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SEPTEMBER 2022 QUARTERLY ACTIVITIES REPORT: RECORD CASH RECEIPTS, EBITDA SIGNIFICANTLY IMPROVED, NEW CONTRACTS SIGNED

Key Highlights

- **Best ever September Quarter in Company history** with approx. $5.5m in cash receipts
- **Growth momentum continues** with 14 successive quarters of cash receipts growth vs pcp
- **Strong focus on generating recurring revenue, with recurring revenues up to > 90% of total cash receipts in September Quarter 2022 (up from 38% in CY 2018)**
- **Signed key new contracts during/after the quarter:**
  - $2.1 million Build, Own, Operate agreement with Givaudan over 6 years
  - $1.4 million contract for the supply of a water treatment plant to a subsidiary of South 32
- **Signed commercial partnership to take new Graphene-Oxide membrane filter technology into North America for domestic water treatment applications**
- **Completed integration of profitable German De.mem-Geutec subsidiary with acquisition of remaining 25% stake**
- **Quarterly EBITDA improved to approx. $-230,000 (unaudited); targeting quarterly EBITDA and/or operating cash flow break even by H1 CY 2023**
- **Company well-funded following $3 million capital raising with cash plus term deposits of approx. $5.7 million as of 30 September 2022**

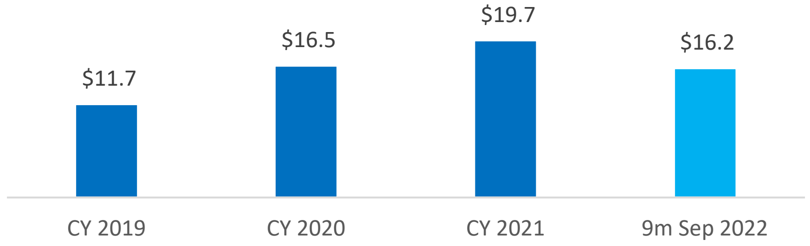
27 October 2022: Industrial water and wastewater treatment company De.mem Limited (ASX: DEM) ("De.mem" or "the Company") is pleased to report strong September Quarter 2022 results.

Growth Continues with Focus on Recurring Revenue Segments

De.mem is delighted to report cash receipts of $5.5m, the Company's highest ever cash receipts in a September Quarter. Cash Receipts are up by approx. 8% vs. $5.1m in the September Quarter 2021. Total cash receipts in the 9 months ended 30 June 2022 are $16.2m, up by approx. 17% vs. $13.8m in the 9 months ended 30 September 2021.

De.mem has now recorded 14 consecutive quarters of cash receipts growth vs. prior corresponding period (pcp) – despite the extremely challenging macroeconomic environment due to the Covid-19 pandemic in CY2020 and 2021, and the global economic challenges in CY 2022.

CHART 1: CASH RECEIPTS GROWTH SINCE CY 2019 (IN A$ MILLION)



Growth of Recurring Revenue Segments Continues to >90% Recurring Revenue

In line with the strategy communicated to the Company's shareholders, growth initiatives remain focused on De.mem's recurring revenue segments.

De.mem has successfully evolved its business model over the past three years, by growing the share of cash receipts from recurring revenue segments vs. total cash receipts generated from 38% in CY 2018 to more than 90% in the September Quarter 2022.

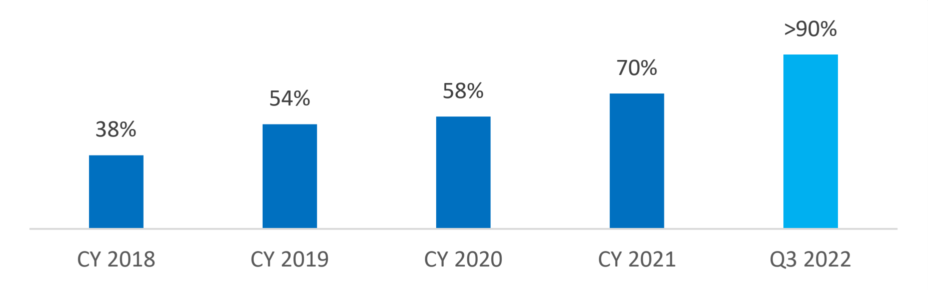
In absolute numbers, De.mem has generated $13.8m in recurring cash receipts in the 9 months ended 30 September 2022, reflecting of 47% vs the prior corresponding period in 2021 ($9.4m in recurring cash receipts recorded in the 9 months ended 30 September 2021).

De.mem forecasts recurring cash receipts of $17.5 - 20m for the full CY 2022, corresponding to a growth rate between 28% - 46% vs. CY 2021 recurring cash receipts of $13.8m.

De.mem's recurring revenue segments are very predictable and generate above industry average gross margins. The recurring revenue growth continues to enhance the margin profile across the combined business (gross margin up from 18.3% in CY 2017 to 34.1% in H1 CY 2022).

The strategy results in a high-quality revenue/business model and comprehensive offering of products & services which is unique within the water treatment industry. It brings long-term, stable customer relationships and key accounts to De.mem, which provide a strong opportunity for the cross-selling of other De.mem products.

CHART 2: RECURRING CASH RECEIPTS VS. TOTAL CASH RECEIPTS



Recurring revenues segments include:

- Build, Own, Operate ("BOO") and Operations & Maintenance ("O&M") contracts.

As well as revenues related to goods and services which are essential to the operations of our client's water and wastewater treatment facilities and recurring in nature, these include:

- Regular maintenance work on water treatment equipment.
- Membrane replacement sales into existing facilities.
- Specialty chemicals sales.
- Sales of pumps and related services.
- Sales of small equipment and consumables.

While the Company's recurring revenue segments generate repeat orders, some minor seasonality may apply in between individual quarters subject to, for example, the timing/receipt of single payments, payment terms with individual customers and/or holiday periods.

Zero Churn in the BOO and O&M Segments

Under a Build, Own, Operate ("BOO") scheme, De.mem rents out water treatment equipment to a client, typically based on the Company's proprietary membrane technology as the key technological feature. Following the commissioning of the plant, De.mem then operates and maintains the equipment on behalf of the client, also providing all required replacement membranes, chemicals and consumables. The BOO contracts typically come with a fixed term of several years. The offering enables the Company to generate stable, recurring revenues streams from a reputable client base, and to build strong customer relationships.

The BOO offering combines De.mem's extended range of capabilities, from its advanced, proprietary membrane technology to the provision of operations & maintenance services and the supply of in-house

Australian-manufactured anti-scalants and other chemicals required during operations of membrane-based water treatment plants.

De.mem is pleased to advise that since the Company's inception, it has never lost a material contract to a competitor with respect to its BOO and O&M agreements (material contract defined as annual revenues above $100k). The Company's BOO and O&M business currently generates approx. $4.5-5 million in revenues per annum, including the sales of consumables to the respective client sites. This demonstrates the unique business proposition to customers who value De.mem's one-stop-shop offering and high quality of products and services supplied.

As the cost for the equipment supplied under a BOO contract is incurred upfront, the financial risks for De.mem from inflation are limited. For manpower/salaries, chemicals and consumables which are required during the operations phase, De.mem typically factors in price increases.

These respective segments due to their stickiness and high predictability in revenues remain a key focus area for the Company moving forward.

New $2.1m BOO Signed with Multinational Corporation in Singapore

On 29 August 2022, in line with the above strategy, the Company signed a fourth BOO contract in Singapore with existing multinational customer Givaudan (see ASX release dated 29 August 2022, "De.mem signs $2.1m BOO agreement"), reflecting continued execution of the Company's "land and expand" strategy.

Givaudan is the global leader in the creation of flavours and fragrances with sales of CHF 6.7 billion (AUD $10.0 billion) in 2021. Headquartered in Switzerland with local presence in over 185 locations, it has more than 16,800 employees worldwide.

This BOO contract has minimum value of $2.1 million of revenue payable to the Company over a fixed term of 6 years. The design and construction of the waste water treatment system has already begun and it is expected to be commissioned during the June Quarter 2023.

The contract is important as the food & beverage industry presents a large strategic opportunity for expansion. The industry provides strong demand for the wider one-stop-shop product and service offering of the Company, in particular the supply of membrane-based water treatment equipment, operations & maintenance services, as well as the supply of water treatment chemicals.

New $1.4m Project Award Received for Supply of a Water Treatment Plant into Mining Industry

After the end of the quarter, De.mem received a new contract award for the supply of a membrane-based water treatment plant to a mining site. The project is worth approx. $1.4m in revenue, the majority of which is expected to be recorded in CY 2023. The customer is a subsidiary of South 32.

While the contract is a project and effectively one-off in a nature, it provides the Company with the opportunity to sell chemicals, consumables and other water treatment products to the same client thus opening up a potentially larger opportunity over the longer term.

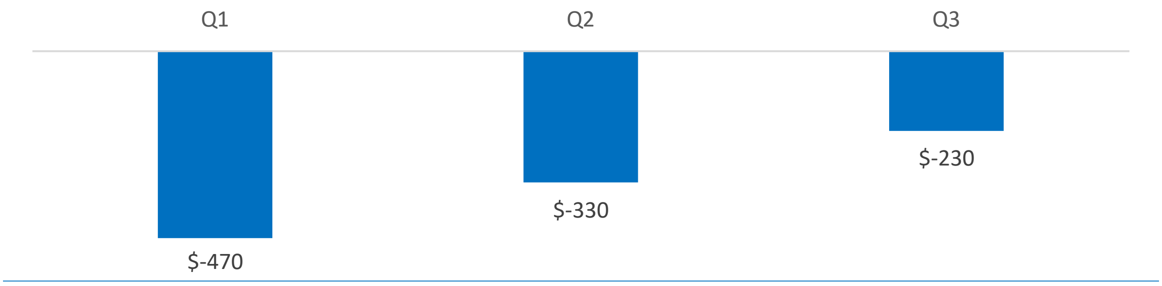
Significantly Improved EBITDA

The Company is pleased to report a substantially improved EBITDA result in the September quarter 2022. DEM recorded EBITDA of -$230,000, improving from -$330,000 in the June Quarter. This result demonstrates DEM's continued execution of the strategy to pursue recurring revenue growth whilst maintaining disciplined cost approach.

In H1 2022, De.mem recorded an underlying EBITDA loss of approx. -$800,000; thereof approx. -$470,000 in the March Quarter and approx. -$330,000 in the June quarter (see the Consolidated Interim Financial Report – 30 June 2022, "Review of Operations and Financial Position").

De.mem remains committed to its objective of achieving quarterly EBITDA and/or operating cash flow break even by H1 CY 2023 and has a considerable cash runway to achieving this outcome with $5.7 million in cash and term deposits as at 30 September 2022.

CHART 3: EBITDA RESULT PER QUARTER IN CY 2022 (IN A$ '000s)



Net operating cash outflows were approx. -$668,000 in the September Quarter 2022. The difference between the net operating cash outflows (-$668k) and the EBITDA loss (-$230k) mainly results from changes in working capital due to timing differences on payments (in particular, customer payments received after the end of the quarter).

Corresponding to this, total net working capital (trade receivables less trade and other payables) improved from $0.1m as of 30 June 2022 (see the Consolidated Interim Financial Report – 30 June 2022) to $0.6m as of 30 September 2022 (unaudited), indicating strong operating cash flows in the ongoing December 2022 quarter.

Payments to acquire businesses (line 2.1b in Appendix 4C) mainly relate to the final $150,000 tranche for the acquisition of De.mem-Pumptech (see the ASX release dated 29 July 2019, "De.mem announces strategic acquisition in Tasmania"). Please see the Appendix 4C attached to this release for further details regarding the breakdown of incoming and outgoing payments.

$3 million Placement Supports Growth Prospects

De.mem announced a $3 million share placement on 28 July 2022, supported by existing and new sophisticated investors. The use of funds supports the Company's growth plan and roadmap to achieve quarterly EBITDA and/or operating cash flow break even, and includes:

- The acquisition of the remaining 25% stake in German subsidiary De.mem-Geutec GmbH (see section below, "Acquisition of Remaining 25% Stake in Highly Profitable German Geutec Subsidiary");
- New Build, Own, Operate opportunities (see section above, "New $2.1m BOO Signed with Multinational Corporation in Singapore"); and
- Future acquisitions and general working capital / costs of the offer.

The closing balance of approx. $5.7 million in cash and term deposits (incl. approx. $0.2m in long term deposits) as of 30 September 2022 leaves the Company well-funded to execute on its ambitious growth plans.

World Leading Membrane Technology Provides Strong Competitive Advantage; New Partnership Signed During the Quarter for Expansion into North America

De.mem has a strong competitive advantage of proprietary and/or patented technology, underpinning the Company's unique portfolio of hollow fibre Microfiltration, Ultrafiltration and Nanofiltration membranes. The Company commercializes its membranes as the key component of its integrated water and waste water treatment systems or its Build, Own, Operate and service contracts, and in combination with the Company's wide range of specialty chemicals, pumps and consumables that are typically required by clients during operations of membrane based water treatment plants.

On 7 September 2021, De.mem presented its "next-gen" membrane technology, based on Graphene Oxide ("GO") enhanced polymer membranes, with substantially improved membrane characteristics such as 20-40% higher water flux (throughput), leading to significantly reduced operating cost for the water treatment process.

During H1 2022, De.mem initiated a process to obtain approval for use of the new GO membrane technology for potable water treatment applications by the NSF (National Sanitation Foundation, the American regulator for drinking water related products). Results are expected towards the end of the CY 2022.

On 19 July 2022, De.mem announced a new partnership with Purafy, Canada, related to the commercialization of the 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 Grafoid 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*).

Acquisition of Remaining 25% Stake in Highly Profitable German Geutec Subsidiary

On 3 October 2022, De.mem announced the acquisition of the remaining 25% stake in its German subsidiary De.mem-Geutec GmbH, Velbert, Germany. As a result, De.mem now owns 100% in the subsidiary. The purchase price paid for the 25% stake was approx. A$ 340,000.

De.mem acquired the initial 75% in De.mem-Geutec on 17 October 2019 (see the ASX release dated 17 October 2019, "De.mem acquires German industrial waste water treatment company", for further details). De.mem-Geutec supplies waste water treatment products and solutions to industrial customers from the heavy industrial, plating/galvanizing and metals processing industries. It has a strong customer base in Germany and Europe, with more than 100 Small-and-Medium Enterprises (SMEs) and a number of larger corporations as repeat customers. It is led by local Managing Director Mr. Uwe Graessel, who is committed to staying with the company, ensuring stability and strong local leadership for the ongoing expansion.

In the first six months of CY 2022, De.mem-Geutec recorded positive EBITDA of A$205,000 (see the Consolidated Interim Financial Report – 30 June 2022, page 16, Note 3, Segment Reporting).

With the transaction, De.mem delivers successfully to the objectives and intended use of funds from the recent capital raise (see Capital Raising Presentation released to the ASX on 28 July 2022, slide 22).

ESG Impact

With its core business model focusing on the re-use and recycling of industrial wastewater, De.mem is fulfilling an important environmental and social mission.

During the September 2022 quarter, De.mem treated a total of approx. 565 million liters of water under industrial BOO and O&M contracts, across 17 sites in Australia and Singapore (roughly equivalent to the amount of water contained in ~230 Olympic sized swimming pools). The large majority of De.mem's contracts relate to the treatment of wastewater to a sufficient quality which exceeds regulatory discharge standards, whereby it is deemed sufficiently safe to release the treated water into the environment.

The new Build, Own, Operate project in Singapore (see section above) will add another approx. 7 million liters of high-quality treated water per quarter to the above.

De.mem's treatment systems often facilitate the deployment of a membrane-based separation process. This process not only utilises relatively lower power consumption, but also meaningfully reduces usage of bulk and other harmful chemicals (only small amounts of high value specialty chemicals are required).

There were no breaches of any environmental (EPA, Environmental Protection Agency) standards or regulations reported during the quarter.

CEO Commentary

De.mem Chief Executive Officer Andreas Kroell said:

"We have continued our strong growth momentum with the 14th consecutive quarter of growth in cash receipts. We are on track to delivering on our objective of achieving quarterly EBITDA and/or operating cash flow break even by the first half of CY 2023.

We managed to upgrade our business model towards generating strong, stable recurring revenues, which results in higher margins.

Furthermore, the September 2022 Quarter saw strong progress with respect to the two important contract awards we reported, one being a $2.1 million BOO contract with a multinational and the other a $1.4m project for the supply of a membrane-based water treatment plant to a leading mining corporation.

We look forward to a strong performance in the final December Quarter of the Calendar Year 2022 and beyond."

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.

-ENDS-

For further information, please contact:

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De.mem Limited (ASX:DEM) is an Australian headquartered, international 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 offers a "one-stop-shop" of services, chemicals and consumables to its clients, for the ongoing operations of their water and wastewater treatment plants.

De.mem's technology to treat water and wastewater is among the most advanced globally. The Company commercialises an array of innovative proprietary hollow-fibre membrane technologies. De.mem has been partnering with Nanyang Technological University (NTU) in Singapore, a world leader in membrane and water research.

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

Forward Looking Statements

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

Appendix 4C

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

Name of entity
De.mem Limited

ABN	**Quarter ended ("current quarter")**
12 614 756 642	30 September 2022

	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	5,501	16,184
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(3,757)	(10,838)
	(c) advertising and marketing	-	(13)
	(d) leased assets	-	-
	(e) staff costs	(1,940)	(5,604)
	(f) administration and corporate costs	(449)	(1,797)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	7
1.5	Interest and other costs of finance paid	(25)	(64)
1.6	Income taxes paid	(8)	(8)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	4	78
1.9	**Net cash from / (used in) operating activities**	**(668)**	**(2,055)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:	-	-
	(g) businesses	(160)	(1,839)
	(h) property, plant and equipment	(91)	(1,492)
	(i) investments	-	-
	(j) intellectual property	(31)	(167)
	(k) other non-current assets	-	(4)

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	33
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	(9)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(282)**	**(3,478)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,998	2,998
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	(255)	(255)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(9)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (lease liabilities)	(91)	(302)
3.10	**Net cash from / (used in) financing activities**	**2,652**	**2,432**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
	Net Cash and equivalents at beginning of quarter/year to date.	3,754	8,600
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(668)	(2,055)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(282)	(3,478)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,652	2,432
4.5	Effect of movement in exchange rates on cash held	32	(11)
4.6	**Cash and cash equivalents at end of period**	**5,488**	**5,488**

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	4,101	1,698
5.2	Call deposits	1,536	2,036
5.3	Bank overdrafts	(149)	20
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**5,488**	**3,754**

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	101
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.

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) Bank overdraft	200	149
7.4	**Total financing facilities**	200	149
7.5	**Unused financing facilities available at quarter end**		51

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.

Standard bank overdraft account held with ANZ Bank

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(668)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,488
8.3	Unused finance facilities available at quarter end (item 7.5)	51
8.4	Total available funding (item 8.2 + item 8.3)	5,539
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	8

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?

N/A

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?

N/A

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?

N/A

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.

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: 31 October 2022

Authorised by: Andreas Kroell
Chief Executive Officer

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.