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SEPTEMBER 2020 QUARTERLY ACTIVITIES REPORT:
Record quarterly cash receipts and customer orders
On track to achieve revenue guidance

Key Highlights

- **Record quarterly cash receipts of $3.7m**
- **Record customer orders for water treatment equipment of ~$4.5m**
- **Continued strong organic growth of acquired businesses,** De.mem-Pumptech (Tasmania) and De.mem-Geutec (Germany)
- **Upgrade full-year CY2020 cash receipts guidance to $15-18m**
- **Record quarter expected for December Quarter 2020**
- **Visible path to sustainable operating cash positive**
- **Strong balance sheet,** with ~$5 million cash and term deposits as at 30 September 2020

29 October 2020: Water and wastewater treatment company De.mem Limited (ASX: DEM) ("De.mem" or "the Company") is pleased to report record quarterly results and strong operating momentum across its businesses.

Record Results

The Company is pleased to report the following record results:

- Record quarterly customer cash receipts of $3.7m.
- Record quarterly customer order intake for water treatment equipment, during the September quarter 2020 and the month of October, of ~$4.5m.
- Signed new and extended existing Build, Own, Operate and Service Agreements worth ~$1.5 million
- On track for record annual cash receipts (see below).

Financial Overview

Record customer cash receipts of ~$3.7m in the September Quarter 2020, up ~7% vs June Quarter 2020. Including a late customer payment of ~$330k received on 8 October 2020, adjusted September Quarter cash receipts of $4.0m is ~16% up on June Quarter 2020.

Record customer orders of approx. $4.5m received for the delivery of water treatment equipment (excluding orders from the recurring revenue segments), during the September quarter 2020 and the month of October.

Signed new and extended existing Build, Own, Operate and Service Agreements worth ~$1.5 million, during the September quarter 2020 and the month of October.

Stable recurring revenues of ~$2.4m or ~66% of total revenues, consistent with March and June Quarters 2020 (see Tables 1 and 2).

Upgrade of full-year cash receipts guidance to $15-18m.

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Upgrade of Full-Year Cash Receipts Guidance

De.mem is pleased to upgrade its full-year CY20 cash receipts guidance to $15-18m, given the following:

- $10.4m cash receipts received to date (from January to September 2020)
- A minimum of $4.5m cash receipts expected in the December Quarter 2020, including $330k cash already received from one single customer payment in October

Previous guidance was $14-18m cash receipts.

Record Orders

De.mem achieved record orders during the September Quarter, and during the month of October.

Record Orders for Water Treatment Equipment

The Company received approx. $4.5m in new orders for water treatment equipment during the September quarter 2020 and after the reporting date. This includes the following milestone projects:

- 12 October 2020 – Order for the supply of a $2.6 million desalination plant (see ASX release, *De.mem signs $2.6 million desalination contract,* dated 12 October 2020), following the supply of a similar $2.8 million desalination plant for a Great Barrier Reef resort, completed during CY 2019. Desalination is a key target sector for De.mem and being considered a high growth segment of the water treatment industry.
- 29 September 2020 – $400k sale of water treatment equipment to a customer from the Australian power generation sector (see ASX release, *De.mem receives $400,000 Order for Ultrapure Water Treatment Systems,* dated 29 September 2020).
- 17 August 2020 – A$500k water treatment equipment contract for an Australian mining customer (see ASX release, *De.mem receives new purchase orders worth $500,000,* dated 17 August 2020).

New Build, Own, Operate and Service Agreements Signed and Key Service Contract Extended

- 10 September 2020 - A$800k Build, Own, Operate contract with the world's leading flavour and fragrance creator, Givaudan, in Singapore. This is De.mem's third Build, Own, Operate agreement with the same customer.
- 3 August 2020 – A$200k per annum new service agreement with an Australian real estate and infrastructure company, with significant recurring cross-sell product potential (see ASX release, *De.mem Signs New Service Agreement,* dated 3 August 2020).
- In addition, De.mem extended a key service agreement with a large multinational corporation from the mining industry. Under the contract, De.mem operates water treatment facilities at an Australian mining site. The extension secures another approx. $500k in revenues for De.mem, to be recorded in the CY 2021.

Growing Recurring Revenues

Revenue Growth Underpinned by Growing Recurring Revenues

Approx. ~66% or $2.4m of total September Quarter 2020 cash receipts of $3.7m were recurring revenues, consistent with June and March Quarter 2020. The percentage of recurring revenues relative to total revenues has increased from 38% in FY18, to 54% in FY19 and ~66% in CY20 year-to-date.

TABLE 1: GROWING RECURRING CASH RECEIPTS (%)

% total cash receipts	% FY18A	% FY19A	Mar Qtr 2020	June Qtr 2020	Sept Qtr 2020
Recurring	38%	54%	67%	67%	66%
Projects	62%	46%	33%	33%	34%
Total Revenue	**100%**	**100%**	**100%**	**100%**	**100%**

TABLE 2: CASH RECEIPTS MIX (%)

A$M	FY18A	FY19	Mar Qtr 2020	June Qtr 2020	Sept Qtr 2020
Recurring	**3.9**	**6.3**	**2.2**	**2.3**	**2.4**
Projects	**6.3**	**5.4**	**1.1**	**1.1**	**1.3**
Total cash receipts	**10.2**	**11.7**	**3.3**	**3.4**	**3.7**

Recurring revenues comprise the following segments:

- De.mem Equipment Leasing – Build, Own, Operate water treatment facilities on behalf of customers.
- De.mem Services - Operations & Maintenance of water treatment facilities.
- Sales of pumps & hydraulic components through De.mem-Pumptech Pty Ltd, Launceston, Tasmania.
- Sales of water treatment chemicals through De.mem-Geutec GmbH, Essen, Germany.
- Sales of consumables, membranes, spare parts etc. through the different group entities.

Strong Performance of Recently Acquired Businesses

The Company is pleased to advise of continued strong organic growth in its recently acquired businesses.

De.mem-Pumptech (Tasmania)

De.mem-Pumptech Pty Ltd (formerly: Pumptech Tasmania Pty Ltd)'s growth has accelerated since its acquisition by De.mem in August 2019 (see ASX release, *"De.mem completes acquisition of Pumptech Tasmania",* 7 August 2019).

Performance highlights are:

- **September Quarter 2020 customer cash receipts increased ~22% to ~A1,130k vs $930k in the June Quarter 2020**, an increase of +61% vs. $700k in March Quarter 2020.
- Total cash receipts by De.mem Pumptech during the 9 months ended 30 September are approx. $2.8m, which compares to only $2.2m in revenues recorded by the entity in the full 12 months of the CY 2019.

Since its acquisition, De.mem-Pumptech's outperformance has been driven by:

- Successful integration into De.mem Group's sales & marketing organization.
- Access to the wider De.mem Group product range, cross- and up-selling initiatives. De.mem's "one-stop shop" diversified product and services offerings has been well received by Pumptech's long-standing customers, who particularly appreciate access to De.mem's sophisticated, membrane-based water treatment solutions.
- Robust demand from food & beverage customers.

De.mem-Geutec (Germany)

German subsidiary De.mem-Geutec GmbH, Essen ("De.mem-Geutec"), has grown strongly in the last quarter and is on track to meet or exceed full-year revenues under previous ownership. De.mem-Geutec was acquired by De.mem in October 2019 (see ASX release, "*De.mem acquires German industrial wastewater treatment company*", dated 17 October 2019).

Performance highlights are:

- 38% increase in September Quarter 2020 cash receipts of ~A$760k vs ~A$550k June Quarter 2020.
- On track to meet or exceed annual CY19 revenues of ~A$2.2m, in spite of the significant impact of Covid-19 on European industrial activity.

De.mem-Geutec's positive performance was driven by stable recurring revenue streams from the sale of water treatment chemicals to repeat customers as well as orders from new customers within the heavy industrials, plating and automotive segments, located in the Western part of Germany.

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Revenue Diversification Enhances Revenue Quality

De.mem is enhancing revenue quality through diversification by customer industry, geography and product. Recently, the Company has further diversified revenue by customer segment.

Energy/Power Generation Sector

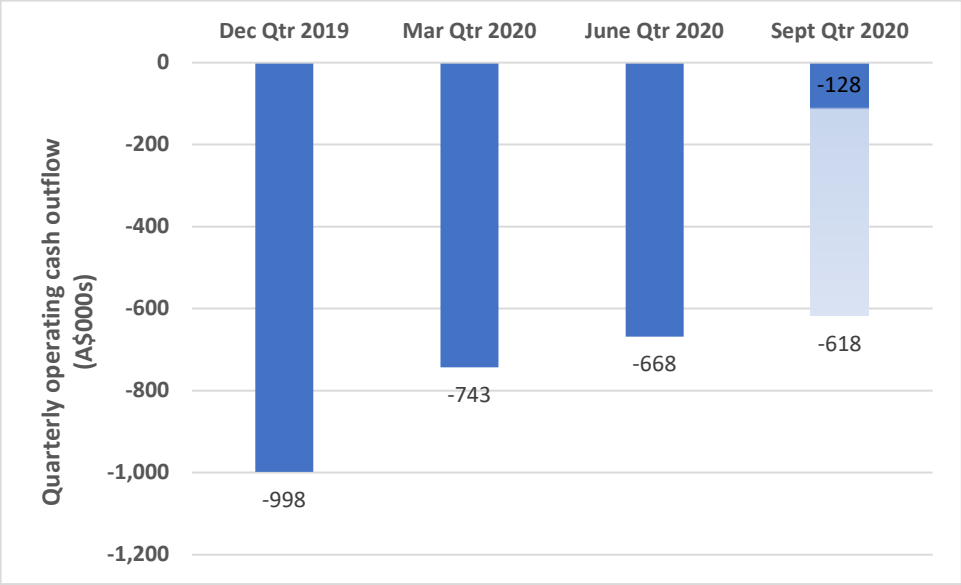
During the September Quarter, the Company received first revenues for a new product offering for the energy and other industrial sectors which require the highest quality treated water. De.mem is now offering this product as a standard product line to customers in the energy, electronics, semiconductor and other industrial sectors.

The Company is providing membrane-based water treatment equipment to an Australian power station, to be used for the generation of ultra-pure, de-ionised water, which is required in the power generation process (see ASX release, *De.mem receives $400,000 Order for Ultrapure Water Treatment Systems,* dated 29 September 2020).

Visible Path to Positive Operating Cash Flows

Chart 1 illustrates that the Company is trending towards positive operating cashflows.

CHART 1: QUARTERLY OPERATING CASHFLOW



During the September Quarter 2020, operating cash outflows were A$-618k, down from A$-668k in the June Quarter 2020, A$-743k in the March Quarter 2020 and A$-998k in the December Quarter 2019 (Chart 1). Adjusting for a $330k cash single payment received on 1 October 2020 and ~$160k BOT investment (see below), the Adjusted September Quarter 2020 operating cash outflow was -$128k.

The following support the trend towards positive operating cashflows:

- **BOT investment.** September Quarter 2020 includes ~$160k operating cash outflow related to a Build, Operate, Transfer ("BOT") project (see ASX release, *De.mem receives orders worth $470,000, including new BOT project,* dated 28 January 2020). De.mem expects to receive corresponding customer cash inflows over the next three years.
- **Late single payment.** *Adjusted operating cash outflows in September Quarter 2020 were A$-128k*, including the late single payment of ~$330k received on 1 October 2020.
- **Sales team investment.** From January to September 2020, De.mem expanded its sales team into Queensland, Victoria, Tasmania and South Australia as well as in Germany. This investment is delivering, with record orders received (see below).

Whilst quarterly operating cashflow results may vary depending on the timing of cash receipts and expenses incurred in relation to specific projects, as overall revenues grow to an annual revenue range of approx. $20m, based on the current strategy and cost structure, the Company expects to achieve sustainable positive operating cashflows on an annualised quarterly basis.

On current budgets, with ~$5m cash and term deposits on balance sheet, the Company is well funded to achieve operating cash positive. However, given the uncertainties of Covid-19, the precise timing of achieving sustainable quarterly operating cash positive is unclear.

Outlook

Record Quarter Expected

De.mem expects its best-ever quarter for the December quarter 2020, with a minimum of $4.5 million in cash receipts expected, driven by recent contract awards and recurring revenue growth.

Upgraded CY20 Revenue Guidance

Given the strong outlook, De.mem upgrades its full-year CY20 cash receipts guidance to $15-18m.

At $15m, De.mem would be reporting approx. 30% growth relative to CY 2019 cash receipts, a record year and record annual growth rate for the Company, despite the uniquely challenging macroeconomic environment during the year created by Covid-19.

CY 2021 Outlook

The Company has a positive outlook for CY 2021, supported by:

- Recent project awards.
- A strong pipeline.
- Strong momentum in recently acquired business De.mem-Pumptech and De.mem-Geutec (including ongoing cross-sell opportunities).
- Sales momentum of the newly hired Australian sales team.
- Growing customer intent to commission new projects, as projects previously paused due to Covid-19 are now coming on-stream.

CEO Commentary

De.mem Chief Executive Officer Andreas Kroell said: “Despite the challenging global environment, our company has never been in a better position.

We are continuing to diversify our revenues by customer segment, geography and product. We are expanding into high growth segments such as food & beverage and the power sector.

Our trends towards positive operating cash flow continues, with some variations from quarter to quarter around timing, but the overall improvement in cashflow continuing.

We are delighted that the recently acquired businesses De.mem-Pumptech, Tasmania, and De.mem-Geutec, Germany, have both performed well and continue to provide multiple organic growth opportunities, particularly cross-selling of our unique “one-stop shop” offering for industrial water treatment customers.

Record order intake during the quarter and our growing recurring revenues provide sufficient confidence to upgrade cash receipts guidance, despite challenging global conditions due to the COVID19 pandemic.

We believe that our balance sheet strength, strong investor support, recurring revenues, stable and resilient customer base and one-stop shop offering positions De.mem to emerge as a market leader in industrial water treatment.

We look forward to delivering for our customers and shareholders in 2021.”

Payments to related parties included in Appendix 4C

The payments to related parties of De.mem disclosed in item 6.1 of the Appendix 4C for the quarter, accompanying this quarterly activities report, were payments of directors’ fees and salaries.

This release was authorized by the Company’s CEO, Andreas Kroell, on behalf of the board.

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

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

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

Forward Looking Statements

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

Appendix 4C

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

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Name of entity	
De.mem Limited	
ABN	**Quarter ended ("current quarter")**
12 614 756 642	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	3,650	10,358
1.2	Payments for	-	-
	(a) research and development		
	(b) product manufacturing and operating costs	(2,438)	(7,508)
	(c) advertising and marketing	(2)	(2)
	(d) leased assets	(28)	(50)
	(e) staff costs	(1,310)	(3,364)
	(f) administration and corporate costs	(552)	(1,753)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	16
1.5	Interest and other costs of finance paid	(26)	(44)
1.6	Income taxes paid	(30)	(90)
1.7	Government grants and tax incentives	74	74
1.8	Other (provide details if material)	40	334
1.9	**Net cash from / (used in) operating activities**	**(618)**	**(2,029)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	(159)	(159)
	(c) property, plant and equipment	(255)	(648)
	(d) investments	(65)	(176)
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	1	1
	(b) businesses	-	-
	(c) property, plant and equipment	7	7
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(471)**	**(975)**

3.	**Cash flows from financing activities**	-	-
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(20)
3.5	Proceeds from borrowings	243	318
3.6	Repayment of borrowings	-	(74)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**243**	**224**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	6,255	8,179
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(618)	(2,029)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(471)	(975)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	243	224
4.5	Effect of movement in exchange rates on cash held	(15)	(5)
4.6	**Cash and cash equivalents at end of period**	**5,394**	**5,394**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	1,467	2,128
5.2	Call deposits	3,927	4,127
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**5,394**	**6,255**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	99
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	500	463

7.5	**Unused financing facilities available at quarter end**	37

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Via its subsidiary De.mem-Akwa Pty Ltd, the Company has access to a short term working capital facility of up to A$ 500,000 provided by National Australia Bank (NAB). The facility is secured by a cash deposit.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(618)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,394
8.3	Unused finance facilities available at quarter end (item 7.5)	37
8.4	Total available funding (item 8.2 + item 8.3)	5,431
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	**9**

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 29 October 2020

Authorised by: Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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