued to vendor	210
	<u>1,750</u>
Acquisition costs expensed to profit or loss	<u>(26)</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	1,750
Less: cash acquired	(17)
Less: deferred consideration	(150)
Less: shares issued by Company as part of consideration	(120)
Less: Contingent consideration	(100)
Net cash used	<u>1,363</u>

Business acquisition costs for Auswater was \$26,000 and formed part of the Transaction costs relating to Border Pumpworks and Aswater acquisition in the consolidated statement of cashflows.

Accounting policy for business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Deferred consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the deferred consideration classified as an asset or liability is recognised in profit or loss. Deferred consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Note 24. Business combinations (continued)

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Note 25. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2024 %	2023 %
De.mem-Akwa Pty Ltd	Australia	100.00%	100.00%
Akwa Facility Maintenance Pty Ltd	Australia	100.00%	100.00%
De.mem Pte Ltd	Singapore	100.00%	100.00%
De.mem Vietnam Ltd	Vietnam	100.00%	100.00%
De.mem-Pumptech Pty Ltd	Australia	100.00%	100.00%
De.mem-Geutec GmbH	Germany	100.00%	100.00%
De.mem-Capic Pty Ltd	Australia	100.00%	100.00%
De.mem-Stevco Pty Ltd	Australia	100.00%	100.00%
Auswater Systems Pty Ltd	Australia	100.00%	-

Note 26. Events after the reporting period

No matter or circumstance has arisen since 31 December 2024 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.

Note 27. Reconciliation of loss after income tax to net cash from/(used in) operating activities

	Consolidated	
	2024	2023
	\$'000	\$'000
Loss after income tax expense for the year	(2,770)	(3,134)
Adjustments for:		
Depreciation and amortisation	2,395	1,813
Share-based payments	(25)	406
Bad debt expense	(6)	(40)
Business acquisition costs	55	75
Fair value movement of deferred consideration	-	(119)
Foreign exchange differences	20	(76)
Movements in assets and liabilities:		
Increase in trade and other receivables	(565)	(494)
Decrease/(increase) in contract assets	828	(429)
Increase in inventories	(388)	(218)
(Increase)/decrease in Other assets	(255)	(88)
Increase in trade and other payables	769	951
Decrease in contract liabilities	(26)	(283)
Increase in employee benefits	83	205
Increase/(decrease) in Income tax balances	-	(15)
Net cash from/(used in) operating activities	<u>115</u>	<u>(1,446)</u>

Note 28. Loss per share

	Consolidated	
	2024	2023
	\$'000	\$'000
Loss after income tax attributable to the owners of De.mem Limited	<u>(2,770)</u>	<u>(3,134)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>275,907,654</u>	<u>245,064,350</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>275,907,654</u>	<u>245,064,350</u>
	Cents	Cents
Basic earnings per share	(1.00)	(1.28)
Diluted earnings per share	(1.00)	(1.28)

As at 31 December 2024, the Group has 8,000,000 unlisted options (2023: 8,750,000) and 610,000 performance rights (2023: 1,110,000) on issue. These options are considered to be non-dilutive whilst the Group is in a loss position.

Note 29. Share-based payments

A share option has been established by the entity, whereby the entity may grant options and performance rights over ordinary shares in the Company to certain key management personnel, employees and consultants of the entity. The options are issued for nil consideration.

Note 29. Share-based payments (continued)

Set out below are summaries of options granted and on issue under at the end of the year:

2024							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
10/07/2020	10/07/2024	\$0.1800	750,000	-	-	(750,000)	-
01/04/2022	31/05/2025	\$0.2800	500,000	-	-	-	500,000
01/04/2022	30/06/2025	\$0.2800	500,000	-	-	-	500,000
01/04/2022	30/09/2025	\$0.2800	500,000	-	-	-	500,000
01/04/2022	31/12/2025	\$0.2800	500,000	-	-	-	500,000
14/06/2022	23/06/2025	\$0.1820	2,000,000	-	-	-	2,000,000
28/07/2022	02/08/2025	\$0.2240	500,000	-	-	-	500,000
16/01/2023	16/01/2026	\$0.1206	500,000	-	-	-	500,000
05/04/2023	05/04/2026	\$0.1790	500,000	-	-	-	500,000
06/04/2023	06/04/2026	\$0.1380	250,000	-	-	-	250,000
23/06/2023	23/06/2026	\$0.2058	2,250,000	-	-	-	2,250,000
			8,750,000	-	-	(750,000)	8,000,000

Weighted average exercise price	\$0.2078	\$0.0000	\$0.0000	\$0.1800	\$0.0000
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Grant date	Expiry date	Share price at grant date \$	Exercise price \$	Volatility %	Dividend yield %	Risk-free rate %	Fair value \$
		-	-	-	-	-	\$0.0000

2023							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
29/05/2020	24/06/2023	\$0.2170	2,750,000	-	-	(2,750,000)	-
10/07/2020	10/07/2024	\$0.1800	750,000	-	-	-	750,000
01/04/2022	31/05/2025	\$0.2800	500,000	-	-	-	500,000
01/04/2022	30/06/2025	\$0.2800	500,000	-	-	-	500,000
01/04/2022	30/09/2025	\$0.2800	500,000	-	-	-	500,000
01/04/2022	31/12/2025	\$0.2800	500,000	-	-	-	500,000
28/07/2022	02/08/2025	\$0.2240	500,000	-	-	-	500,000
14/06/2022	23/06/2025	\$0.1820	2,000,000	-	-	-	2,000,000
05/04/2023	05/04/2026	\$0.1790	-	500,000	-	-	500,000
06/04/2023	06/04/2026	\$0.1380	-	250,000	-	-	250,000
16/01/2023	16/01/2026	\$0.1206	-	500,000	-	-	500,000
23/06/2023	23/06/2026	\$0.2058	-	2,250,000	-	-	2,250,000
			8,000,000	3,500,000	-	(2,750,000)	8,750,000

Weighted average exercise price	\$0.2210	\$0.1850	\$0.0000	\$0.2200	\$0.2078
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The weighted average remaining life of options outstanding at 31 December 2024 was 0.80 years (2023: 1.80 years).

Note 29. Share-based payments (continued)

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2024 Number	2023 Number
10/07/2020	10/07/2024	-	750,000
01/04/2022	31/05/2025	500,000	500,000
01/04/2022	30/06/2025	500,000	500,000
01/04/2022	30/09/2025	500,000	500,000
01/04/2022	31/12/2025	500,000	500,000
14/06/2022	23/06/2025	2,000,000	2,000,000
28/07/2022	02/08/2025	500,000	500,000
16/01/2023	16/01/2026	500,000	500,000
05/04/2023	05/04/2026	500,000	500,000
06/04/2023	06/04/2026	250,000	250,000
23/06/2023	23/06/2026	2,250,000	2,250,000
		8,000,000	8,750,000

Set out below are summaries of performance rights granted as at 31 December 2024 and 31 December 2023:

2024							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
12/10/2021	31/07/2025	\$0.0000	500,000	-	(500,000)	-	-
01/03/2022	31/12/2025	\$0.0000	110,000	-	-	-	110,000
16/01/2023	16/01/2026	\$0.0000	500,000	-	-	-	500,000
			1,110,000	-	(500,000)	-	610,000
2023							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted*	Exercised	Expired/ forfeited/ other	Balance at the end of the year
12/10/2021	31/07/2025	\$0.0000	500,000	-	(500,000)	-	-
01/03/2022	31/12/2025	\$0.0000	110,000	-	-	-	110,000
16/01/2023	16/01/2026	\$0.0000	-	500,000	-	-	500,000
			610,000	500,000	(500,000)	-	610,000

* The fair value of the performance right is based on closing share price of the Company at the grant date (\$0.13) with the assumption that the service condition will be met.

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 0.83 years (2023: 1.83 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

Note 29. Share-based payments (continued)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

De.mem Limited
Consolidated entity disclosure statement
As at 31 December 2024

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
De.Mem Limited	Body Corporate	Australia	-	Australia
De.mem-Akwa Pty Ltd	Body Corporate	Australia	100.00%	Australia
Akwa Facility Maintenance Pty Ltd	Body Corporate	Australia	100.00%	Australia
De.mem Pte Ltd	Body Corporate	Singapore	100.00%	Singapore
De.mem Vietnam Ltd	Body Corporate	Vietnam	100.00%	Vietnam
De.mem-Pumptech Pty Ltd	Body Corporate	Australia	100.00%	Australia
De.mem-Geutec GmbH	Body Corporate	Germany	100.00%	Germany
De.mem-Capic Pty Ltd	Body Corporate	Australia	100.00%	Australia
De.mem-Stevco Pty Ltd	Body Corporate	Australia	100.00%	Australia
Auswater Systems Pty Ltd	Body Corporate	Australia	100.00%	Australia
Aromatec Pte Ltd	Body Corporate	Singapore	31.56%	Singapore

Basis of preparation

This consolidated entity disclosure statement (CEDS) has been prepared in accordance with the Corporations Act 2001 and includes information for each entity that was part of the consolidated entity as at the end of the financial year in accordance with AASB 10 Consolidated Financial Statements.

Determination of tax residency

Section 295 (3A)(vi) of the Corporation Act 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgement as there are different interpretations that could be adopted, and which could give rise to a different conclusion on residency. In determining tax residency, the consolidated entity has applied one or more of the following interpretations:

Australian tax residency

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.

Foreign tax residency

Where necessary, the consolidated entity has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with (see section 295(3A)(vii) of the Corporations Act 2001).

Partnerships and Trusts

None of the entities noted above were trustees of trusts within the consolidated entity, partners in a partnership within the consolidated entity or participants in a joint venture within the consolidated entity.

De.mem Limited
Directors' declaration
31 December 2024

In the directors' opinion:

- The consolidated financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

27 February 2025
Melbourne

Independent auditor's report to the members of De.Mem Limited

Report on the audit of the financial report



Our opinion on the financial report

In our opinion, the accompanying financial report of De.Mem Limited (the Company) and its subsidiaries (the Group) is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2024 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What was audited?

We have audited the financial report of the Group, which comprises:

- the consolidated statement of financial position as at 31 December 2024,
- the consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended,
- notes to the financial statements, including material accounting policy information,
- the consolidated entity disclosure statement, and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisition of Auswater Systems Pty Ltd	Area of focus (refer also to notes 3 & 24)	How our audit addressed the key audit matter
	On 2 July 2024, the Group acquired 100% of the issued share capital of Auswater Systems Pty Ltd for consideration of \$1.75 million. This acquisition has been accounted for using the acquisition method in accordance with AASB 3 <i>Business Combinations</i> and resulted in the recognition of goodwill and intangible assets of \$0.3m and \$1.5m respectively. The Group engaged an external party to perform an independent valuation of the acquired net assets including the identifiable customer relationship intangible. The accounting for this acquisition required management to: — Determine whether the transaction constitutes a business combination or an asset acquisition. — Identify and measure the fair value of acquired assets, liabilities and consideration transferred. — Allocate the purchase consideration between identifiable net assets and goodwill. — Assess the contingent consideration arrangements and the probability of payout. Given the level of judgment and estimation involved in determining the fair value of the identifiable assets acquired and liabilities assumed, this was considered a key audit matter.	Our audit procedures included: — We read and understood the purchase agreement and held discussion with management to understand the key terms and conditions of the arrangement and evaluated the Group's accounting in accordance with Australian Accounting Standards. — We audited the Group's determination of the fair value of identifiable assets acquired and liabilities assumed. — We assessed the reasonableness of the valuation methodology and assumptions used by management's valuation specialist, including key assumptions such as discount rates, projected cash flows, and growth rates used in valuing acquired intangible assets. — We assessed the appropriateness of the financial statement disclosures in accordance with Australian Accounting Standards including the presentation of contingent consideration.

**Appropriateness
of revenue
recognition**

**Area of focus
(refer also to notes 2, 3 & 5)**

The Group earns service revenue under construction contracts and also from the provision of wastewater treatment services.

These revenue streams require bespoke models, irrespective of the billing milestones, that appropriately amortise the achievement of performance milestones under contract.

Revenue recognition in relation to the delivery of projects and services is complex because it is based on the Group's estimates of:

- Measurement of the estimated price of the customer contract;
- The stage of completion of the contract activity and when the performance milestone is achieved; and
- Whether the milestone can be reliably measured.

Due to these matters, revenue recognition is a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included:

- Determining whether revenue recognised is in accordance with AASB 15 *Revenue from Contracts with Customers*;
- Identifying and verifying the achievement of performance milestones and the recognition of the revenue relative to fulfilment of the contract obligation;
- Agreeing those revenue streams to a sample of underlying contracts with third parties, including the subsequent billing and invoicing of the related invoiced debtor; and
- Tracing through deferred or accrued revenue amounts to the matching contract asset or liability in the statement of financial position.

We also assessed the appropriateness of revenue disclosures as set out in the financial statements in accordance with AASB 15.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/media/bwvjcgre/ar1_2024.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report



Our opinion on the Remuneration Report

In our opinion, the Remuneration Report of De.Mem Limited, for the year ended 31 December 2024, complies with section 300A of the *Corporations Act 2001*.

What was audited?

We have audited the Remuneration Report included in pages 11 to 16 of the directors' report for the year ended 31 December 2024.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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

R. P. Burt
Director
Melbourne, 27 February 2025

De.mem Limited
Shareholder information
31 December 2024

The shareholder information set out below was applicable as at 18 February 2025.

Corporate Governance Statement

Refer to the Company's Corporate Governance statement at: <https://demembranes.com/investors/>.

Distribution of equity securities

Analysis of number of equity security holders by size of holding:

	Ordinary shares % of total		Options over ordinary shares % of total		Performance rights over ordinary shares % of total performance rights issued	
	Number of holders	shares issued	Number of holders	options issued	Number of holders	
1 to 1,000	57	-	-	-	-	-
1,001 to 5,000	304	0.31	-	-	-	-
5,001 to 10,000	153	0.41	-	-	-	-
10,001 to 100,000	365	4.83	-	-	-	-
100,001 and over	179	94.45	14	100.00	2	100.00
	<u>1,058</u>	<u>100.00</u>	<u>14</u>	<u>100.00</u>	<u>2</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares % of total shares issued	
	Number held	
BNP PARIBAS NOMS PTY LTD	50,338,397	17.19
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	45,835,330	15.65
NA SINGAPORE EARLY-STAGE VENTURE FUND I PTE LTD	41,295,168	14.10
NEW ASIA INVESTMENTS PTE LTD	12,785,897	4.37
BNP PARIBAS NOMS (NZ) LTD	12,612,868	4.31
BNP PARIBAS NOMINEES PTY LTD (HUB24 CUSTODIAL SERV LTD)	6,478,270	2.21
MR ALBERTO VINCIGUERRA (VINCIGUERRA SUPER FUND A/C)	4,057,488	1.39
BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAILCLIENT)	3,989,200	1.36
SPURGIN SMSF PTY LTD (SPURGIN SMSF A/C)	3,943,841	1.35
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,758,926	1.28
SLO CONCEPTS PTY LTD (OLDHAM SUPER FUND A/C)	3,750,000	1.28
MR GEOFFREY IAN FOLEY & MRS PATRICIA ERIKA FOLEY (FOLEY SUPER FUND A/C)	3,250,000	1.11
ANDREAS KROELL	3,213,340	1.10
CSIT HOLDINGS PTY LTD (COREY SCOTT INVESTMENT A/C)	2,721,627	0.93
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,500,000	0.85
CITICORP NOMINEES PTY LIMITED	2,377,724	0.81
BRENDAN LUXTON INVESTMENTS PTY LTD	2,111,111	0.72
MR HIEN QUANG TRINH (TRIVEST CAPITAL A/C)	1,697,035	0.58
BNP PARIBAS NOMINEES PTY LTD (CLEARSTREAM)	1,680,505	0.57
PAR SMSF PTY LTD (P A RYAN PENSION FUND A/C)	1,500,000	0.51
	<u>209,896,727</u>	<u>71.67</u>

De.mem Limited
Shareholder information
31 December 2024

Unquoted equity securities

	Number on issue	Number of holders
Director options - exercise price \$0.2058 (20.58 cents), expiring 23 May 2026	2,250,000	4
Employee options - various exercise prices and expiry dates	750,000	3
Corporate advisor options - exercise price \$0.2795 (27.95 cents) with various expiry dates	2,000,000	1
Director sign-on options - exercise price \$0.2237 (22.37 cents), expiring 24 June 2025	500,000	1
Joint lead manager options - exercise price \$0.182 (18.2 cents), expiring 2 August 2025	2,000,000	2
Director sign-on options - exercise price \$0.179 (17.9 cents), expiring 3 April 2026	500,000	1
Performance rights - various expiry dates	610,000	2

The following persons hold 20% or more of unquoted equity securities:

Name	Class	Number held
Blue Ocean Equities Pty Ltd	Corporate advisor options - exercise price \$0.2795 (27.95 cents) with various expiry dates	2,000,000
Danny Conlon	Director sign-on options - exercise price \$0.2237 (22.37 cents), expiring 24 June 2025	500,000
Blue Ocean Equities Pty Ltd	Joint lead manager options - exercise price \$0.182 (18.2 cents), expiring 2 August 2025	1,000,000
Bell Potter Nominees Ltd (BP Nominees A/C)	Joint lead manager options - exercise price \$0.182 (18.2 cents), expiring 2 August 2025	500,000
Andreas Hendrik (Harry) de Wit	Director sign-on options - exercise price \$0.179 (17.9 cents), expiring 3 April 2026	1,000,000

Substantial holders

Substantial holders in the Company, as disclosed in substantial holding notices given to the Company under the Corporations Act, are set out below:

	Ordinary Shares Number held
NA Singapore Early-Stage Venture Fund I Pte Ltd	41,795,168
Perennial Value Management Limited (PVM)	24,937,546
Mr Andreas Hendrik de Wit	19,777,942
Pathfinder Asset Management Limited, and its related bodies corporate, and each of Gough Investments Limited and Alvarium RE Limited	13,744,308
New Asia Investments Pte Ltd	11,921,611

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Other classes of equity securities do not carry voting rights.

On-market buy-back

There is no current on-market buy-back.