

De.mem Limited

ABN 12 614 756 642

Consolidated Financial Report - 31 December 2021

De.mem Limited
Corporate directory
31 December 2021

Directors	Cosimo Trimigliozi - Non-Executive Chairman Andreas Kroell - Chief Executive Officer and Director Bernd Dautel - Non-Executive Director Stuart Carmichael - Non-Executive Director Michael Edwards - Non-Executive Director
Company secretary	Mr Tony Panther Ms Patricia Vanni
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	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Australia Phone: +61 1300 554 474
Auditor	William Buck Level 20, 181 William Street Melbourne Vic 3000 Australia Phone: (03) 9824 8555
Solicitors	HopgoodGanim Lawyers Level 27, Allendale Square 77 St Georges Terrace Perth, WA, 6000 Australia
Bankers	Westpac Bank Perth
Stock exchange listing	De.mem Limited shares are listed on the Australian Securities Exchange (ASX code: DEM)
Website	www.demembranes.com

De.mem Limited
Contents
31 December 2021

Directors' report	3
Auditor's independence declaration	18
Consolidated statement of profit or loss and other comprehensive income	19
Consolidated statement of financial position	20
Consolidated statement of changes in equity	22
Consolidated statement of cash flows	23
Notes to the consolidated financial statements	24
Directors' declaration	54
Independent auditor's report to the members of De.mem Limited	55
Shareholder information	60

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 2021.

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, power generation and heavy industrial sectors.

The company serves large multinationals as well as SME's (small and medium enterprises) through its offices in Australia (Melbourne, Brisbane, Perth, Launceston), Singapore and Velbert, Germany.

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-centralized solutions are typically containerized, 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”) options. 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, hollow-fibre Nanofiltration and Graphene-Oxide enhanced membranes.

De.mem's product and services range is complemented by specialty chemicals such as anti-scalants, 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.

2021 Highlights

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

Revenue Growth

- Revenues increased by 28% to \$18.1 million (2020:14.2 million)
- Cash receipts increased by 20% to \$19.7 million (2020: \$16.5 million, of which approximately \$0.8 million was in respect of COVID-19 support payments. Adjusted for the latter, the cash receipts growth rate is 26%)
- As of 31 December 2021, the Company recorded 11 successive quarters of cash receipts growth vs. prior corresponding period (for further details, see the Quarterly Activities Report Lodged to the ASX on 25 January 2022 ("the Report"))

Improved Revenue Quality and Margins

- Strong growth of recurring high-margin revenue streams from approximately 38% of total revenues in 2018 to approximately 70% of total revenue in 2021
- Corresponding to the growth of recurring high-margin revenue streams, the gross margin has grown from 25% in 2018 to 34% in 2021

Reduced Operating Cash Outflow and Approaching Operating Cash Flow / EBITDA Positive

- Substantially reduced operating cash outflows of \$0.31 million in December Quarter 2021 (see the Report)
- Adjusted EBITDA for the year 2021 is a loss of approximately \$2.2 million, reduced from a loss of \$3.1 million in 2020 (Adjusted EBITDA = EBITDA less business acquisition cost, share based payments expense, and other one-off items for further details please see section below)
- Based on the current company structure and strategy, EBITDA break-even is expected at approximately \$25 million in revenues

Strong Balance Sheet Provides the Ability to Fund Further Growth

- Cash position of \$8.7 million as at 31 December 2021 (2020: \$4.6 million)
- Net assets of \$14.4 million as at 31 December 2021 (2020 \$6.7 million)
- The record year-end cash position leaves the Company with the ability to fund further growth, for example, through further BOO contracts with industrial clients

Track Record of "High Value Add" Acquisitions

- Strong growth of the acquired Capic business in Western Australia post-acquisition on 1 April 2021, to approx. \$3.5 million in revenues recorded in the 9 months since completion of the transaction (this compares to \$3.3 million in average annual revenues recorded by Capic in the three financial years prior to the acquisition; further details on the acquisition, see the release "Proposed Acquisition Overview" lodged to the ASX on 16 March 2021)
- Strong growth of the two other businesses recently acquired, De.mem-Guetec, Germany, and De.mem-Pumptech, Tasmania, vs. pre-acquisition revenues

Business Development and Operations

Impact of Covid-19

Despite a challenging macroeconomic environment in view of the global Covid-19 pandemic, De.mem achieved key milestones during the year.

Thanks to the implementation of strict risk management and health & safety measures for the workplace, De.mem was able to keep all workshops in the different locations free from major disruption. All existing major service and BOO contracts remain firmly in place with strong and healthy customer relationships.

Strong Growth, Driven by Recurring Revenue Segments

The Company achieved substantial revenue growth of 28% vs. prior year.

Revenue growth was driven by the strong performance of the group's recurring revenue segments, which include De.mem's services (Operations & Maintenance and BOO), consumables, pumps (via De.mem-Pumptech) and water treatment specialty chemicals (via De.mem-Capic and De.mem-Geutec) businesses.

During 2021, recurring revenue segments accounted for approx. 70% of total revenues (2020: 38%).

Expansion of Unique Build, Own, Operate offering for Industrial Clients, With New Contracts Signed/Commissioned

Based on its extended range of capabilities, De.mem is uniquely positioned as a supplier of BOO services to industrial customers in Australia.

The Company signed new contracts during 2021, further validating its proprietary hollow-fibre membrane technology as a key part of these deployments:

- A Build, Own, Monitoring Transfer agreement for a water treatment system to be deployed at the Selwyn Snow Resort in New South Wales, worth approx. \$1 million in revenues over 5 years (as announced to the ASX on 8 December 2021); and
- A BOOT agreement for the supply of a waste water treatment system worth approx. \$0.4 million in revenues per annum (as announced to the ASX on 15 September 2021)

As of 31 December 2021, construction of the two water treatment plants is in progress. A total amount of \$0.5 million was recorded under the fixed assets, related to the cost incurred up until that date for the construction of the two systems.

De.mem Limited
Directors' report
31 December 2021

Both contracts will start to generate recurring cash receipts from approx. mid 2022 onwards, which is expected to contribute further to the Company's planned move towards sustainable, positive EBITDA.

During 2021, De.mem commissioned another two industrial BOO plants, based on contracts that had been signed prior to the year:

- A BOO agreement with Givaudan Pte Ltd, Singapore, worth approximately \$1.7 million over 6 years, commissioned in June 2021 (contract award announced to the ASX on 22 November 2019); and
- A BOO agreement with the same customer for a different site, worth approximately \$0.8 million over 10 years, commissioned in July 2021 (contract award announced to the ASX on 10 September 2021).

Successfully Delivered Contracted Work to Clients

During the year, De.mem also delivered important contracts for the supply of water treatment equipment, which had been awarded to the Company previously. These include:

- the supply of a \$2.7 million seawater desalination plant to a leading customer from the agricultural/food & beverage industry in Australia; and
- the supply of a \$0.55 million waste water treatment system to AGL Energy.

Projects Business and Equipment Sales Expected to Accelerate with End of Covid-19 Lockdowns

De.mem expects orders for projects and equipment sales to accelerate with the end of Covid-19 lockdowns and in particular, the end of state border closures in Australia.

After the end of the financial year, the Company received an important contract award for the supply of water treatment equipment worth \$0.37 million to a lithium mining customer.

Strong acquisition value-add track record

De.mem has a strong acquisition value-add track record, with all three businesses acquired since 2019 – De.mem-Capic, Perth, Western Australia, De.mem-Pumpteck, Launceston, Tasmania, and De.mem-Geutec, Velbert, Germany – achieving significant growth in 2021, despite the challenging business environment due to Covid-19.

This growth was driven by the introduction of the De.mem's wider "one-stop shop" product range to the acquired companies' customers and new sales team investment generating substantial cross-sell and up-sell growth.

The individual entities performed as follows:

- De.mem-Capic generated approx. \$3.5 million in revenue during the 9-month period since the acquisition on 1 April 2021 (average annual revenue pre-acquisition: \$3.3 million).
- De.mem-Pumpteck Pty Ltd (formerly known as Pumpteck Tasmania Pty Ltd) recorded approx. \$3.8 million in revenue during 2021 (annual revenue pre-acquisition: \$2.5 million).
- De.mem-Geutec recorded revenues of approx. \$3.2 million in 2021 (annual revenue pre-acquisition: \$1.8 million).

Financials

De.mem Group revenues increased by 28% to \$18.1 million in 2021 (2020: 14.1 million).

Cash receipts increased by 20% to \$19.7 million (2020: \$16.4 million; 2020 cash receipts include approx. \$0.8 million in Covid-19 support payments – adjusted for the latter, the cash receipts growth rate is 26%).

Gross margins (gross profit divided by revenues) increased from 25% in 2018 to 26% in 2019, 31% in 2020 and to 34% in 2021.

De.mem Limited
Directors' report
31 December 2021

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

	Consolidated	
	31 December 2021	31 December 2020
	\$'000	\$'000
Net loss before tax	(4,362)	(3,535)
Depreciation and amortisation	1,264	646
Finance costs	159	112
	<u>(2,939)</u>	<u>(2,777)</u>
Business acquisition cost **	353	-
One off expenses ***	277	-
Doubtful debts expense	63	-
Share based payments	60	517
COVID-19 support payments	-	(830)
	<u>(2,186)</u>	<u>(3,090)</u>
Underlying EBITDA		

*Underlying 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. Adjusted EBITDA 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.

**Costs related to the acquisition of Capic business which were expensed – including stamp duty and a part of the first milestone payment.

***Inventory write-offs, legal fees of one-off nature and severance payments.

Based on the current company structure and strategy, De.mem expects to achieve EBITDA break-even at approx. \$25 million in annual revenues.

Net loss before taxes for the year amounted to approximately \$4.4 million during 2021 (2020: net loss before tax of \$3.5 million). The reported net loss includes:

- depreciation and amortisation of intangible assets of \$1.3 million (2020: \$0.6 million), which increased significantly vs. year due to the amortisation of intangible assets resulting from the acquisition of the De.mem-Capic business;
- other one-off non-cash selling, general & administrative expenses of \$0.3 million;
- business acquisition cost related to the acquisition of De.mem-Capic business of \$0.4 million;
- share based payments of \$0.1 million.

Net assets were \$14.4 million as at 31 December 2021 (\$6.7 million as at 31 December 2020).

De.mem ends the year with cash and term deposits of \$8.7 million as of 31 December 2021, which gives the Company sufficient funding to execute on its ambitious growth plans.

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 Trimiglozzi - Non-Executive Chairman
 Andreas Kroell - Chief Executive Officer and Director
 Bernd Dautel - Non-Executive Director
 Stuart Carmichael - Non-Executive Director
 Michael Edwards - Non-Executive Director

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
Directors' report
31 December 2021

De.mem Limited (ASX:DEM) is an Australian-Singaporean 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 mining, electronics, chemicals, oil and gas and food and beverage industries as well as in the municipal and residential segments. Customers include leading multinational corporations in their respective industries and municipalities and government organizations from the different countries.

Dividends

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

Review of operations

Refer to the Review of operations in the preceding section.

Significant changes in the state of affairs

On 23 March 2021, the Company issued 32,142,856 fully paid ordinary shares at an issue price of \$0.28 per share, through a Placement as announced on 17 March 2021.

On 31 March 2021, the Company acquired the Capic business, which was structured as a legal asset acquisition agreement. Capic is a well-established, Perth-based supplier of "high value add" specialty chemicals with a high-quality institutional customer base including BHP Billiton, Northern Star, Pilbara Minerals and Iluka Resources.

The maximum total consideration for the acquisition of the Capic Business' net identifiable assets is \$5.1 million, comprising up to \$3.7 million cash and up to \$1.4 million in shares, as follows:

Base acquisition consideration:

Base Acquisition Consideration of \$4.4 million payable upon completion of acquisition, comprising \$3.4m cash and \$1.0m DEM shares (issued at 30-day VWAP as at the the day prior to this announcement). All shares issued to the vendor will be under voluntary escrow for a period of 24 months from completion; and

Deferred consideration:

Deferred consideration of \$750 thousand, comprising three separate settlements of \$250 thousand each, payable 50% in cash and 50% in De.mem shares, subject to the satisfaction of revenue milestones. Settlement of the deferred consideration achieved will be made in accordance with the terms of the acquisition agreement and if achieved will take place in Q1 2022, 2023 and 2024, respectively.

The revenue milestone criteria are as follows:

Milestone 1: Revenue growth of at least 15% in the 12 months ended 31 December 2021 as compared to the 12 months ended 31 December 2020;

Milestone 2: Revenue growth of at least 35% in the 12 months ended 31 December 2022 as compared to the 12 months ended 31 December 2020;

Milestone 3: Revenue growth of at least 60% in the 12 months ended 31 December 2023 as compared to the 12 months ended on 31 December 2020.

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

On 31 March 2021, the Company issued 3,196,773 fully paid ordinary shares at an issue price of \$0.3222 per share, to the vendor of the Capic business, as announced on 1 April 2021.

On 21 April 2021, the Company issued 5,749,934 fully paid ordinary shares at an issue price of \$0.28 per share, as part of a Share Purchase Plan.

On 25 June 2021, the Company announced that Ms Melanie Leydin will step down as appointed Company Secretary and Mr Anthony Panther and Ms Patricia Vanni appointed in the position of joint company secretaries.

De.mem Limited
Directors' report
31 December 2021

On 30 September 2021, the Company issued 45,000 fully paid ordinary shares at an issue price of \$0.22 per share as part of an exercise of option to advisor.

On 14 October 2021, the Company issued 275,000 fully paid ordinary shares at an issue price of \$0.22 per share as part of an exercise of option to advisor.

On 21 October 2021, the Company issued 447,800 fully paid ordinary shares at an issue price of \$0.22 per share as part of an exercise of option to advisor.

On 22 October 2021, the Company issued 141,000 fully paid ordinary shares at an issue price of \$0.22 per share as part of an exercise of option to advisor.

On 26 October 2021, the Company issued 206,010 fully paid ordinary shares at an issue price of \$0.22 per share as part of an exercise of option to advisor.

On 29 October 2021, the Company issued 359,700 fully paid ordinary shares at an issue price of \$0.22 per share as part of an exercise of option to advisor.

On 3 November 2021, the Company issued 343,900 fully paid ordinary shares at an issue price of \$0.22 per share as part of an exercise of option to advisor.

On 8 November 2021, the Company issued 246,400 fully paid ordinary shares at an issue price of \$0.22 per share as part of an exercise of option to advisor.

On 12 November 2021, the Company issued 347,500 fully paid ordinary shares at an issue price of \$0.22 per share as part of an exercise of option to advisor.

On 17 November 2021, the Company issued 268,900 fully paid ordinary shares at an issue price of \$0.22 per share as part of an exercise of option to advisor.

On 22 November 2021, the Company issued 219,100 fully paid ordinary shares at an issue price of \$0.22 per share as part of an exercise of option to advisor.

On 29 November 2021, the Company issued 491,790 fully paid ordinary shares at an issue price of \$0.22 per share as part of an exercise of option to advisor.

On 20 December 2021, the Company issued 545,000 fully paid ordinary shares at an issue price of \$0.22 per share as part of an exercise of option to advisor.

On 31 December 2021, the Company issued 562,900 fully paid ordinary shares at an issue price of \$0.22 per share as part of an exercise of option to advisor.

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 2021 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 Trimigliozzi
Title: Non-Executive Chairman
Qualifications: MBA equivalent, University of Basel, Switzerland
Experience and expertise: Mr. Trimigliozzi looks back at a successful, almost 30-year long career in the feed and food ingredients / flavors 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. Trimigliozzi 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. Trimigliozzi 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: 557,764 fully paid ordinary shares
Interests in options: 750,000 unlisted options
Contractual rights to shares: None

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 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 and financial 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: 500,000 unlisted options
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

De.mem Limited
Directors' report
31 December 2021

Name: Stuart Carmichael
Title: Non-Executive Director
Qualifications: Bachelor of Commerce, University of Western Australia, Perth
Experience and expertise: Mr. Carmichael is a Chartered Accountant with over 20 years of experience in the provision of corporate advisory services both within Australia and internationally. Mr. Carmichael is a principal and director of Ventnor Capital Pty Ltd and Ventnor Securities Pty Ltd which specialises in the provision of corporate and financial advice to small cap ASX listed companies including capital raisings, initial public offerings, corporate restructures and mergers and acquisitions. Mr. Carmichael graduated from the University of Western Australia with a Bachelor of Commerce degree, gaining experience with KPMG Corporate Finance in Perth and London before joining ASX listed property services and engineering company UGL Limited (ASX:UGL).

Other current directorships: Non-Executive Chairman of Schrole Group Limited (ASX:SCL), Non-Executive Chairman of KTIG Limited (ASX:KTG), Non-Executive Director of ClearVue Technologies Limited (ASX: CPV), and Non-Executive Director of Harvest Technology Group Limited (ASX:HTG)

Former directorships (last 3 years): Non-Executive Director of Osteopore Limited (ASX:OSX), Non-Executive Director of Swick Mining Services Limited (ASX:SWK)

Special responsibilities: None
Interests in shares: 21,500 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 Greenstone Resources Limited (ASX: GSR), Executive Chairman of Auroch Minerals Limited (ASX: AOU).

Former directorships (last 3 years): Non-Executive Chairman of Firefly Resources Limited (ASX: FFR), Non-Executive Director of Norwood Systems Limited (ASX: NOR), Non-Executive Director of Digital Wine Ventures Limited (ASX: DW8).

Special responsibilities: None
Interests in shares: None
Interests in options: 500,000 unlisted options
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.

Co-company secretaries

Mr Anthony Panther CA AGIA ACIS (Appointed on 25 June 2021)

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.

Ms Patricia Vanni LLB AGIA (Appointed on 25 June 2021)

Ms Vanni has more than 15 years of professional experience in corporate governance, mergers & acquisitions, project finance, engineering, procurement and construction contracts and compliance. She has been working as an in-house counsel of multinational companies, an associate in Brazilian Top tier law firms (300+ lawyers) and as company secretariat and joint company secretary providing outsourced corporate governance and company secretarial services to various Australian listed companies.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 December 2021, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Cosimo Trimigliozi	8	8
Andreas Kroell	8	8
Bernd Dautel	8	8
Stuart Carmichael	8	8
Michael Edwards	8	8

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' remuneration

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.

De.mem Limited
Directors' report
31 December 2021

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.

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 Trimiglozzi
- Andreas Kroell
- Bernd Dautel
- Stuart Carmichael
- Michael Edwards

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus **	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
31 December 2021	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Cosimo Trimiglozzi	36,000	-	-	-	-	-	36,000
Bernd Dautel	30,000	-	-	-	-	-	30,000
Stuart Carmichael	30,000	-	-	3,175	-	-	33,175
Michael Edwards	30,000	-	-	3,175	-	-	33,175
<i>Executive Directors:</i>							
Andreas Kroell *	273,808	100,000	-	25,113	7,441	-	406,362
	399,808	100,000	-	31,463	7,441	-	538,712

* Included in cash salary and fees is movements in leave entitlements of \$11,308.

** The cash bonus was granted on 13 April 2021 based on a decision by the Board of Directors. It was based on the performance of the Group during the 2020 financial year. It has been accrued and not paid.

De.mem Limited
Directors' report
31 December 2021

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus **	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
31 December 2020	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Cosimo Trimiglozzi	36,000	-	-	-	-	57,150	93,150
Bernd Dautel	30,000	-	-	-	-	38,100	68,100
Stuart Carmichael	30,000	-	-	2,850	-	38,100	70,950
Michael Edwards	30,000	-	-	2,850	-	38,100	70,950
<i>Executive Directors:</i>							
Andreas Kroell *	276,288	51,526	-	21,850	-	38,100	387,764
	402,288	51,526	-	27,550	-	209,550	690,914

* Included in cash salary and fees is movements in leave entitlements of \$16,288.

** The cash bonus was granted on 8 April 2020 by decision of the Board of Directors. It was based on the performance of the group during the 2019 calendar year.

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
<i>Non-Executive Directors:</i>						
Cosimo Trimiglozzi	100%	39%	-	-	-	61%
Bernd Dautel	100%	44%	-	-	-	56%
Stuart Carmichael	100%	46%	-	-	-	54%
Michael Edwards	100%	46%	-	-	-	54%
<i>Executive Directors:</i>						
Andreas Kroell	75%	77%	25%	13%	-	10%

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\$210,000 per annum, annual allowances of \$50,000 and a performance bonus, payable at the discretion of the Board.

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 2021.

De.mem Limited
Directors' report
31 December 2021

Options

The terms and conditions of each grant of options below have not affected the current year key management personnel remuneration as they were issued and vested in the prior year.

Grant date	Vesting date and exercisable date		Expiry date	Exercise price	Fair value per option at grant date
29 May 2020	29 May 2020		24 June 2023	\$0.217	\$0.076

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Cosimo Trimigliozi	750,000	29 May 2020	29 May 2020	24 June 2023	\$0.217	\$0.076
Andreas Kroell	500,000	29 May 2020	29 May 2020	24 June 2023	\$0.217	\$0.076
Bernd Dautel	500,000	29 May 2020	29 May 2020	24 June 2023	\$0.217	\$0.076
Stuart Carmichael	500,000	29 May 2020	29 May 2020	24 June 2023	\$0.217	\$0.076
Michael Edwards	500,000	29 May 2020	29 May 2020	24 June 2023	\$0.217	\$0.076

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 2021 are set out below:

Name	Number of options granted during the year 31 December 2021	Number of options granted during the year 31 December 2020	Number of options vested during the year 31 December 2021	Number of options vested during the year 31 December 2020
Cosimo Trimigliozi	-	750,000	-	750,000
Andreas Kroell	-	500,000	-	500,000
Bernd Dautel	-	500,000	-	500,000
Stuart Carmichael	-	500,000	-	500,000
Michael Edwards	-	500,000	-	500,000

Performance rights

There were no performance rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 31 December 2021.

There were no performance rights over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 31 December 2021.

Additional information

The earnings of the consolidated entity for the five years to 31 December 2021 are summarised below:

	2021 \$'000	2020 \$'000	2019 \$'000	2018 \$'000	2017 * \$'000
Loss after income tax	(4,440)	(3,539)	(3,517)	(2,004)	(6,337)

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

	2021	2020	2019	2018	2017*
Share price at financial year end (\$)	0.23	0.23	0.26	0.14	0.25
Basic earnings per share (cents per share)	(2.16)	(2.02)	(2.58)	(1.76)	(8.02)
Diluted earnings per share (cents per share)	(2.16)	(2.02)	(2.58)	(1.76)	(8.02)

* The company was admitted to the Official List of ASX Limited on 5 April 2017.

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
<i>Ordinary shares</i>					
Cosimo Trimiglozzi	557,764	-	-	-	557,764
Andreas Kroell	3,213,341	-	-	-	3,213,341
Bernd Dautel	800,000	-	-	-	800,000
Stuart Carmichael	21,500	-	-	-	21,500
	<u>4,592,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,592,605</u>

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	Balance at the end of the year
<i>Options over ordinary shares</i>					
Cosimo Trimiglozzi	750,000	-	-	-	750,000
Andreas Kroell	500,000	-	-	-	500,000
Bernd Dautel	500,000	-	-	-	500,000
Stuart Carmichael	500,000	-	-	-	500,000
Michael Edwards	500,000	-	-	-	500,000
	<u>2,750,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,750,000</u>

Loans to key management personnel and their related parties

There were no loans to or from 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 options

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
29 May 2020	24 June 2023	\$0.217	2,750,000
10 July 2020	10 July 2024	\$0.180	<u>1,250,000</u>
			<u><u>4,000,000</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

The following ordinary shares of De.mem Limited were issued during the year ended 31 December 2021 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
29 May 2020	\$0.220	4,500,000

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
12 October 2021	31 July 2025	\$0.000	1,000,000

The vesting of the performance rights granted are subject to a service period of 3 years, finishing in July 2024, 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 no ordinary shares of De.mem Limited issued on the exercise of performance rights during the year ended 31 December 2021 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

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of William Buck

There are no officers of the Company who are former partners of William Buck.

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 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

28 February 2022
Melbourne

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF DE.MEM LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2021 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.

William Buck

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

N. S. Benbow

N. S. Benbow
Director

Melbourne, 28 February 2022

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

De.mem Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2021

		Consolidated	
		31 December 2021	31 December 2020
	Note	\$'000	\$'000
Revenue	5	18,078	14,159
Cost of sales		(11,988)	(9,829)
Gross profit		6,090	4,330
Other income		267	935
Employee benefits and other related expenses		(6,041)	(4,876)
Superannuation		(329)	(269)
Operating profit/(loss)		(13)	120
Administrative and corporate expenses	6	(2,574)	(2,919)
Finance income		10	48
Interest expense		(159)	(112)
Depreciation and amortisation expense		(1,264)	(646)
Share of loss on investment in associate		(9)	(26)
Business acquisition costs		(353)	-
Loss before income tax expense		(4,362)	(3,535)
Income tax expense		(78)	(4)
Loss after income tax expense for the year		(4,440)	(3,539)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		137	176
Other comprehensive income for the year, net of tax		137	176
Total comprehensive loss for the year		(4,303)	(3,363)
Loss for the year is attributable to:			
Non-controlling interest		33	-
Owners of De.mem Limited		(4,473)	(3,539)
		(4,440)	(3,539)
Total comprehensive loss for the year is attributable to:			
Non-controlling interest		33	(11)
Owners of De.mem Limited		(4,336)	(3,352)
		(4,303)	(3,363)
		Cents	Cents
Basic earnings per share	29	(2.16)	(2.02)
Diluted earnings per share	29	(2.16)	(2.02)

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 2021

		Consolidated	
		31 December 2021	31 December 2020
	Note	\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	7	8,688	4,639
Trade and other receivables	8	2,869	1,495
Inventories	9	718	406
Term deposits		136	446
Prepayments		137	31
Contract assets		290	407
Other assets		-	112
Total current assets		12,838	7,536
Non-current assets			
Investment in associate		-	9
Term deposits		197	357
Property, plant and equipment	11	2,658	1,344
Right-of-use assets	10	1,303	430
Intangible assets	12	5,056	1,544
Other assets		-	3
Total non-current assets		9,214	3,687
Total assets		22,052	11,223
Liabilities			
Current liabilities			
Trade and other payables	13	3,791	2,922
Contract liabilities		109	110
Borrowings		148	95
Lease liabilities	14	390	237
Deferred consideration	15	431	150
Employee benefits	16	785	572
Total current liabilities		5,654	4,086
Non-current liabilities			
Contract liabilities		634	-
Borrowings		138	-
Lease liabilities	14	964	231
Deferred consideration	15	238	150
Employee benefits	16	43	27
Provisions		-	14
Total non-current liabilities		2,017	422
Total liabilities		7,671	4,508
Net assets		14,381	6,715

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

De.mem Limited
Consolidated statement of financial position
As at 31 December 2021

		Consolidated	
		31 December 2021	31 December 2020
	Note	\$'000	\$'000
Equity			
Issued capital	17	36,243	24,054
Reserves		452	577
Accumulated losses		(22,347)	(17,916)
Equity attributable to the owners of De.mem Limited		14,348	6,715
Non-controlling interest		33	-
Total equity		14,381	6,715

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 2021

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Share based payment reserve \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 January 2020	24,021	(162)	712	(15,055)	11	9,527
Loss after income tax expense for the year	-	-	-	(3,539)	-	(3,539)
Other comprehensive income/(loss) for the year, net of tax	-	187	-	-	(11)	176
Total comprehensive income/(loss) for the year	-	187	-	(3,539)	(11)	(3,363)
Issue of shares	33	-	-	-	-	33
Vesting of Share-based payments	-	-	518	-	-	518
Expiry of options	-	-	(678)	678	-	-
Balance at 31 December 2020	<u>24,054</u>	<u>25</u>	<u>552</u>	<u>(17,916)</u>	<u>-</u>	<u>6,715</u>

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Share based payment reserve \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 January 2021	24,054	25	552	(17,916)	-	6,715
Profit/(loss) after income tax expense for the year	-	-	-	(4,473)	33	(4,440)
Other comprehensive income for the year, net of tax	-	137	-	-	-	137
Total comprehensive income/(loss) for the year	-	137	-	(4,473)	33	(4,303)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 17)	9,890	-	-	-	-	9,890
Vesting of share-based payment arrangements (note 30)	-	-	60	-	-	60
Proceeds from options exercised	989	-	-	-	-	989
Shares issued in settlement of business acquisition	1,030	-	-	-	-	1,030
Exercise and expiry of share options	280	-	(322)	42	-	-
Balance at 31 December 2021	<u>36,243</u>	<u>162</u>	<u>290</u>	<u>(22,347)</u>	<u>33</u>	<u>14,381</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 2021

		Consolidated	
		31 December 2021	31 December 2020
	Note	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		19,661	16,520
Payments to suppliers and employees (inclusive of GST)		(21,742)	(18,211)
Interest received		10	48
Interest and other finance costs paid		(159)	(110)
Income tax paid		(75)	(4)
Grant income received		-	594
Net cash used in operating activities	28	(2,305)	(1,163)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,429)	(839)
Payment for consideration for acquisition of businesses, net of cash acquired	25	(3,330)	(150)
Payments for investments in term deposits		-	(357)
Proceeds from release of security deposits		450	-
Net cash used in investing activities		(4,309)	(1,346)
Cash flows from financing activities			
Proceeds from issue of shares		10,610	-
Proceeds from the exercise of share options		990	-
Share issue transaction costs		(721)	-
Repayment of borrowings		(65)	(284)
Repayment of lease liabilities		(273)	(260)
Net cash from/(used in) financing activities		10,541	(544)
Net increase/(decrease) in cash and cash equivalents		3,927	(3,053)
Cash and cash equivalents at the beginning of the financial year		4,639	7,750
Effects of exchange rate changes on cash and cash equivalents		43	(58)
Cash and cash equivalents at the end of the financial year	7	8,609	4,639

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

De.mem Limited
Notes to the consolidated financial statements
31 December 2021

Note 1. General information

The financial statements cover De.mem Limited as a consolidated entity consisting of De.mem Limited and the entities it controlled 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 28 February 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, 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 24.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of De.mem Limited ('company' or 'parent entity') as at 31 December 2021 and the results of all subsidiaries for the year then ended. De.mem Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Note 2. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Foreign currency translation

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

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.

Foreign operations

The financial results and position of foreign controlled entities whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign controlled entities are transferred directly to the foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

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.

Note 2. Significant accounting policies (continued)

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.

Lease revenue

The Company leases out equipment under agreements with clients. The lease income is recognised on a straight-line basis over the lease term.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related 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.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Note 2. Significant accounting policies (continued)

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss
- equity instruments at fair value through other comprehensive income
- debt instruments at fair value through other comprehensive income

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses. Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Note 2. Significant accounting policies (continued)

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of these requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition of that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. The lifetime expected credit losses method is used for trade receivables.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Note 2. Significant accounting policies (continued)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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.

Reclassification

Certain amounts reported in prior years in the financial statements have been reclassified to conform to the current year's presentation.

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.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

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.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured 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. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

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

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.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment. The weighted average incremental borrowing rate applied to lease liabilities was 6.45%.

Employee benefits provision

As discussed in note 2, 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

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

The directors have examined the net present value of the cash inflows expected to be received from the customer relationships acquired from the acquisitions of Capic business. Refer to note 12 and note 25 for further details. In assessing this, the directors assumed the following: a) a growth rate in revenues from recurring customers of 3%; b) gross margins per customer of between 30% and 50%; c) a post-tax discount rate on those revenues of 12% (Geutec) and 15% (Pumptech); and d) an expected churn of the customer base of 10% per annum.

The directors have also assessed the customer base post acquisition, nothing having come to their attention which indicates that the customer relationships recognised on acquisition is inappropriately recognised and measured.

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.

Due to the limited input from market observable factors, this fair valuation is a level 3 valuation.

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;
- (b) The overall market capitalisation of the Group is in-excess of the Group's net assets as at report date; and
- (c) There were no exogenous matters in the industry or market that would impact the value of those assets. In-particular, the directors specifically considered the impact of COVID-19 on the business and the resilience of the Group's cash-generating units to the pressures of COVID-19, including overall increases sales and improving profitability.

Note 4. Segment Reporting

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

During the year ended 31 December 2021, approximately \$2.01 million (2020: \$2.6 million) of the consolidated entity's external revenue was derived from sales to a customer through the Australia segment.

Other represents head office.

Operating segment information

Consolidated - 31 December 2021	Singapore \$'000	Australia \$'000	Germany \$'000	Other \$'000	Total \$'000
Revenue					
Revenue from external customers	457	14,913	3,180	-	18,550
Intersegment revenue	(98)	(374)	-	-	(472)
Total revenue	<u>359</u>	<u>14,539</u>	<u>3,180</u>	<u>-</u>	<u>18,078</u>
Segment result (before tax)	<u>(1,005)</u>	<u>(2,613)</u>	<u>131</u>	<u>(875)</u>	<u>(4,362)</u>
Assets					
Segment assets	2,107	11,346	705	23,012	37,170
Intersegment eliminations					(15,118)
Total assets					<u>22,052</u>
<i>Total assets includes:</i>					
Acquisition of non-current assets	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>4</u>
Liabilities					
Segment liabilities	393	16,757	425	388	17,963
Intersegment eliminations					(10,292)
Total liabilities					<u>7,671</u>

Note 4. Segment Reporting (continued)

Consolidated - 31 December 2020	Singapore \$'000	Australia \$'000	Germany \$'000	Other \$'000	Total \$'000
Revenue					
Revenue from external customers	353	11,674	2,356	-	14,383
Intersegment revenue	(99)	(125)	-	-	(224)
Total revenue	<u>254</u>	<u>11,549</u>	<u>2,356</u>	<u>-</u>	<u>14,159</u>
Segment result (before tax)	<u>(28)</u>	<u>(1,501)</u>	<u>(22)</u>	<u>(1,984)</u>	<u>(3,535)</u>
Assets					
Segment assets	1,947	4,090	604	16,494	23,135
Intersegment eliminations					(11,912)
Total assets					<u>11,223</u>
<i>Total assets includes:</i>					
Investments in associates	-	-	-	9	9
Acquisition of non-current assets	715	95	83	-	893
Liabilities					
Segment liabilities	614	6,910	452	369	8,345
Intersegment eliminations					(3,837)
Total liabilities					<u>4,508</u>

Note 5. Revenue

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Consolidated - 31 December 2021	Rendering of services \$'000	Sale of goods \$'000	Projects and equipment \$'000	Total \$'000
<i>Geographical regions</i>				
Australia	2,618	7,430	4,490	14,538
Singapore	359	-	-	359
Germany	195	2,930	56	3,181
	<u>3,172</u>	<u>10,360</u>	<u>4,546</u>	<u>18,078</u>
<i>Timing of revenue recognition</i>				
Goods transferred at a point in time	-	10,360	-	10,360
Services transferred at point in time	3,172	-	-	3,172
Services transferred over time	1,117	-	4,546	5,663
	<u>4,289</u>	<u>10,360</u>	<u>4,546</u>	<u>19,195</u>

Note 5. Revenue (continued)

Consolidated - 31 December 2020	Rendering of services \$'000	Sale of goods \$'000	Projects and equipment \$'000	Total \$'000
<i>Geographical regions</i>				
Australia	2,488	4,223	4,839	11,550
Singapore	170	83	-	253
Germany	171	2,185	-	2,356
	<u>2,829</u>	<u>6,491</u>	<u>4,839</u>	<u>14,159</u>
<i>Timing of revenue recognition</i>				
Goods transferred at a point in time	-	6,491	-	6,491
Services transferred at point in time	2,229	-	-	2,229
Services transferred over time	600	-	4,839	5,439
	<u>2,829</u>	<u>6,491</u>	<u>4,839</u>	<u>14,159</u>

Lease revenue for the year equated to \$456 thousand (2020: \$162 thousand).

Note 6. Administrative and corporate expenses

	Consolidated	
	31 December 2021 \$'000	31 December 2020 \$'000
Employee benefit expense	59	-
Sales, marketing and business development costs	429	243
Consulting, professional fees and legal costs	327	324
Compliance, listing and other regulatory costs	180	220
Legal expenses	179	288
Insurance	159	211
Consulting costs	148	161
Technology and IT	139	177
Share based payments	60	517
Bad and doubtful debts	63	71
Other administration and corporate expense	831	707
	<u>2,574</u>	<u>2,919</u>

Note 7. Cash and cash equivalents

	Consolidated	
	31 December 2021	31 December 2020
	\$'000	\$'000
<i>Current assets</i>		
Cash on hand	2	3
Cash at bank	4,339	1,429
Cash on deposit	4,347	3,207
	<u>8,688</u>	<u>4,639</u>

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	8,688	4,639
Bank overdraft	(79)	-
	<u>8,609</u>	<u>4,639</u>

Accounting policy for cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Note 8. Trade and other receivables

	Consolidated	
	31 December 2021	31 December 2020
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	2,814	1,441
Less: Allowance for expected credit losses	(17)	-
	<u>2,797</u>	<u>1,441</u>
Other receivables	72	54
	<u>2,869</u>	<u>1,495</u>

The Company has \$156 thousand (2020: \$156 thousand) in retentions receivables as at 31 December 2021. These amounts may not be receivable in the case of a defects liability claim under the respective customer contracts.

Note 8. Trade and other receivables (continued)

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	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Consolidated	%		\$'000	\$'000	\$'000	\$'000
Not overdue	-	-	2,606	1,272	-	-
0 to 2 months overdue	-	-	195	159	-	-
3 to 4 months overdue	-	-	15	1	-	-
Over 4 months overdue	33%	-	53	63	17	-
			<u>2,869</u>	<u>1,495</u>	<u>17</u>	<u>-</u>

Note 9. Inventories

	Consolidated	
	31 December 2021	31 December 2020
	\$'000	\$'000
<i>Current assets</i>		
Consumables and supplies	<u>718</u>	<u>406</u>

During the year ended 31 December 2021, \$197 thousand of inventory was written off.

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 10. Right-of-use assets

	Consolidated	
	31 December 2021	31 December 2020
	\$'000	\$'000
<i>Non-current assets</i>		
Land and buildings - right-of-use	1,670	650
Less: Accumulated depreciation	<u>(447)</u>	<u>(372)</u>
	<u>1,223</u>	<u>278</u>
Motor vehicles - right-of-use	203	246
Less: Accumulated depreciation	<u>(123)</u>	<u>(94)</u>
	<u>80</u>	<u>152</u>
	<u>1,303</u>	<u>430</u>

Note 10. Right-of-use assets (continued)

Reconciliations

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

Consolidated	Motor vehicles - right-of-use \$'000	Land and buildings - right-of-use \$'000	Total \$'000
Balance at 1 January 2020	152	278	430
Balance at 31 December 2020	152	278	430
Additions	-	1,494	1,494
Disposals	(43)	(227)	(270)
Depreciation expense	(29)	(322)	(351)
Balance at 31 December 2021	<u>80</u>	<u>1,223</u>	<u>1,303</u>

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 11. Property, plant and equipment

	Consolidated 31 December 2021 \$'000	31 December 2020 \$'000
<i>Non-current assets</i>		
Leasehold improvements - at cost	100	50
Less: Accumulated depreciation	(91)	(29)
	<u>9</u>	<u>21</u>
Plant and equipment - at cost	3,886	2,455
Less: Accumulated depreciation	(1,246)	(1,141)
	<u>2,640</u>	<u>1,314</u>
Buildings	<u>9</u>	<u>9</u>
	<u>2,658</u>	<u>1,344</u>

Note 11. Property, plant and equipment (continued)

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 2020	9	9	819	1	838
Additions	-	15	878	-	893
Disposals	-	-	(3)	-	(3)
Exchange differences	-	1	(36)	-	(35)
Write off of assets	-	-	(8)	-	(8)
Transfers in/(out)	-	-	(102)	(1)	(103)
Depreciation expense	-	(4)	(234)	-	(238)
Balance at 31 December 2020	9	21	1,314	-	1,344
Additions	-	-	663	509	1,172
Additions through business combinations (note 25)	-	-	495	-	495
Disposals	-	-	(27)	-	(27)
Exchange differences	-	-	46	-	46
Depreciation expense	-	(12)	(360)	-	(372)
Balance at 31 December 2021	<u>9</u>	<u>9</u>	<u>2,131</u>	<u>509</u>	<u>2,658</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%

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 12. Intangible assets

On 1 April 2021 the Company acquired the Capic Business. The provisional fair value of customer relationships of \$3,980,831 represents the value of future benefits that will accrue to the Group in the future from the Capic business' customer base on the date of acquisition. Refer to note 25 for details of the acquisition of Capic Business.

Note 12. Intangible assets (continued)

In relation to the business acquisitions, the consolidated entity had performed a provisional assessment of the fair value of the assets and liabilities as at the date of the acquisitions. For the purposes of the balance sheet, the assets and liabilities had been recorded at their provisional fair values. Under Australian Accounting Standards, the consolidated entity had up to 12 months from the date of acquisition to complete its initial acquisition accounting.

At the completion of this exercise, the consolidated entity determined that the entire goodwill amount represented an Intangible asset - Customer relationships, as this was the fair value of intangible assets acquired.

	Consolidated	
	31 December 2021	31 December 2020
	\$'000	\$'000
<i>Non-current assets</i>		
Software - at cost	58	-
Less: Accumulated amortisation	(57)	-
	<u>1</u>	<u>-</u>
Customer relationships	5,697	1,716
Less: Accumulated amortisation	(642)	(172)
	<u>5,055</u>	<u>1,544</u>
	<u>5,056</u>	<u>1,544</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	Customer relationships \$'000	Total \$'000
Balance at 1 January 2020	1,716	1,716
Amortisation expense	(172)	(172)
Balance at 31 December 2020	1,544	1,544
Additions through acquisition of Capic Business (note 25)	3,981	3,981
Amortisation expense	(469)	(469)
Balance at 31 December 2021	<u>5,056</u>	<u>5,056</u>

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.

Note 13. Trade and other payables

	Consolidated	
	31 December 2021	31 December 2020
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	1,774	1,250
Accruals and other payables	2,017	1,672
	<u>3,791</u>	<u>2,922</u>

Refer to note 18 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 14. Lease liabilities

	Consolidated	
	31 December 2021	31 December 2020
	\$'000	\$'000
<i>Current liabilities</i>		
Lease liability - land and buildings	194	193
Lease liability - motor vehicles	196	44
	<u>390</u>	<u>237</u>
<i>Non-current liabilities</i>		
Lease liability - land and buildings	113	101
Lease liability - motor vehicles	851	130
	<u>964</u>	<u>231</u>
	<u>1,354</u>	<u>468</u>

Refer to note 18 for further information on financial instruments.

	Within 1 year	Between 1 and 5 years	Total
Future minimum lease payments at 31 December 2021			
Lease payments	442	1,028	1,470
Finance charges	(52)	(64)	(116)
	<u>390</u>	<u>964</u>	<u>1,354</u>
Future minimum lease payments at 31 December 2020			
Lease payments	249	235	484
Finance charges	(12)	(4)	(16)
Net present values	<u>237</u>	<u>231</u>	<u>468</u>

Note 15. Deferred consideration

	Consolidated	
	31 December 2021	31 December 2020
	\$'000	\$'000
<i>Current liabilities</i>		
Deferred consideration	431	150
<i>Non-current liabilities</i>		
Deferred consideration	238	150
	<u>669</u>	<u>300</u>

In current deferred consideration payable, \$150 thousand is in respect of the Pumptech acquisition. Deferred consideration payable in respect of the Capic business acquisition at 31 December 2021 is \$281 thousand and \$238 thousand are current and non-current obligations, respectively. Refer to note 25 for further details on the consideration paid and payable in respect of the Capic business acquisition.

Note 16. Employee benefits

	Consolidated	
	31 December 2021	31 December 2020
	\$'000	\$'000
<i>Current liabilities</i>		
Annual leave	613	572
Long service leave	172	-
	<u>785</u>	<u>572</u>
<i>Non-current liabilities</i>		
Long service leave	43	27
	<u>828</u>	<u>599</u>

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Long-term employee benefits

The liability for long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, irrespective of when the actual settlement is expected to take place.

Note 17. Issued capital

	Consolidated			
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>221,150,572</u>	<u>175,561,009</u>	<u>36,243</u>	<u>24,054</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 January 2020	175,351,332		24,021
Share issue for consideration for services provided	27 July 2020	<u>209,677</u>	\$0.155	<u>33</u>
Balance	31 December 2020	175,561,009		24,054
Placement	23 March 2021	32,142,856	\$0.280	9,000
Issue of shares as partial consideration for business acquisition	31 March 2021	3,196,773	\$0.320	1,030
Share Purchase Plan	21 April 2021	5,749,934	\$0.280	1,610
Exercise of options	30 September 2021	45,000	\$0.220	10
Exercise of options	13 October 2021	275,000	\$0.220	61
Exercise of options	20 October 2021	447,800	\$0.220	99
Exercise of options	21 October 2021	141,000	\$0.220	31
Exercise of options	25 October 2021	206,010	\$0.220	45
Exercise of options	26 October 2021	359,700	\$0.220	79
Exercise of options	29 October 2021	343,900	\$0.220	76
Exercise of options	4 November 2021	246,400	\$0.220	54
Exercise of options	10 November 2021	347,500	\$0.220	76
Exercise of options	15 November 2021	268,900	\$0.220	59
Exercise of options	19 November 2021	219,100	\$0.220	48
Exercise of options	26 November 2021	491,790	\$0.220	108
Exercise of options	17 December 2021	545,000	\$0.220	120
Exercise of options	30 December 2021	562,900	\$0.220	124
Allocation of share based payment reserve		-	\$0.000	280
Share issue costs		<u>-</u>	<u>\$0.000</u>	<u>(721)</u>
Balance	31 December 2021	<u>221,150,572</u>		<u>36,243</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 18. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate 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.

	Consolidated	
	31 December 2021	31 December 2020
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	8,688	4,638
Trade and other receivables	2,869	1,495
Term deposits	136	783
	197	-
Total Financial assets	11,890	6,916
Financial liabilities		
Trade and other payables	3,791	2,922
Borrowings	148	95
Lease liabilities	1,354	468
Deferred consideration	669	300
Borrowings	138	-
Total financial liabilities	6,100	3,785

Market risk

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:

	Assets		Liabilities	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Consolidated	\$'000	\$'000	\$'000	\$'000
Euros	276	418	273	372
Singapore dollars	474	704	258	531
	750	1,122	531	903

The consolidated entity had net assets denominated in foreign currencies of \$219,000 as at 31 December 2021 (2020: net assets of \$219,000).

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.

Note 18. Financial instruments (continued)

Consolidated - 31 December 2021	% change	AUD strengthened Effect on		% change	AUD weakened Effect on	
		profit before tax	Effect on equity		profit before tax	Effect on equity
Euro	25%	1	1	25%	(1)	(1)
Singapore dollar	25%	54	54	25%	(54)	(54)
		<u>55</u>	<u>55</u>		<u>(55)</u>	<u>(55)</u>

Consolidated - 31 December 2020	% change	AUD strengthened Effect on		% change	AUD weakened Effect on	
		profit before tax	Effect on equity		profit before tax	Effect on equity
Euro	25%	11	11	(25%)	(11)	(11)
Singapore dollar	25%	43	43	(25%)	(43)	(43)
		<u>54</u>	<u>54</u>		<u>(54)</u>	<u>(54)</u>

Interest rate risk

The Consolidated entity's exposure to the risks of changes in market interest rates is not material.

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.

Note 18. Financial instruments (continued)

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 - 31 December 2021	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	-	3,791	-	-	3,791
Deferred consideration	-	431	238	-	669
<i>Interest-bearing - fixed rate</i>					
Lease liabilities	-	390	964	-	1,354
Borrowings	-	148	138	-	286
Total non-derivatives		4,760	1,340	-	6,100
Consolidated - 31 December 2020	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	-	2,922	-	-	2,922
Deferred consideration	-	150	150	-	300
<i>Interest-bearing - fixed rate</i>					
Lease liabilities	6.46%	237	231	-	468
Borrowings	5.61%	-	95	-	95
Total non-derivatives		3,309	476	-	3,785

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

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 19. Fair value measurement

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.

Note 19. Fair value measurement (continued)

Consolidated - 31 December 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Deferred consideration	-	669	-	669
Total liabilities	-	669	-	669

Consolidated - 31 December 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Deferred consideration	-	300	-	300
Total liabilities	-	300	-	300

There were no transfers between levels during the financial year.

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 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 20. Key management personnel disclosures

Directors

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

Cosimo Trimigliozi	Non-Executive Chairman
Andreas Kroell	Chief Executive Officer and Director
Bernd Dautel	Non-Executive Director
Stuart Carmichael	Non-Executive Director
Michael Edwards	Non-Executive Director

Note 20. Key management personnel disclosures (continued)

Compensation

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

	Consolidated	Consolidated
	31 December 2021	31 December 2020
	\$	\$
Short-term employee benefits	507,249	453,814
Post-employment benefits	31,463	27,550
Share-based payments	-	209,550
	<u>538,712</u>	<u>690,914</u>

Note 21. Remuneration of auditors

	Consolidated	Consolidated
	31 December 2021	31 December 2020
	\$	\$
<i>Audit services - William Buck</i>		
Audit or review of the financial statements	<u>54,500</u>	<u>47,000</u>
<i>Other services -</i>		
Tax advisory services	<u>21,500</u>	<u>2,715</u>
	<u>76,000</u>	<u>49,715</u>

Note 22. Contingent liabilities

On 30 September 2019 the Company acquired 75% of the ordinary shares of Geutec Umwelt- und Abwassertechnik GmbH (Geutec) for total consideration transferred of \$917,169.

The seller holds a put option to sell the remaining 25% of the shares in Geutec to De.mem, and De.mem holds a call option to acquire the remaining 25% from the seller. The valuation is based on 5x the EBIT (Earnings before Interest and Taxes) of Geutec as per Geutec' last financial statements prior to the exercise of the option.

At 31 December 2021, management have assessed that this outcome is possible, but not probable. This will be reassessed in future reporting periods.

As at 31 December 2021 there are \$633 thousand in current term deposits held (in note 7), representing bank warranties relating to three projects and the completion of the defect liability period and bank guarantees for lease obligations.

Note 23. Related party transactions

Parent entity

De.mem Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 26.

Key management personnel

Disclosures relating to key management personnel are set out in note 20 and the remuneration report included in the directors' report.

Note 23. Related party transactions (continued)

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 24. Parent entity information

	Parent	
	2021	2020
	\$'000	\$'000
Financial position		
Total current assets	8,347	3,981
Total non-current assets	6,893	2,315
Total assets	15,240	6,296
Total current liabilities	381	217
Total non-current liabilities	-	2,465
Total liabilities	381	2,682
Net assets	14,859	3,614
	Parent	
	2021	2020
	\$'000	\$'000
Issued capital	31,521	19,329
Reserves	895	913
Accumulated losses	(17,557)	(16,627)
Total equity	14,859	3,615
	Parent	
	2021	2020
	\$'000	\$'000
Financial performance		
Profit/(Loss) for the year	(888)	(12,293)

Note 25. Business combinations

Capic Business acquisition

On 1 April 2021, the Company announced the acquisition of the Capic business ("the acquisition date"), being the assets and liabilities of the business at the date of acquisition. Capic is a well-established, Perth-based supplier of "high value add" specialty chemicals with a high-quality institutional customer base including BHP Billiton, Northern Star, Pilbara Minerals and Iluka Resources. The Company acquired the Capic business for \$4.6 million total consideration, comprising 3,196,773 fully paid ordinary shares at a price of \$0.3222 per share, a net cash settlement of \$3.2 million and the fair value of deferred consideration of \$362 thousand.

The maximum total consideration for the acquisition of the Capic Business' net identifiable assets is \$5.1 million, comprising up to \$3.7 million cash and up to \$1.4 million in shares, as follows:

Note 25. Business combinations (continued)

Base acquisition consideration:

Base Acquisition Consideration of \$4.4 million payable upon completion of acquisition, comprising \$3.4m cash and \$1.0m DEM shares (issued at 30-day VWAP as at the the day prior to this announcement). All shares issued to the vendor will be under voluntary escrow for a period of 24 months from completion; and

Deferred consideration:

Deferred consideration of \$750 thousand, comprising three separate settlements of \$250 thousand each, payable 50% in cash and in De.mem shares, subject to the satisfaction of revenue milestones. Settlement of the deferred consideration achieved will be made in accordance with the terms of the acquisition agreement and if achieved will take place in Q1 2022, 2023 and 2024, respectively.

The revenue milestone criteria are as follows:

- Milestone 1: Revenue growth of at least 15% in the 12 months ended 31 December 2021 as compared to the 12 months ended 31 December 2020;
- Milestone 2: Revenue growth of at least 35% in the 12 months ended 31 December 2022 as compared to the 12 months ended 31 December 2020; and
- Milestone 3: Revenue growth of at least 60% in the 12 months ended 31 December 2023 as compared to the 12 months ended on 31 December 2020.

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

The acquisition has been accounted for under AASB3 Business combinations. The fair value of customer relationships of \$4.0 million represents the value of future benefits that will accrue to the Group in the future from the Capic business' customer base on the date of acquisition. The acquired business contributed revenues of \$3.6 million and loss before tax of \$0.3 million to the consolidated entity for the period from the date of acquisition to 31 December 2021. The Capic business would have contributed, on a pro forma basis, revenue of \$4.6 million and a loss before tax of \$0.3 million for the period from 1 January 2021 through 31 December 2021, past earnings not necessarily being a reflection of future earning capacity.

	Fair value \$'000
Other receivables	2
Inventories	287
Plant and equipment	495
Customer relationships	3,981
Employee benefits	(192)
Acquisition-date fair value of the total consideration transferred	4,573
Representing:	
Cash used or payable to vendor	3,180
De.mem Limited shares issued to vendor	1,030
Deferred consideration	363
	4,573
Acquisition costs expensed to profit or loss	47
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	4,573
Less: deferred consideration	(363)
Less: shares issued by company as part of consideration	(1,030)
Net cash used	3,180

Note 25. Business combinations (continued)

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.

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.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Note 26. 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	
		31 December 2021	31 December 2020
		%	%
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 (formerly Pumpteck Tasmania Pty Ltd)	Australia	100.00%	100.00%
De.mem-Geutec GmbH (formerly Geutec Umwelt- and Abwassertechnik GmbH)	Germany	75.00%	75.00%
De.mem-Capic Pty Ltd	Australia	100.00%	-

De.mem Limited
Notes to the consolidated financial statements
31 December 2021

Note 27. Events after the reporting period

No matter or circumstance has arisen since 31 December 2021 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 28. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	Consolidated
	31 December	31 December
	2021	2020
	\$'000	\$'000
Loss after income tax expense for the year	(4,440)	(3,539)
Adjustments for:		
Depreciation and amortisation	1,264	646
Share of loss - associates	9	-
Share-based payments	60	517
Other gains	(88)	-
Business acquisition costs	125	-
Movements in assets and liabilities:		
Decrease/(increase) in trade and other receivables	(1,212)	837
Decrease in contract assets	116	-
Increase in inventories	(10)	(81)
(Increase)/decrease in Other assets	30	6
Increase in trade and other payables	1,170	319
Increase/(decrease) in contract liabilities	634	(230)
Increase in employee benefits	37	362
Net cash used in operating activities	<u>(2,305)</u>	<u>(1,163)</u>

Note 29. Loss per share

	Consolidated	Consolidated
	31 December	31 December
	2021	2020
	\$'000	\$'000
Loss after income tax	(4,440)	(3,539)
Non-controlling interest	(33)	-
Loss after income tax attributable to the owners of De.mem Limited	<u>(4,473)</u>	<u>(3,539)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	206,938,871	175,441,275
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>206,938,871</u>	<u>175,441,275</u>
	Cents	Cents
Basic earnings per share	(2.16)	(2.02)
Diluted earnings per share	(2.16)	(2.02)

Note 29. Loss per share (continued)

Accounting policy for earnings per share

Basic loss per share

Basic loss per share is calculated by dividing the profit attributable to the owners of De.mem Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

In addition to the rights to shares held by option and rights holders, the rights of of the vendor of the Capic business to a settlement through issue of fully paid ordinary shares in the Company have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted loss per share as they do not meet the requirements for inclusion in AASB 133 Earnings per Share. The rights are non-dilutive as the consolidated entity has generated a loss for the year.

Note 30. Share-based payments

A share option plan 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.

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

**31 December
2021**

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
10/04/2018	10/04/2021	\$0.300	250,000	-	-	(250,000)	-
13/04/2018	13/04/2021	\$0.300	250,000	-	-	(250,000)	-
24/06/2020	24/06/2023	\$0.217	2,750,000	-	-	-	2,750,000
10/07/2020	10/07/2024	\$0.180	1,750,000	-	-	(500,000)	1,250,000
28/08/2020	30/12/2021	\$0.220	4,500,000	-	(4,500,000)	-	-
			9,500,000	-	(4,500,000)	(1,000,000)	4,000,000
Weighted average exercise price			\$0.216	\$0.000	\$0.220	\$0.240	\$0.164

* Weighted average share price at date of exercise of share options - \$0.247

**31 December
2020**

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
30/03/2017	30/03/2020	\$0.300	3,800,000	-	-	(3,800,000)	-
12/05/2017	12/05/2020	\$0.300	750,000	-	-	(750,000)	-
11/09/2017	11/09/2020	\$0.300	1,250,000	-	-	(1,250,000)	-
10/04/2018	10/04/2021	\$0.300	250,000	-	-	-	250,000
13/04/2018	13/04/2021	\$0.300	250,000	-	-	-	250,000
24/06/2020	24/06/2023	\$0.217	-	2,750,000	-	-	2,750,000
10/07/2020	10/07/2024	\$0.180	-	1,750,000	-	-	1,750,000
28/08/2020	30/12/2021	\$0.220	-	4,500,000	-	-	4,500,000
			6,300,000	9,000,000	-	(5,800,000)	9,500,000
Weighted average exercise price			\$0.300	\$0.211	\$0.000	\$0.300	\$0.216

Note 30. Share-based payments (continued)

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

Grant date	Expiry date	31 December 2021 Number	31 December 2020 Number
13/04/2018	13/04/2021	-	500,000
24/06/2020	24/06/2023	2,750,000	2,750,000
10/07/2020	10/07/2024	1,250,000	1,750,000
28/08/2020	30/12/2021	-	4,500,000
		<u>4,000,000</u>	<u>9,500,000</u>

For the 1,000,000 performance rights granted during the current financial year and outstanding at 31 December 2021, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
12/10/2021	31/07/2025	\$0.270	\$0.000	-	-	-	\$0.270

The weighted average remaining life of options and performance rights outstanding at 31 December 2021 was 1.88 years (2020: 4.40 years) and 3.58 years (2020: nil) respectively.

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.

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 is 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.

Note 30. Share-based payments (continued)

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
Directors' declaration
31 December 2021

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 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

28 February 2022
Melbourne

De.mem Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of De.mem Limited (the Company) and its controlled entities (together, the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 and 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.

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

Revenue Recognition	
Area of focus Refer also to notes 2 and 5	How our audit addressed it
For the year ended 31 December 2021, the Group recognised revenue totalling \$18,078,000 which is made up of several different revenue streams including: - Rendering of services; - Sale of goods; and - Projects and equipment. Each revenue stream requires a bespoke revenue recognition model to ensure that revenue is only recognised: a) when a performance milestone is achieved; b) can be reliably measured; and c) there is a low likelihood for dispute by the customer for revenues that are recognised which are beyond that originally scoped at the inception of the engagement. The audit team is required to obtain sufficient audit evidence as to whether the assumptions used by management to recognise revenue are reasonable and accurate in accordance with the relevant accounting and auditing standards.	Our audit procedures included: - Determining whether revenue recognised is in-compliance with AASB 15 <i>Revenue from Contracts with Customers</i> and the Group's accounting policies; - Identifying and verifying the achievement of performance milestones and recognition of revenue relative to the accretion of that achievement; - Agreeing revenue streams to a sample of underlying contracts with third parties; - Examining the existence of the revenue, both by testing to contract and to subsequent receipt of invoicing of the revenue to the customer; - Examining significant aged debtors for evidence of collectability and/or dispute with the services provided; and - Analytically reviewing the reasonableness of accrued revenue and billings-in-advance accounts. We also assessed the appropriateness of disclosures attached to revenues and expected credit losses on receivables, particularly those mandatorily required by the Accounting Standard AASB 15 and AASB 7 <i>Financial Instruments: Disclosures</i>.

Acquisition of Capic	
Area of focus Refer also to notes 2 and 25	How our audit addressed it
The Group acquired the Capic business on 1 April 2021. The transaction included areas of accounting complexity for the following areas: — Assessing that the acquiree met the accounting definition of a business, which would allow the application of business combinations accounting; — Accounting for and appropriately fair valuing deferred consideration and consideration paid for the transaction, including amounts paid through cash and scrip; — Identifying and allocating the intangible assets acquired to the appropriate cash-generating unit (CGU) for subsequent impairment testing; — Appropriately measuring and classifying in the profit or loss transaction costs relating to the acquisition; and — Setting an appropriate accounting policy for the amortisation of identifiable intangible assets arising from the purchase. We note that at reporting date the fair value attribution accounting is complete, including: a) the attribution of identifiable intangible assets; b) the setting of tax cost bases for calculating deferred tax assets and liabilities; and c) identifying any vendor guarantees or contingent liabilities that may be separately fair valued as part of the business purchase.	Our audit procedures included: — Reviewing the acquisition agreements to understand the key terms and conditions of the acquisition; — Reviewing the particulars of the acquisition, including the appropriateness of defining Capic as a business under accounting standards; — Comparing the completion accounting to independent purchase price allocation reports; — Ensuring that transaction costs are expensed in compliance with AASB 3 <i>Business Combinations</i>; — Discussing with management their program for ensuring that they complete their analysis of fair values of assets and liabilities acquired by the anniversary of the acquisition date; — Examining the intangible asset allocation journals processed by management for their appropriateness, in the context of the 12 months grace afforded for truing up the values of those asset values; and — Assessing the appropriateness of the allocation of intangible assets to their CGU, as included in the Group's impairment trigger assessments. We also considered the adequacy of the Group's disclosures in relation to the business combination.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material 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 has 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 these financial statements is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

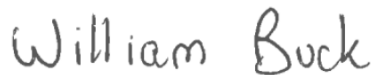
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 15 of the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of De.mem Limited, for the year ended 31 December 2021, complies with section 300A of the *Corporations Act 2001*.

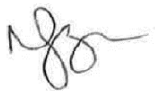
Responsibilities

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



N.S. Benbow

Director

Melbourne, 28 February 2022

De.mem Limited
Shareholder information
31 December 2021

The shareholder information set out below was applicable as at 14 February 2022.

Corporate Governance Statement

Refer to the Company's Corporate Governance statement at: <https://dembranes.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	
	Number of holders	shares issued	Number of holders	options issued	Number of holders	right issued
1 to 1,000	54	-	-	-	-	-
1,001 to 5,000	390	0.52	-	-	-	-
5,001 to 10,000	187	0.68	-	-	-	-
10,001 to 100,000	487	8.45	-	-	-	-
100,001 and over	174	90.35	9	100.00	2	100.00
	<u>1,292</u>	<u>100.00</u>	<u>9</u>	<u>100.00</u>	<u>2</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>272,530</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 Number Held	Ordinary shares % of total Shares issued
NA SINGAPORE EARLY-STAGE VENTURE FUND I PTE LTD	41,295,168	18.67
NATIONAL NOMINEES LIMITED	33,785,400	15.28
BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD	24,243,240	10.96
BNP PARIBAS NOMINEES PTY LTD	11,742,101	5.31
NEW ASIA INVESTMENTS PTE LTD	11,571,611	5.23
BNP PARIBAS NOMS(NZ) LTD	4,021,428	1.82
ANDREAS KROELL	3,213,340	1.45
CIPAC HOLDINGS PTY LTD	3,196,773	1.45
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,000,542	1.36
CITICORP NOMINEES PTY LIMITED	2,169,613	0.98
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,105,000	0.95
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,063,688	0.93
MR GEOFFREY IAN FOLEY & MRS PATRICIA ERIKA FOLEY	1,872,000	0.85
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	1,803,233	0.82
MR HIEN QUANG TRINH	1,697,035	0.77
F & T SPAGNOLO PTY LTD	1,580,000	0.71
MR ANDREAS HENDRIK DE WIT	1,550,000	0.70
SPURGIN SMSF PTY LTD	1,414,285	0.64
SLO CONCEPTS PTY LTD	1,400,000	0.63
DR AFSHIN POUR MIRZA	1,111,111	0.50
ACMAIOS GMBH	1,111,111	0.50
	<u>155,946,679</u>	<u>70.51</u>

De.mem Limited
Shareholder information
31 December 2021

Unquoted equity securities

	Number on issue	Number of holders
Director options - exercise price \$0.217 (21.7cents), expiring 24 June 2023	2,750,000	5
Employee options - exercise price \$0.18 (18 cents), expiring 10 July 2024	1,250,000	4
Performance rights - exercise price \$0.00, expiring 31 July 2025	1,000,000	2

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
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.

Securities subject to voluntary escrow

Class	Expiry date	Number of shares
Fully paid ordinary shares	31 March 2023	3,196,773