



ASX RELEASE | De.mem Limited (ASX:DEM)

De.mem Expands Into Australia With Acquisition Of Akwa-Worx

Highlights

- De.mem has agreed to acquire Akwa-Worx, a leading provider of water and waste water treatment systems
- Akwa-Worx's existing clients include a number of leading corporations from the Australian mining sector
- Akwa-Worx reported revenue based on unaudited accounts of approximately AUD\$7 million including more than AUD\$2 million from long-term operations and maintenance contracts in the 12 months to 30 June 2017
- The acquisition will strengthen De.mem's position in the Asia Pacific region and provide significant opportunities for growth particularly in the mining and industrial sectors
- De.mem will deploy its innovative membrane technology in Australia through the Akwa-Worx business which will further accelerate market penetration
- Acquisition supports De.mem's China expansion plans by leveraging Akwa-Worx's industrial and mining track record

14 September 2017: Singapore-based water and waste water treatment company De.mem (ASX:DEM) ("De.mem" or "the Company") is delighted to announce it will expand into Australia with the signing of a binding share purchase agreement (**Agreement**) to acquire 100% in the shares of Akwa-Worx Pty Ltd ACN 132 171 290 (**Akwa**) and Akwa Facility Maintenance Pty Ltd ACN 602 535 348 (**Akwa Facility Management**), (together "Akwa-Worx").

Akwa-Worx is a leading provider of water and waste water treatment systems and supplies products for de-centralised industrial and municipal water and waste water treatment.

Akwa-Worx's product lines include Ultra Filtration (UF) Reverse Osmosis (RO) based systems, Membrane Bioreactors (MBRs), bioreactors and chemical dosing systems. The systems are typically delivered as packaged or modular solutions for de-centralised applications. Through Akwa Facility Maintenance, Akwa-Worx also provides operations and maintenance services to its clients based on long-term agreements.

Established in 2002 and headquartered in Caboolture, Queensland, Akwa-Worx has a strong customer base and robust pipeline in the industrial and municipal sectors. Akwa-Worx's clients include a number of leading corporations from the Australian mining sector and its subsidiary's ongoing long-term maintenance and operations contracts provide a stable recurring revenue component.

Akwa-Worx's revenues for the 12 months ended 30 June 2017, based on unaudited accounts, were approximately AUD\$7 million including more than AUD\$2 million derived from long-term operations and maintenance contracts. Akwa-Worx's normalised EBITDA for FY17 was approximately AUD\$800,000 (derived from an EBITDA from the unaudited accounts of approximately AUD\$425,000 plus reported expense items which were considered non-recurring or one-off, e.g. certain related party expenditures, consulting fees and staff expenses).

The transaction will result in the combination of De.mem's innovative membrane technologies, which includes the Company's flagship low pressure hollow fibre nanofiltration membrane developed by Nanyang Technological University in Singapore, and customer base in Singapore and Vietnam, with Akwa-Worx's established position and proven product offering in Australia.

The transaction also presents a number of strategic growth opportunities for both De.mem and Akwa-Worx including:

- **Accelerated revenue growth:** The transaction creates a business with an integrated product offering providing the opportunity to cross-sell technology. The extended product range makes it possible to address a wide range of customer needs and projects within the market for de-centralised water and waste water treatment.
- **Expected improvement in the mining and resources sector:** Akwa-Worx has an established mining and resources and industrial client base which will position the company for further growth.
- **Expanded market for De.mem's proprietary NF membrane:** De.mem's membrane products are intended to be used in many of Akwa-Worx's projects. This gives De.mem the chance to achieve a much faster market penetration for its product innovations, and will allow Akwaworx to benefit from a competitive advantage due to the proprietary product lines.
- **Larger geographic footprint and platform for growth:** De.mem and Akwa-Worx intend to expand jointly into further markets in particular in the Asia-Pacific region. While the immediate expansion is planned to begin in Western Australia, where the group intends to set up a representative office shortly, expansion is planned into other countries in the Asia-Pacific region. The larger product range will also make it possible to address a wider range of projects, in particular in emerging markets such as Singapore and Vietnam, where De.mem already has an established presence.
- **Acquisition supports China expansion plans:** Acquisition provides a strong basis to expand into China by leveraging Akwa-Worx industrial and mining track record.
- **Economies of scale and cost synergies:** Manufacturing initiatives are to be combined, for example in the areas of process design, electronics/automation or with respect to general manufacturing tasks such as the construction of racks or containers, which are expected to improve operating margins.

Key terms of the Agreement

- Completion of the Agreement is subject to and conditional upon satisfaction of conditions precedent that De.mem is satisfied with its due diligence investigations in relation to Akwa-Worx and that there is no material adverse change in any party (**Conditions Precedent**) by 31 October 2017.
- Subject to satisfaction of the Conditions Precedent, completion is anticipated to occur in September 2017.
- De.mem will acquire 100% of the shares in Akwa and Akwa Facility Management (**Akwa Shares**) from Lynamack Pty Ltd ACN 621 503 204 (**Seller**) for the purchase price which comprises of:
 - AUD\$ 1,500,000 in cash plus AUD\$ 460,000 in De-mem shares (**Completion Shares**), to be provided on completion and subject to any post-completion difference in actual equity value at completion against the agreed target equity value of Akwa-Worx; plus
 - deferred consideration of up to AUD\$375,000 and AUD\$375,000 in De-mem shares (**Milestone Shares**), payable if prescribed revenue hurdles are satisfied as at 31 December 2017 and 31 December 2018 (**Milestone Payment**).
- The purchase price will be funded through existing cash reserves.
- The Completion Shares will be issued without shareholder approval under its existing capacity under Listing Rule 7.1. De.mem will seek shareholder approval to issue the Milestone Shares if required under Listing Rule 7.1.

- The Completion Shares and any Milestone Shares (**Consideration Shares**) will be subject to voluntary escrow for a period of 12 months. The Consideration Shares will be issued to the Seller or entities associated with the Seller.
- The purchase price reflects an adjustment to the benefit of De.mem, in exchange for which the future proceeds from one specific asset remain with the Seller.
- Shane Ayre, the managing director and founder of Akwa, is to retain his directorship of Akwa-Worx and will be appointed as General Manager of Akwa-Worx on completion.
- The parties provide warranties and indemnities, the Agreement contains limitations on liability and the Agreement contains other terms that are usual for an agreement of this nature.
- The likely effect of the transaction on key line items of the financial statements and issued capital of De.mem is estimated as set out in the table below.

Profit & Loss	De.mem Pte Ltd (12 months ended 31 December 2016, audited, converted into A\$)	Akwa-Worx (12 months ended 30 June 2017) (unaudited)	Proforma De.mem and Akwa-Worx Combined	% Change vs. De.mem standalone
Revenue	262,218	7,123,367	7,385,585	2,717%
EBITDA	(1,465,421)	809,421**	(656,000)**	n/a

**These results relate to the 12 month period to 31 December 2016 for De.mem Pte Ltd. De.mem Ltd acquired De.mem Pte Ltd in March 2017. We have used De.mem Pte Ltd revenue and EBITDA to give an indication of the historical annual results for the consolidated group for the purpose of this analysis.*

***Normalized (adjusted for reported expense items which were considered non-recurring or one-off, such as certain related party expenditures, consulting fees and staff expenses)*

Balance Sheet	De.mem Ltd (as per 30 June 2017, audited, converted into A\$)	Akwa-Worx (12 months ended 30 June 2017) (unaudited)	Proforma De.mem and Akwa-Worx Combined	% Change vs. De.mem standalone
Total assets	5,801,471	4,391,040*	10,192,511	76%
Total liabilities	579,792	3,104,593*	3,684,385	535%
Net assets	5,221,679	1,286,447*	6,508,126	25%

**including related party loans and receivables which are being removed prior to completion*

	Pre-acquisition	Impact of acquisition (first tranche)	Post-acquisition
No. of shares outstanding	95,807,692	Approx. 1,807,000	97,614,692



Andreas Kroell, CEO of De.mem: *“The acquisition of Akwa-Worx is a game changer for De.mem. With an established client base and recurring revenues the Akwa-Worx business provides a strong platform for growth in the Australian marketplace and beyond. Furthermore, the transaction creates an opportunity to achieve rapid market penetration of our innovative membrane technologies. It is a great opportunity for accelerated growth as De.mem works to become a leading supplier in the market for de-centralised water treatment in the Asia-Pacific region.”*

Shane Ayre, Managing Director of Akwaworx: *“We are delighted to conclude the transaction with De.mem and are committed to working with the Board and Management of De.mem to deliver their strategic initiatives in the decentralised waste water treatment systems sector. De.mem’s innovative membrane technologies, such as the flagship low-pressure hollow fibre nanofiltration membrane, are a key differentiator in the market.”*

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About De.mem Limited

De.mem Limited (ASX:DEM) is a decentralised waste water treatment business that designs, builds, owns and operates customised and high-quality industrial waste water treatment systems for its clients. The company presents its product offering in two industry segments (i) the industrial segment where De.mem provides systems and solutions to customers from the electronics, chemicals, oil & gas and the food & beverage industries and (ii) the municipal and residential segment. The company has licensed a number of proprietary technologies from its partner in research & development, Singapore’s Nanyang Technological University (NTU). De.mem is headquartered and has a manufacturing site in Singapore. To learn more, please visit: www.demembranes.com

About Akwa-Worx

Akwa-Worx is a water and waste water treatment original equipment manufacturing (OEM) business, focusing on the design and construction of packaged systems for the Australasian market. Akwa-Worx has a strong market reputation for providing quality, robust systems that allow flexibility to accommodate changes in conditions and are engineered to suit both the long-term and short-term requirements of customers. Akwa-Worx is proud to offer the industry and Australian designed and manufactured product, with solid accountability at all levels of the design and construct phase. Increasing accountability demands by the market has seen Akwa-Worx well-placed to provide a quality engineered solution. To learn more, please visit: www.akwaworx.com

Ends.