

De.mem continues growth in contracted revenues with ongoing reduction in net quarterly operating cash outflow

Highlights

- Significant orders received from key institutional clients during H1 CY 2019 for the sale of water treatment equipment and related services – including a \$2.8 million order for the delivery of a desalination plant and a \$780,000 order for operations & maintenance services at a mining site.
- As at 30 August 2019, approx. A\$9.5 million in secured revenues (ie. cash received plus outstanding contract value) for CY 2019 - De.mem on track to exceed prior full year CY2018 revenues of \$10.5m.
- Customer cash receipts of \$5.1m and operating cash outflow of approx. \$-809k during H1.
- Strong momentum to become operating cash positive, with reduction in operating cash outflow from approx. -\$600k in March quarter 2019 to approx. \$-212k in June quarter 2019.
- Cash balance plus term deposits of \$3.5m as at 30 June 2019.
- Completed placement with leading institutional investors in June 2019.
- Extensive sales pipeline for remainder of CY 2019, with a strong focus on expanding geographic revenue diversification across Australia, expanding into the high growth food & beverage and agricultural segments and expanding the revenues of the recently acquired Pumptech business in Tasmania.

30 August 2019: Water and waste water treatment company De.mem Limited (ASX: DEM) ("De.mem" or the "Company") is pleased to provide its financial report for the 6 month period ending 30 June 2019.

During the 6 months ended 30 June 2019, De.mem received operating cashflow inflows of approx. \$5.1 million from customers. Cash outflows from operations during the period were approx. -\$809,000. Cash operating outflows were strongly reduced in the 2nd quarter ended 30 June 2019 to approx. -\$212,000, down from approx. \$600,000 operating cash outflow in the March quarter 2019.

Furthermore, De.mem advises that as of the time of writing, it has approx. \$9.5 million in secured revenues for CY 2019. This includes:

- Revenues already recorded during 1H CY 2019; plus
- Revenues yet to be recognized during H2 2019 from contracted projects, in particular the desalination plant mentioned below; plus
- Revenues yet to be recognized during H2 2019 from the recurring business lines of the company, ie. its service business (Build, Own, Operate & Operations & Maintenance contracts), and the expected sales of replacement components and consumables which are of stable and recurring nature.

Solid Operational Progress during the Quarter

Operationally, De.mem performed well in the quarter. The Company secured new contracts, progressed technology deployments and strengthened its pipeline and order book. Key highlights include:

- The award of a substantial \$2.8 million order for the delivery of a desalination plant to a site in Queensland, Australia. The customer is Mulpha, a leading international infrastructure investor headquartered in Malaysia, listed on Bursa Malaya and with significant operations in Australia. H1 2019 revenues only include approx. 25% of the total revenue from this contract, while the project is expected to be completed and all contracted cash received by November 2019.

- The award of a contract worth \$780,000 for the operations & maintenance of the potable water and sewage treatment plants at a mining site of Rio Tinto, one of the world's largest mining companies, in Queensland.
- First revenues generated from the Company's new hollow fibre Forward Osmosis membrane technology, which is used for concentration or de-watering applications. While licensed originally in March 2018, De.mem managed to record accumulated revenues of \$150,000 by selling Forward Osmosis systems up until June 2019. The Company is now preparing for further scale up of this product into a range of industrial scale applications.
- The first commercial order for its domestic point-of-use water filter from a distribution partner in Singapore. The product is based on De.mem's Ultrafiltration membrane technology and can effectively reduce suspended solids, bacteria and viruses from a water stream. The product is now available to consumers in Singapore. De.mem sells its products to the distributor who then on-sells directly to the consumer. As a result, De.mem does not carry any significant inventory risk or retail distribution costs under this sales model.

On 27 June 2019, the Company announced a A\$1.9 million share placement with leading institutional investors led by Perennial Value Management. The shares were issued on 1 July 2019.

De.mem ends the period with a healthy cash balance plus term deposits of 3.5 million as of 30 June 2019.

2019 Strategy and Outlook

- **Continued revenue growth.** Based on record bidding activity, De.mem has built an extensive sales pipeline in Australia and Asia, and expects continued sales growth for the remainder of CY 2019.
- **On track to exceed CY18 revenues.** De.mem expects to exceed the \$10.5 million in revenues recorded during CY 2018 based on the total of approx. A\$9.5 million in revenues for CY 2019 already secured and its strong sales pipeline.
- **Visible path to operating cash positive:** De.mem expects to continue its path to achieving sustainable operating cash positive. The exact timing of cash positive will be driven by the rate of revenue growth and the working capital cycle.
- **Acquisition cross-sell and up-sell.** In August 2019, after the end of the reporting period, De.mem announced the acquisition of Pumptech Tasmania Pty Ltd, Youngtown, TAS. Pumptech provides De.mem with a strong platform for expansion into the food and beverage segment as well as a strong recurring revenue base, a well-established and repeat customer base and numerous proprietary technologies which complement the existing De.mem water filtration product portfolio.
- **Revenue diversification by customer segment; targeted growth in food & beverage segment.** While the vast majority of CY 2018 revenues were generated from the mining/resources and infrastructure segments, the revenue mix for CY 2019 includes some contributions from projects in the food & beverage sector. A key pillar of the expansion strategy for 2019 is to aggressively target the high growth food & beverage and agricultural sectors across Australia. De.mem intends to broaden its presence in these markets based on an expanded product offering beyond its proprietary membrane technologies including the hollow fibre Forward Osmosis membrane which has applications in beverage production such as the concentration of milk, orange juice and other beverages and liquids.
- **Product enhancements.** The Company intends to develop further proprietary membrane technology related to the food & beverage sector and other customer diversification opportunities.

Management commentary:

De.mem Limited CEO Andreas Kroell said: "We are very pleased with our performance in the first half of 2019. We are on track to exceed our 2018 revenues and achieve operating cash positive. Importantly, our improved cashflow position and cash balance allows De.mem to secure an increasing number of institutional client contracts.

We are targeting diversification across customer segments (including a focus on the high potential food & beverage and agricultural sectors) and geographic diversification (with most revenues generated from Queensland, we see potential for Australia-wide expansion). The acquisition of Pumptech Tasmania Pty Ltd

provides us with an established platform to achieve both objectives, and to promote our innovative membrane technologies into Tasmania's strong food & beverage industries.

Welcoming quality long-term institutional investors such as Perennial onto our register demonstrates our ability to access the working capital required to service larger contracts for our clients. A healthy cash balance of \$3.5 million (including term deposits) provides De.mem with exceptional optionality to advance our growth prospects and continue to build on what has been a very strong year to date performance.

We look forward to updating shareholders around a number of pending developments in the coming months.”

Please refer to the Company's Half Yearly Report and Accounts lodged on 30 August 2019, for further details on the results for the half-year ended 30 June 2019.

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

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

To learn more, please visit: www.demembranes.com

Forward Looking Statements

Statements contained in this release, particularly those regarding possible or assumed future performance, revenue, costs, dividends, production levels or rates, prices or potential growth of De.mem Limited, are, or may be, forward looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors.