

**De.mem Limited**  
**Appendix 4D**  
**Half-year report**

**1. Company details**

Name of entity:	De.mem Limited
ABN:	12 614 756 642
Reporting period:	For the half-year ended 30 June 2022
Previous period:	For the half-year ended 30 June 2021

**2. Results for announcement to the market**

			<b>\$'000</b>
Revenues from ordinary activities	up	0.6% to	9,203
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	down	7.4% to	1,051
Loss from ordinary activities after tax attributable to the owners of De.mem Limited	up	14.2% to	(1,940)
Loss for the half-year attributable to the owners of De.mem Limited	up	14.2% to	(1,940)

*Dividends*

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

**Brief explanation of above figures**

*Commentary on the Results for the half year ended 30 June 2022*

The loss for the consolidated entity after providing for income tax and non-controlling interests amounted to \$1.94 million (30 June 2021: \$1.70 million).

Refer to the "Review of operations and financial position" section in the Consolidated Interim Financial report for a detailed analysis of the financial results.

The Company's underlying EBITDA is as follows:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Underlying EBITDA</b>		
Loss before tax	(1,889)	(1,641)
Depreciation and amortisation	775	439
Finance costs	63	67
EBITDA	(1,051)	(1,135)
Business acquisition cost **	23	47
Share based payments	228	27
	<u>(800)</u>	<u>(1,061)</u>

\* EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude business acquisition and development costs, net fair value loss on remeasurement of contingent consideration on business combinations, share based payments and one-off business expenses. The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.

\*\* Costs related to the acquisition of Stevco in the 2022 financial year, FY22 (FY21: Capic business) expensed, including stamp duty.

### 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	3.13	4.24

### 4. Controlled Entities

<i>Parent entity</i>	Country of Incorporation	Principal Activities	Ownership %
De.mem Limited	Australia	Parent	
<b><i>Name of Controlled Entity</i></b>			
De.mem-Akwa Pty Ltd	Australia	Water and waste-water treatment	100.00%
Akwa Facility Maintenance Pty Ltd	Australia	Water and waste-water treatment	100.00%
De.mem Pte Ltd	Singapore	Water and waste-water treatment	100.00%
De.mem Vietnam Ltd	Vietnam	Technical Advisory services	100.00%
De.mem-Pumptech Pty Ltd	Australia	Water and waste-water treatment	100.00%
De.mem-Geutec GmbH	Germany	Water and waste-water treatment	75.00%
De.Mem-Capic Pty Ltd	Australia	Water and waste-water treatment products	100.00%
Stevco Seals and Pump Victoria Pty Ltd	Australia	Water and waste-water treatment products	100.00%

#### Control gained over businesses

The acquired business contributed revenues of \$0.64 million and profit after tax of \$0.01 million to the consolidated entity for the period from the date of acquisition to 30 June 2022.

If the acquisition of Stevco had been completed on the first day of the financial year, the proforma Group revenue for the half year ended 30 June 2022 would have been \$9.91 million and the Group loss would have been \$1.86 million.

### 5. Details of associates


Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
Aromatec Pte Ltd	31.56%	31.56%	-	-
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			-	-

### 6. Independent Review Report

*Details of audit/review dispute or qualification (if any):*

The financial statements were subject to a review by the auditors and the review report is attached as part of the Consolidated Interim Financial Report.

**7. Signed**

Signed  \_\_\_\_\_

Date: 30 August 2022

Mr Andreas Kroell  
Chief Executive Officer and Director  
Melbourne

**De.mem Limited**

**ABN 12 614 756 642**

**Consolidated Interim Financial Report - 30 June 2022**

**De.mem Limited**  
**Corporate directory**  
**30 June 2022**

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 Danny Conlon - Non-Executive Director (appointed on 20 June 2022)
Co-company secretaries	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	<a href="http://www.demembranes.com">www.demembranes.com</a>

**De.mem Limited**  
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## **Review of operations and financial position**

### *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. It 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.

De.mem's business model is generating high margin, recurring revenues from industrial key accounts, from the following segments:

- Operations & Maintenance contracts, under which De.mem operates & maintains the clients' water and waste-water treatment facilities.
- Build, Own, Operate (“BOO”) or Build, Own, Operate, Transfer (“BOOT”) services. 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.
- Specialty chemicals required in water and waste-water treatment as well as in industrial processes, such as anti-scalants, membrane cleaning agents, process chemicals and flocculants & coagulants. The Company blends its specialty chemicals at its facilities in Perth, Australia, and Velbert, Germany.
- The sale of pumps, small water treatment equipment and the ongoing maintenance of the same, as well as the sale of membranes and other consumables required during the ongoing operations of industrial water and waste-water treatment plants.

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. 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.

### *H1 2022 Highlights*

Strong margins, reduced underlying EBITDA loss, on track to achieving underlying EBITDA break even:

- Gross margin of 34% (up from 25% in 2018)
- Adjusted EBITDA loss in the 6 months ended 30 June 2022 reduced to \$0.80 million (thereof approx.\$0.47 million in the March quarter and approx. \$0.33 million in the June quarter)
- Targeting to achieve quarterly underlying EBITDA and/or operating cash flow break even by H1 FY2023

### *Strong growth of high-margin recurring revenue segments*

- Share of high margin recurring revenue segments up to >90% of total revenues
- Recurring revenue growth of approx. 55% vs. pcp

### *Expansion of service offering*

- Signed important \$1.7m contract with Rio Tinto, with a minimum term of 3 years
- Two previously announced BOO projects about to start generating revenues/cash receipts

### *Signed key partnership for launch of Graphene Oxide membrane*

- Signed partnership with Puraify, Canada, related to the commercial launch of De.mem's Graphene Oxide membrane into the North American market for domestic water filtration

*Track record of successful bolt-on acquisitions expanded*

- Acquired Stevco Seals & Pumps Pty Ltd, Epping/Melbourne, Victoria, a well-established, profitable supplier of pumps, small water treatment equipment and related maintenance services to industrial customers in Victoria

*Business Development & Operations*

During H1 2022, De.mem progressed with the manufacturing of waste-water treatment systems under two important Build, Own, Operate contracts, which had been awarded to the Company in H2 2021:

- The manufacturing of a containerized waste-water treatment plant under a Build, Own, Operate and Transfer ("BOOT") contract which was announced to the ASX on 15 September 2021 (see ASX release, "New contracts in move to service-based business model"). This contract is worth approx. \$2.0 million in total revenues over a fixed term of 5 years.
- The construction of a waste-water treatment plant under a Build, Own, Monitor & Transfer contract with the Selwyn Snow Resort in New South Wales, Australia (see ASX release dated 8 December 2021, "First water treatment contract with Australian snow resort"). The contract has a term of 5 years with a total value of approx. \$1.0 million in revenues.

Both contracts will have a positive impact on De.mem's cash receipts, revenues and margins from the 2<sup>nd</sup> half of CY 2022 onwards.

On 22 June 2022, De.mem announced the signing of a key service contract with Rio Tinto. The contract has a duration of 3 years and relates to the operations & maintenance of the water and waste-water treatment facilities at Rio Tinto's Amrun mine in Northern Queensland. The contract has a value of at least \$1.70 million, with additional revenue potential from the sale of chemicals and consumables.

Subsequent to 30 June 2022, on 19 July 2022, De.mem announced a new partnership with Purafy, Canada, related to the commercialization of the Company's Graphene Oxide ("GO") membrane technology (see the ASX release dated 19 July 2022, "De.mem Signs Technology Commercialization Partnership Agreement" for further details). Purafy is part of Grafold Inc., Canada, a graphene research, development and investment company, and promotes a range of products for domestic water treatment filtration as well as portable water treatment systems. Through the partnership, De.mem intends to launch the GO membrane technology initially into domestic point-of-use and point-of-entry water purification applications, which is estimated to be a US\$82.6bn global market by 2027 (source: *Market Research Future, study on the Water Purifier Market, May 2021*).

*Strategic Development*

On 22 March 2022, De.mem Ltd announced the acquisition of 100% in the shares of Stevco Seals & Pumps Victoria Pte Ltd, Epping/Melbourne, Victoria ("Stevco").

Established in and operating since 2004, Stevco is a well-known supplier of pumps, small water treatment equipment and related operations & maintenance services to industrial and municipal clients in Victoria. Stevco has a reputation of supplying highest quality products and services. Stevco's long-term customer base includes leading industrial players from the food & beverage, agricultural and heavy industrial sectors, as well as a number of municipalities in Victoria.

The company generated approx. \$2.3 million in annual revenues during the past 3 business years (on average) prior to the transaction. It generated approx. \$0.33 million in underlying EBITDA (adjusted for one-off items). Revenues are largely recurring and a significant percentage is generated from the rendering of operations & maintenance services.

De.mem acquired Stevco for \$1.25 million in cash and \$0.25 million in DEM shares, plus an additional \$0.18 million in cash and \$0.03 million in shares for Stevco's inventory. This values Stevco at approx. 4.5x underlying EBITDA (excluding the payment for Stevco's inventory and potential milestone payments).

There is a strong strategic rationale for the transaction, which includes the following considerations:

- Stevco brings an extensive, well-established industrial customer base in Victoria into De.mem group
- Substantial opportunity to cross-sell De.mem's wide product range and advanced membrane technology
- Strong operational synergies with De.mem-Pumptech business in Tasmania
- Completion of De.mem group's Australian-wide footprint with nationwide service & support capability
- Recurring revenue focus as large part of revenues generated from operations & maintenance services
- Profitable business with approx. \$0.33 million in underlying EBITDA per annum generated
- Accretive and well-priced acquisition



### *Financials*

De.mem Group revenues increased by 1% to \$9.20 million in H1 2022 (H1 2021: 9.1 million). The revenue recognition in the prior corresponding period (H1 2021) included a relatively high contribution from the Company's projects business segment (approx. 35% of total revenues).

The vast majority of revenues in H1 2022 (>90%) were derived from De.mem's recurring revenue segments, which include the Company's services (BOO and Operations & Maintenance contracts), specialty chemicals and pumps & small water treatment equipment business segments. The recurring revenue segments comprise the revenues from the rendering of services and the sale of goods as per note 4 in the *"Notes to the Consolidated Financial Statements"*.

Total cash receipts in the 6 months ended 30 June 2022 are \$10.73 million, up by approx. 27% vs. \$8.43 million in the 6 months ended 30 June 2021.

Due to the focus on the high margin recurring revenue segments, gross margins (gross profit divided by revenues) increased from 25% in 2018, 26% in 2019 and 31% in 2020, to 33.6% in 2021 and 34.0% in H1 2022.

With the clear focus on growing its recurring revenue segments and Build, Own, Operate and service contracts, complemented by bolt-on acquisitions of profitable businesses with a strong industrial customer base, De.mem's strategy has continued to shift towards achieving underlying EBITDA and operating cash flow break even. In H1 2022, De.mem recorded an underlying EBITDA loss of approx. \$0.80 million; thereof approx. \$0.47 million in the March Quarter and approx. \$0.33 million in the June quarter.

Thanks to the strategic shift towards the high margin recurring revenue segments and strict cost control, De.mem now expects to achieve underlying EBITDA break-even at approx. \$23-25 million in annual revenues (previously: \$26 million).

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

	<b>H1 2022</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000*</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Loss before taxes</b>	(1,889)	(4,362)	(3,535)
Depreciation and amortisation	775	1,264	646
Interest expenses (net of interest income)	63	159	112
Business acquisition cost**	23	353	-
Share based payments expense	228	60	517
Doubtful debts expense	-	63	-
Inventory write-offs (within cost of goods sold)	-	197	-
Others***	-	80	-
Adjustments for one off Covid-19 support payments	-	-	(830)
	<u>(800)</u>	<u>(2,186)</u>	<u>(3,090)</u>

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

*\*\*Cost items related to the acquisition of Capic and Stevco which were expensed – including stamp duty and a part of the first milestone payment*

*\*\*\*Legal fees of one-off nature and severance payments*

Net loss before taxes for the year amounted to approx. \$1.89 million during the period. The reported net loss includes:

- a number of non-cash expenses including depreciation and goodwill amortization of \$0.78 million, which increased significantly vs. prior year due to the amortization of intangible assets resulting from the acquisition of Stevco;
- share based payments expense of approx. \$0.3 million; and
- business acquisition cost related to the acquisition of Stevco of \$0.02 million.

**De.mem Limited**  
**Directors' report**  
**30 June 2022**

Net assets were \$13.16 million as at 30 June 2022 (\$14.38 million as at 31 December 2021).

As of 30 June 2022, De.mem has approx. \$4.01 million in cash and term deposits. This excludes another approx. \$2.80 million in net proceeds from a capital raise completed in August 2022, as detailed in note 10 to the consolidated financial statements.

*Corporate*

On 24 May 2022, De.mem Limited held its 2022 Annual General Meeting, with all resolutions being passed.

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 half-year ended 30 June 2022.

### **Key risks and uncertainties**

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

#### *Covid-19*

There is a risk to the business from a potential deterioration of the Covid-19 pandemic. Should there be new lockdowns, this could have a substantial impact on De.mem's business, in particular the ability to secure new contracts and build new and existing customer relationships.

#### *Overall macroeconomic situation*

The worldwide macroeconomic situation appears fragile, in particular since the war in the Ukraine started in H1 2022. Should the crisis worsen and result in global macroeconomic recession, there could be an impact on De.mem's business or growth rates.

#### *Inability to retain key personnel and to recruit new qualified personnel*

The successful operation and expansion of De.mem's business relies on the company's ability to recruit and retain experienced and skilled management, scientists, engineers and technicians. Product know how, product development efforts and well as relationships with certain clients might be dependent on single individuals. The loss of such individuals could have an impact on De.mem's business or growth rates. Also, the labour market for such qualified staff is increasingly competitive, which can lead to increased labour costs for De.mem and a decline of its financial margins.

De.mem has addressed the risk through the introduction of appropriate incentive schemes including the payment of cash performance bonuses to senior staff and the award of share options and performance shares.

#### *Inflation and higher prices for raw materials and components*

Most countries are currently experiencing high inflation rates. De.mem is buying a substantial amount of raw materials and components for its business and hence, exposed to potential price increases. Higher prices could have a negative impact on De.mem's profitability and margins.

De.mem addresses the risk through supplier management, i.e. ensuring that there are alternative suppliers for key raw materials and components.

#### *Workplace accidents*

De.mem is providing on-site installations and service work at mining and other industrial sites. De.mem's staff are exposed to a general risk of workplace accidents.

De.mem addresses this risk through appropriate operational health & safety policies and compliance with the customer's site requirements, as well as adequate insurance policies.

#### *Contract liability and warranty*

Given the nature of De.mem's business, there is a risk of claims made by customers for indemnities or damages which may arise in connection with significant contracts.

De.mem addresses the risk through strict contract management and review and the ongoing review of insurance policies.

#### *Legal & regulatory risk*

In particular with respect to its service contracts and on-site maintenance work, the company may be exposed to environmental and regulatory regulations. The failure to meet such requirements may result in financial damages.

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

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 half-year ended 30 June 2022.

## **Directors**

The following persons were directors of De.mem Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Cosimo Trimigliozi - Non-Executive Chairman  
Andreas Kroell - Chief Executive Officer and Director  
Bernd Dautel - Non-Executive Director  
Stuart Carmichael - Non-Executive Director  
Michael Edwards - Non-Executive Director  
Danny Conlon - Non-Executive Director (appointed on 20 June 2022)

## **Principal activities**

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.

## **Review of operations**

Refer to the Review of Operations in the preceding section.

## **Significant changes in the state of affairs**

On 23 February 2022, the Company issued 387,958 fully paid ordinary shares (Shares) at a deemed issue price of \$0.3222 (32.22 cents) per Share to the vendor of the Capic Business (Capic) in connection with the Capic acquisition as announced on 1 April 2021.

On 1 April 2022, the Company acquired the Stevco business pursuant to the execution of a sales and purchase agreement with the vendor. Stevco is a well-known supplier of pumps, small water treatment equipment and related operations & maintenance services to industrial and municipal clients in Victoria. Stevco's long-term customer base includes leading industrial players from the food & beverage, agricultural and heavy industrial sectors, as well as a number of municipalities in Victoria.

The consideration paid/payable for the acquisition of the Stevco business is as follows:

- \$1.25 million in cash plus \$0.25 million in the Company's shares (based on the weighted average share price during the 20 trading days prior to the agreement date) upfront as "base consideration"; plus
- \$0.18 million in cash plus \$0.03 million in Company's shares (based on the weighted average share price during the 20 trading days prior to the agreement date) upfront for Stevco's inventory.

Included in the share sale agreement was the requirement of the selling shareholders to enter binding employment agreements for a 24-month period. During this period there are milestone performance criteria based on revenue targets over 12 and 24-month periods. These subsequent share and cash payments are not deemed contingent consideration as the commercial substance of the payment arrangement requires continued service, and instead is treated as remuneration when the performance criteria are met.

The milestone performance criteria are as follows:

- \$50,000 in cash plus \$50,000 in DEM shares (based on the weighted average share price during the 20 trading days prior to 31 March 2023 after the completion of the transaction), subject to Stevco achieving at least \$3 million in revenue in the year ended 31 March 2023; plus
- \$50,000 in cash plus \$50,000 in DEM shares (based on the weighted average share price during the 20 trading days prior to 31 March 2024, subject to Stevco achieving at least \$4 million in revenues in the year ended 31 March 2024.

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**Directors' report**  
**30 June 2022**

On 1 April 2022, the Company granted 2,000,000 unlisted options to a corporate advisor at the exercise price of \$0.2795 per share. The options will be issued in advance of each quarter of 500,000 options per quarter with the life of 3 years post their respective issuance. The first tranche of 500,000 was issued on 1 June 2022.

On 20 June 2022, the Company appointed Mr Danny Conlon as non-executive director.

On 24 June 2022 the Company has issued a total of 100,000 Fully Paid Ordinary Shares in relation to the exercise of vested performance rights with no consideration.

On 27 June 2022, the Company issued 500,000 unlisted options to the newly appointed non-executive director at the exercise of \$0.2237 per share, expiring on 23 June 2025.

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

**Matters subsequent to the end of the financial half-year**

On 3 August 2022 the Company has issued a total of 20,197,358 Fully Paid Ordinary Shares (Shares) at an issue price of \$0.1400 (14.00 cents) per Share to institutional and sophisticated investors.

No other matter or circumstance has arisen since 30 June 2022 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.

**Environmental regulation**

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

**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.

**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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001. The directors have the power to amend and reissue the financial statements.

On behalf of the directors



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Mr Andreas Kroell  
Chief Executive Officer and Director

30 August 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 half-year ended 30 June 2022 there have been:

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

William Buck

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

N. S. Benbow

**N. S. Benbow**  
Director  
Melbourne, 30<sup>th</sup> August 2022

**De.mem Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the half-year ended 30 June 2022**

	<b>Consolidated</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	9,203	9,150
Cost of sales	(6,067)	(6,012)
Gross profit	3,136	3,138
Administrative expenses	(4,049)	(4,274)
Other income	110	86
<b>Operating loss</b>	<b>(803)</b>	<b>(1,050)</b>
Finance income	3	4
Finance costs	(63)	(67)
Share based payments	(228)	(27)
Depreciation and amortisation	(775)	(439)
Business acquisition costs	(23)	(47)
Share of loss on investment in associate	-	(15)
<b>Loss before income tax expense</b>	<b>(1,889)</b>	<b>(1,641)</b>
Income tax expense	(28)	(18)
<b>Loss after income tax expense for the half-year</b>	<b>(1,917)</b>	<b>(1,659)</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation	66	120
Other comprehensive income for the half-year, net of tax	66	120
<b>Total comprehensive loss for the half-year</b>	<b>(1,851)</b>	<b>(1,539)</b>
Loss for the half-year is attributable to:		
Non-controlling interest	23	40
Owners of De.mem Limited	(1,940)	(1,699)
	<b>(1,917)</b>	<b>(1,659)</b>
Total comprehensive loss for the half-year is attributable to:		
Non-controlling interest	23	40
Owners of De.mem Limited	(1,874)	(1,579)
	<b>(1,851)</b>	<b>(1,539)</b>
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(0.87)	(0.86)
Diluted loss per share	(0.87)	(0.86)

*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 30 June 2022**

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 June 2022 \$'000</b>	<b>31 December 2021 \$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	4,013	8,688
Trade and other receivables		3,096	2,869
Inventories		939	718
Other currents assets - term deposits		87	136
Prepayments		311	137
Contract assets		361	290
Total current assets		8,807	12,838
<b>Non-current assets</b>			
Other currents assets - term deposits		-	197
Property, plant and equipment		3,826	2,658
Right-of-use assets		1,102	1,303
Intangibles		6,163	5,056
Total non-current assets		11,091	9,214
<b>Total assets</b>		<b>19,898</b>	<b>22,052</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		2,998	3,791
Contract liabilities		223	109
Borrowings		253	148
Lease liabilities		369	390
Employee benefits		877	785
Other provision		30	-
Deferred consideration payable for business acquisitions		179	181
Contingent consideration payable for business acquisitions		121	250
Total current liabilities		5,050	5,654
<b>Non-current liabilities</b>			
Contract liabilities		574	634
Borrowings		245	138
Lease liabilities		718	964
Employee benefits		31	43
Contingent consideration payable for business acquisitions		117	238
Total non-current liabilities		1,685	2,017
<b>Total liabilities</b>		<b>6,735</b>	<b>7,671</b>
<b>Net assets</b>		<b>13,163</b>	<b>14,381</b>
<b>Equity</b>			
Issued capital	6	36,654	36,243
Reserves		716	452
Accumulated losses		(24,263)	(22,347)
Equity attributable to the owners of De.mem Limited		13,107	14,348
Non-controlling interest		56	33
<b>Total equity</b>		<b>13,163</b>	<b>14,381</b>

*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 half-year ended 30 June 2022**

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Foreign currency translation reserve \$'000</b>	<b>Share based payment reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Non-controlling interest \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 January 2021	24,054	25	552	(17,916)	-	6,715
Profit/(loss) after income tax expense for the half-year	-	-	-	(1,699)	40	(1,659)
Other comprehensive income for the half-year, net of tax	-	120	-	-	-	120
Total comprehensive income/(loss) for the half-year	-	120	-	(1,699)	40	(1,539)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs	10,935	-	-	-	-	10,935
Share-based payments	-	-	27	-	-	27
Balance at 30 June 2021	<u>34,989</u>	<u>145</u>	<u>579</u>	<u>(19,615)</u>	<u>40</u>	<u>16,138</u>

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Foreign currency translation reserve \$'000</b>	<b>Share based payment reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Non-controlling interest \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 January 2022	36,243	162	290	(22,347)	33	14,381
Profit/(loss) after income tax expense for the half-year	-	-	-	(1,940)	23	(1,917)
Other comprehensive income for the half-year, net of tax	-	66	-	-	-	66
Total comprehensive income/(loss) for the half-year	-	66	-	(1,940)	23	(1,851)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued for acquisition of Stevco (note 9)	280	-	-	-	-	280
Shares issued for acquisition of Capic business (note 6)	125	-	-	-	-	125
Exercise of options	6	-	(6)	-	-	-
Vesting charge for share based payments	-	-	228	-	-	228
Lapsed/forfeited of options	-	-	(24)	24	-	-
Balance at 30 June 2022	<u>36,654</u>	<u>228</u>	<u>488</u>	<u>(24,263)</u>	<u>56</u>	<u>13,163</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 half-year ended 30 June 2022**

	<b>Consolidated</b>	
<b>Note</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	10,730	8,427
Payments to suppliers and employees (inclusive of GST)	(12,191)	(10,084)
	(1,461)	(1,657)
Interest received	3	4
Other receipts	110	190
Interest and other finance costs paid	(63)	(67)
Income taxes paid	(28)	(18)
Net cash used in operating activities	(1,439)	(1,548)
<b>Cash flows from investing activities</b>		
Payment for purchase of Stevco, net of cash acquired	9 (1,363)	-
Payment for purchase of Capic business, net of cash acquired	(308)	(3,180)
Payments for property, plant and equipment	(1,461)	(573)
Payments for intangibles	(142)	-
(Investment in)/proceeds from settlement of term deposits	246	9
Net cash used in investing activities	(3,028)	(3,744)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	10,610
Share issue transaction costs	-	(705)
Repayment of borrowings	-	(57)
Proceeds from borrowings	149	45
Repayment of lease liabilities	(271)	(127)
Net cash from/(used in) financing activities	(122)	9,766
Net increase/(decrease) in cash and cash equivalents	(4,589)	4,475
Cash and cash equivalents at the beginning of the financial half-year	8,608	4,638
Effects of exchange rate changes on cash and cash equivalents	(6)	46
Cash and cash equivalents at the end of the financial half-year	<u>4,013</u>	<u>9,159</u>

*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**  
**30 June 2022**

**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 half-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 30 August 2022.

**Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 30 June 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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.

**Note 3. Segment Reporting**

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

**De.mem Limited**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**Note 3. Segment Reporting (continued)**

<b>Consolidated – 30 June 2022</b>	<b>Singapore \$'000</b>	<b>Australia \$'000</b>	<b>Germany \$'000</b>	<b>Other \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>					
Revenue from external customers	389	7,295	1,651	-	9,335
Intersegment revenue	(71)	(61)	-	-	(132)
<b>Total revenue</b>	<u>318</u>	<u>7,234</u>	<u>1,651</u>	<u>-</u>	<u>9,203</u>
<b>EBITDA</b>	(118)	(598)	129	(213)	(800)
Depreciation and amortisation	(129)	(460)	(22)	(164)	(775)
Business acquisition cost	-	-	-	(23)	(23)
Interest revenue	-	-	-	3	3
Finance costs	(3)	(59)	-	(4)	(66)
Share based payments expense	-	-	-	(228)	(228)
<b>Profit/(loss) before income tax expense</b>	<u>(250)</u>	<u>(1,117)</u>	<u>107</u>	<u>(629)</u>	<u>(1,929)</u>
Income tax expense					(28)
<b>Loss after income tax expense</b>					<u>(1,917)</u>
<b>Assets</b>					
Segment assets	365	21,640	1,602	-	23,607
Intersegment eliminations					(3,709)
<b>Total assets</b>					<u>19,898</u>
<b>Liabilities</b>					
Segment liabilities	724	10,471	413	-	11,608
Intersegment eliminations					(4,873)
<b>Total liabilities</b>					<u>6,735</u>
<b>Consolidated - 30 June 2021</b>	<b>Singapore \$'000</b>	<b>Australia \$'000</b>	<b>Germany \$'000</b>	<b>Other \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>					
Revenue from external customers	117	7,728	1,481	-	9,326
Intersegment revenue	(5)	(171)	-	-	(176)
<b>Total revenue</b>	<u>112</u>	<u>7,557</u>	<u>1,481</u>	<u>-</u>	<u>9,150</u>
<b>EBITDA</b>	(456)	(379)	205	(505)	(1,135)
Depreciation and amortisation	(87)	(146)	(21)	(185)	(439)
Finance costs	(3)	(59)	(5)	-	(67)
<b>Profit/(loss) before income tax expense</b>	<u>(546)</u>	<u>(584)</u>	<u>179</u>	<u>(690)</u>	<u>(1,641)</u>
Income tax expense					(18)
<b>Loss after income tax expense</b>					<u>(1,659)</u>
Segment result	<u>(546)</u>	<u>(584)</u>	<u>179</u>	<u>(693)</u>	<u>(1,644)</u>
<b>Consolidated – 31 December 2021</b>					
<b>Assets</b>					
Segment assets	2,107	11,346	705	23,012	37,170
Intersegment eliminations					(15,118)
<b>Total assets</b>					<u>22,052</u>
<b>Liabilities</b>					
Segment liabilities	393	16,757	425	388	17,963
Intersegment eliminations					(10,292)
<b>Total liabilities</b>					<u>7,671</u>

#### Note 4. Revenue

##### Disaggregation of revenue

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

	Rendering of services \$'000	Sale of goods \$'000	Projects and equipment \$'000	Total \$'000
<b>Consolidated – 30 June 2022</b>				
<i>Geographical regions</i>				
Australia	1,373	5,151	710	7,234
Singapore	318	-	-	318
Germany	123	1,478	50	1,651
	<u>1,814</u>	<u>6,629</u>	<u>760</u>	<u>9,203</u>
<i>Timing of revenue recognition</i>				
Goods transferred at a point in time	-	6,629	-	6,629
Services transferred at a point in time	1,814	-	-	1,814
Services transferred over time	-	-	760	760
	<u>1,814</u>	<u>6,629</u>	<u>760</u>	<u>9,203</u>
	Rendering of services \$'000	Sale of goods \$'000	Projects and equipment \$'000	Total \$'000
<b>Consolidated - 30 June 2021</b>				
<i>Geographical regions</i>				
Australia	1,437	2,433	3,682	7,552
Singapore	117	-	-	117
Germany	-	1,481	-	1,481
	<u>1,554</u>	<u>3,914</u>	<u>3,682</u>	<u>9,150</u>
<i>Timing of revenue recognition</i>				
Goods transferred at a point in time	-	3,914	-	3,914
Services transferred at a point in time	1,554	-	-	1,554
Services transferred over time	-	-	3,682	3,682
	<u>1,554</u>	<u>3,914</u>	<u>3,682</u>	<u>9,150</u>

#### Note 5. Cash and cash equivalents

	Consolidated	
	30 June 2022 \$'000	31 December 2021 \$'000
<i>Current assets</i>		
Cash on hand	2	2
Cash at bank	2,170	4,339
Cash on deposit	1,841	4,347
	<u>4,013</u>	<u>8,688</u>

**Note 6. Issued capital**

	Consolidated			
	30 June 2022 Shares	31 December 2021 Shares	30 June 2022 \$'000	31 December 2021 \$'000
Ordinary shares – fully paid	<u>222,994,691</u>	<u>221,150,572</u>	<u>36,654</u>	<u>36,243</u>

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$'000
Balance	1 January 2022	221,150,572		36,243
Issue of shares as partial consideration for acquisition of Capic business	23 February 2022	387,958	\$0.32	125
Issue of shares as partial consideration for acquisition of Stevco	1 April 2022	1,356,161	\$0.21	280
Exercise of performance rights	23 June 2022	<u>100,000</u>	<u>\$0.00</u>	<u>6</u>
Balance	30 June 2022	<u>222,994,691</u>		<u>36,654</u>

**Note 7. Fair value measurement**

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 7. Fair value measurement (continued)**

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

Level 3: Unobservable inputs for the asset or liability

<b>Consolidated – 30 June 2022</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<i>Liabilities</i>				
Contingent consideration payable for business acquisitions	-	238	-	238
Total liabilities	-	238	-	238
<b>Consolidated – 31 December 2021</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<i>Liabilities</i>				
Contingent consideration payable for business acquisitions	-	488	-	488
Total liabilities	-	488	-	488

There were no transfers between levels during the financial half-year.

**Note 8. 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 \$0.92 million.

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's last financial statements prior to the exercise of the option.

At 30 June 2022, management have assessed that this outcome is possible, but not probable. This will be reassessed in future reporting periods.

As at 30 June 2022 there are \$0.28 million in term deposits held, representing bank warranties relating to two projects and the completion of the defect liability period.

**Note 9. Business combinations**

**Stevco acquisition**

On 1 April 2022, the Company acquired 100% in the shares of Stevco Seals & Pumps Victoria Pty Ltd, Epping, Victoria, Australia ("Stevco").

Established in and operating since 2004, Stevco is a well-known supplier of pumps, small water treatment equipment and related operations & maintenance services to industrial and municipal clients in Victoria. Stevco has a reputation of supplying highest quality products and services. Stevco's long-term customer base includes leading industrial players from the food & beverage, agricultural and heavy industrial sectors, as well as a number of municipalities in Victoria.

The Company acquired Stevco for \$1.25 million in cash and 1,210,857 Company's fully paid ordinary shares at \$0.2065 each (fair value of the share price on acquisition date), plus an additional \$0.18 million in cash and 145,303 Company's fully paid ordinary shares at \$0.2065 each for Stevco's inventory.

**Note 9. Business combinations (continued)**

Included in the share sale agreement was the requirement of the selling shareholders to enter binding employment agreements for a 24-month period. During this period there are milestone performance criteria based on revenue targets over 12 and 24-month periods. These subsequent share and cash payments are not deemed contingent consideration as the commercial substance of the payment arrangement requires continued service, and instead is treated as remuneration when the performance criteria are met.

The milestone performance criteria are as follows:

- \$50,000 in cash plus \$50,000 in DEM shares (based on the weighted average share price during the 20 trading days prior to 31 March 2023 after the completion of the transaction), subject to Stevco achieving at least \$3 million in revenue in the year ended 31 March 2023; plus
- \$50,000 in cash plus \$50,000 in DEM shares (based on the weighted average share price during the 20 trading days prior to 31 March 2024, subject to Stevco achieving at least \$4 million in revenues in the year ended 31 March 2024.

The acquisition has been accounted for under AASB3 Business combinations. The provisional fair value of customer relationships of \$1.31 million represents the value of future benefits that will accrue to the Group in the future from the Stevco's customer base on the date of acquisition. The acquired business contributed revenues of \$0.64 million and profit after tax of \$0.14 million to the consolidated entity for the period from the date of acquisition to 30 June 2022.

If the acquisition of Stevco had been completed on the first day of the financial year, pro forma Group revenue for the half year ended 30 June 2022 would have been \$9.91 million and the Group loss would have been \$1.86 million.

Details of the provisional fair values of the identifiable net assets upon acquisition are as follows:

	<b>Provisional fair value \$'000</b>
Cash and cash equivalents	67
Trade receivables and other receivables	617
Tax recoverable	12
Inventories	210
Plant and equipment	71
Customer relationships	1,312
Trade and other payables	(468)
Employee benefits	(80)
Borrowings	(61)
	<hr/>
Acquisition-date provisional fair value of the total consideration transferred	1,680
	<hr/>
Representing:	
Cash paid	1,430
De.mem Limited shares issued to vendor	280
Receivables from vendor	(30)
	<hr/>
	1,680
	<hr/>
Cash used to acquire business, net of cash acquired:	
Acquisition-date provisional fair value of the total consideration transferred	1,680
Add: receivable from vendor	30
Less: cash acquired	(67)
Less: shares issued by company as part of consideration	(280)
	<hr/>
Net cash used	1,363
	<hr/>



**Note 10. Events after the reporting period**

On 3 August 2022 the Company has issued a total of 20,197,358 Fully Paid Ordinary Shares (Shares) at an issue price of \$0.1400 (14.00 cents) per Share to institutional and sophisticated investors.

No other matter or circumstance has arisen since 30 June 2022 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.

**De.mem Limited**  
**Directors' declaration**  
**30 June 2022**

In the directors' opinion:

- The consolidated interim financial statements and notes comply with the Corporations Act 2001, and Australian Accounting Standard AASB 134 'Interim Financial Reporting' and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial half-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.

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



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Mr Andreas Kroell  
Chief Executive Officer and Director

30 August 2022  
Melbourne

## De.mem Limited Independent auditor's review report

### REPORT ON THE REVIEW OF THE HALF-YEAR FINANCIAL REPORT

#### Conclusion

We have reviewed the accompanying half-year financial report of De.mem Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (together, the consolidated group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of De.mem Limited is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the half year ended on that date; and
- b. complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### Responsibility of Management for the Financial Report

The directors of the De.mem Limited are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 30 June 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

William Buck

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

N. S. Benbow

**N. S. Benbow**  
Director

Melbourne, 30<sup>th</sup> August 2022