De.mem Limited (ASX:DEM)
ACN 614 756 642
Registered Office
Suite 2, Level 11, 385 Bourke Street
Melbourne, VIC 3000
(e) investor@demem.com.sg

CEO LETTER TO SHAREHOLDERS

22 December 2025

Dear Shareholders,

I am pleased to report on a transformational period for De.mem ("De.mem" or "the Company"), during which the Company has delivered record financial performance, executed decisively on its recurring revenue strategy, and reached a clear inflection point in profitability and scale.

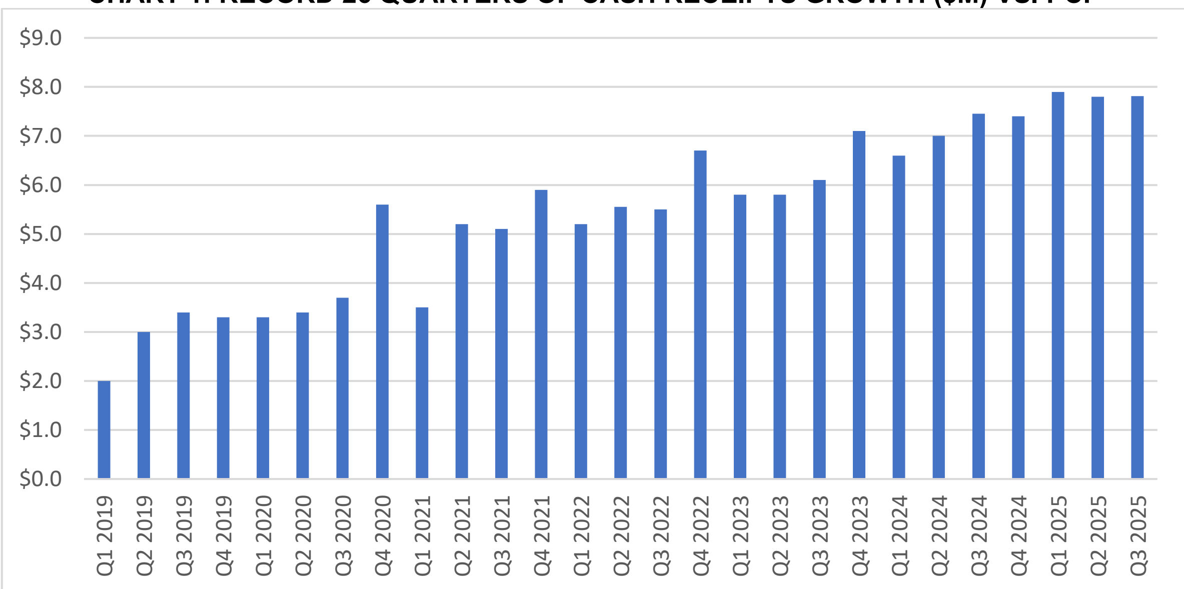
Record Results and Growth Momentum

De.mem is **consistently generating double-digit growth in cash receipts.** Cash receipts increased by **15% year-on-year to a record $28.4m in Calendar Year ("CY") 2024**, followed by a further **16% increase to $15.7m in H1 2025** compared to the prior corresponding period.

Since 2019, De.mem has delivered a **compound annual growth rate of approximately 24% in cash receipts**, materially outperforming broader industry growth rates.

This performance reflects **26 consecutive quarters of cash receipts growth (Chart 1)**, a testament to the resilience of our business model and the quality of our customer base. Importantly, this growth has been achieved while improving margins and strengthening the balance sheet.

CHART 1: RECORD 26 QUARTERS OF CASH RECEIPTS GROWTH ($M) VS. PCP



Recurring Revenue Model Delivering Margin Expansion

We have successfully achieved a core element of our strategy, which is to transition to a high-quality, recurring revenue model.

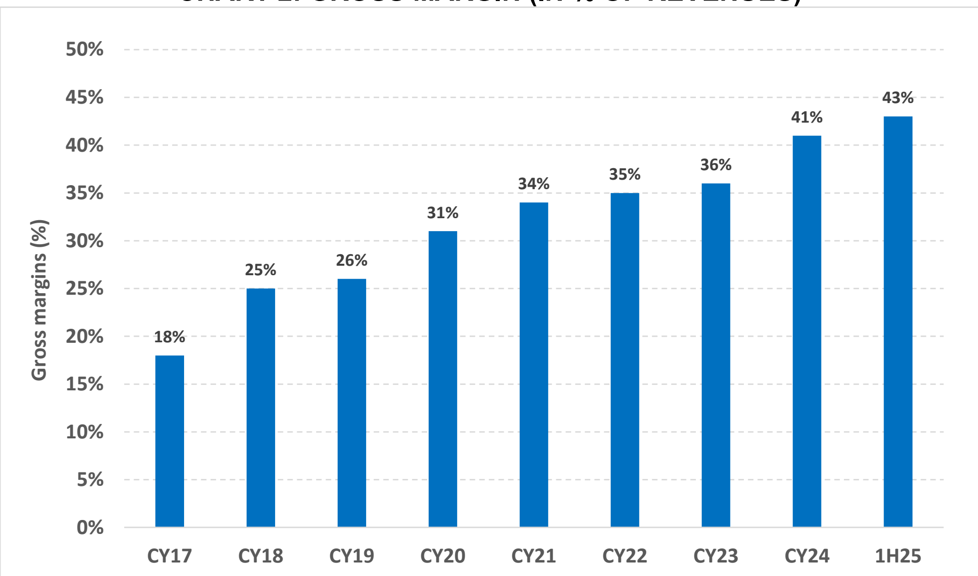
Today, **more than 90% of De.mem's revenues and cash receipts are recurring**, derived from long-term service contracts, specialty chemicals, consumables, membrane replacements and ongoing operations and maintenance.

This shift toward high-quality recurring revenues has structurally lifted the profitability of the business. **Gross margins reached a record 43% in H1 2025**, up from **41% in CY 2024**, and significantly higher than historical levels of 18% in 2017 (**Chart 2**). Margin expansion has been driven by:

- Growth of recurring revenues – in particular from services and specialty chemicals sales
- Cross-selling across the national platform
- Increasing scale and
- Operating leverage.

The combination of recurring revenues and expanding margins provides strong visibility and underpins sustainable cash generation.

CHART 2: GROSS MARGIN (IN % OF REVENUES)



Key Milestone Achieved: Positive EBITDA and Operating Cash Flow

Over the past year, the Company has delivered its strongest results since listing and entered the next phase of growth with positive EBITDA, strong operating cash flows and an expanded platform for compounding returns.

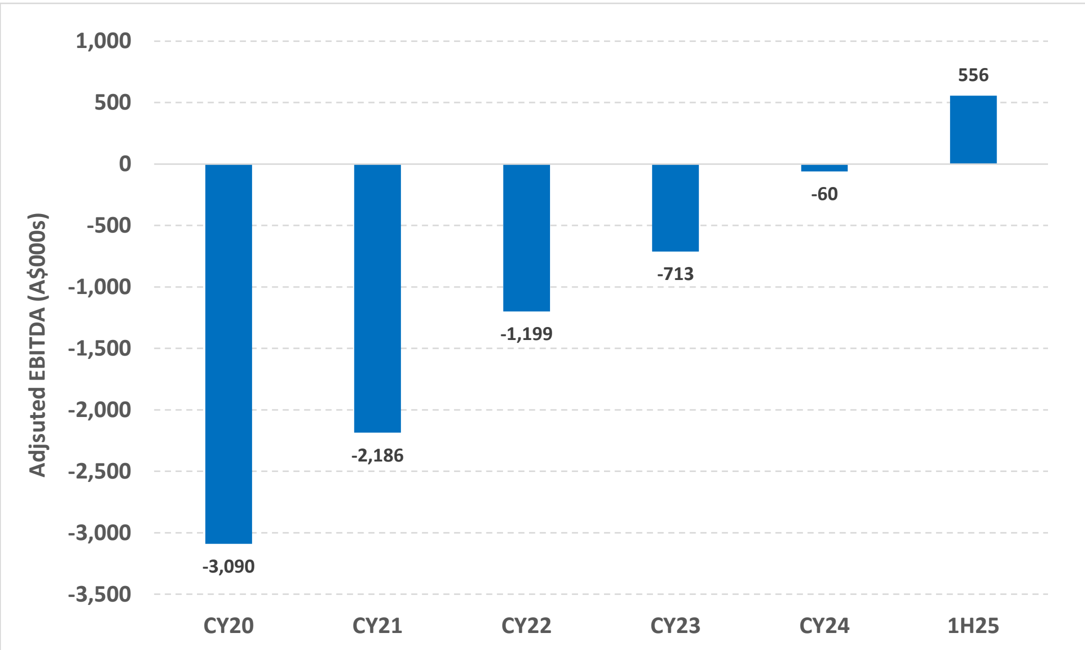
Positive EBITDA

During H1 2025, De.mem achieved a major milestone by reporting its **first positive half-year adjusted EBITDA of $556k**, a turnaround of approximately **$945k** from the prior corresponding period. This represents **a structural inflection point for the business, demonstrating the operating leverage inherent in De.mem's recurring revenue model.**

Importantly, this profitability milestone has been achieved **while maintaining capital discipline and balance sheet strength**. Management remains focused on growing positive operating cashflows, margin sustainability and reinvestment only where returns meet strict internal thresholds.

Additionally, the recent Core Chemicals acquisition has added a further ~$730k EBITDA on a full-year basis (pre-synergies). See ASX release, "*Acquisition of Core Chemicals to increase exposure to surging gold mining sector*", dated 17 October 2025.

CHART 3: ADJUSTED EBITDA



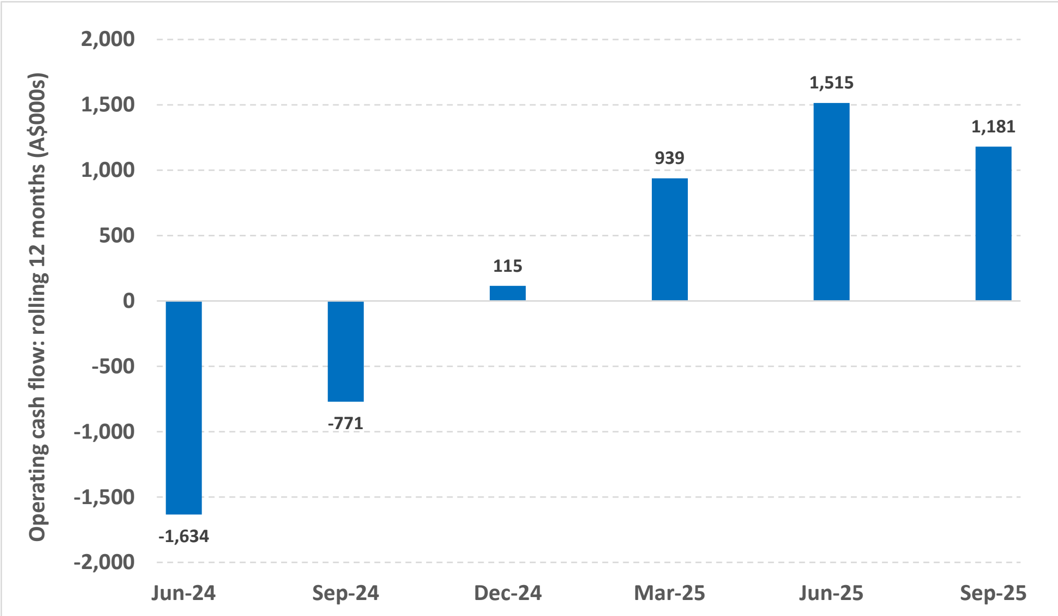
Positive operating cashflows

Operating cash flows have also strengthened materially.

Over the 12 months ended 30 September 2025, the Company generated approximately **$1.2m in positive operating cash flows** (**Chart 4**), with multiple consecutive quarters of cash flow positivity.

This performance has been achieved while continuing to invest in our Singapore-based membrane technology R&D, which remains a core competitive advantage, and the early launch of our suite of domestic water treatment products.

CHART 4: LAST 12 MONTHS OPERATING CASH FLOWS



Strong Balance Sheet

The Company has a strong balance sheet, with an outlook for further cash balance growth.

As at 30 September 2025, the De.mem reported $3.3m cash and cash equivalents.

The September Quarter cash flow outcome does not alter the Company's underlying cash generation profile, with the December Quarter historically the strongest period for receipts and operating cash flow.

Continued Success in Acquisition Value-Add Strategy

De.mem operates in a highly fragmented sector, characterised by small local operators with limited scale. Our strategy is to consolidate this market by acquiring high-quality, recurring revenue businesses and accelerating their growth through cross-selling, national reach and operational leverage.

Since 2019, De.mem has completed multiple bolt-on acquisitions, delivering **average revenue growth of approximately 69% across acquired businesses** (see the ASX Investor Presentation dated 20 May 2025, page 7).

On 17 October 2025, De.mem announced the acquisition of **Core Chemicals**, a specialty chemicals supplier to gold mining clients in Western Australia. Core

Chemicals generated approximately **$4m in revenue and ~$730k in pre-tax profits** in the 12 months to June 2025, prior to the acquisition by De.mem.

This acquisition increases our exposure to the gold mining sector, expands our specialty chemicals portfolio, and provides substantial cross-sell and margin expansion opportunities across an enlarged customer base.

Importantly, the acquisition also provides a clear and quantifiable revenue growth opportunity. Core Chemicals currently services 18 gold mining customers in Western Australia, while De.mem services approximately 15 gold mining customers nationally. Across Australia, there are approximately **175 operating gold mines**, implying a **targetable universe of more than 140 gold mines** not currently serviced by either business. Given that each Core Chemical gold mining customers generate an average of $222k in revenues, this represents a substantial revenue growth opportunity.

Technology Leadership and Domestic Water Filtration Opportunity

De.mem continues to leverage its proprietary membrane technology portfolio as a key differentiator. The **NSF certification of our Graphene Oxide enhanced membranes** enables entry into large global potable water markets and supports our expansion into domestic water filtration.

During the past year, the Company:

- Launched a range of standardized ultrafiltration systems, incorporating our NSF-approved Graphene Oxide enhanced membrane
- Entered new distribution partnerships in **China, Indonesia and Japan** and
- Initiated the **Australian WaterMark certification process**, expected to conclude in CY 2026.

These initiatives position De.mem to participate in a global domestic water filtration market expected to exceed **US$26 billion by 2030** (source: Grand View Research, November 2022).

Outlook for CY 2026

De.mem enters CY 2026 with strong momentum. Our focus remains disciplined execution, value-accretive growth and delivering sustainable returns for shareholders.

Management's priority is consistent growth that translates into cash generation and improving returns on capital. In CY 2026, management's priorities are clear:

(i) sustaining organic growth within the existing customer base
(ii) expanding margins through services, chemicals and cross-selling and
(iii) disciplined integration of recent acquisitions to maximise cash conversion and returns on invested capital.

Record CY 2025 positive operating cashflow outlook

De.mem is on track for record trailing 12 months positive operating cashflows in the December Quarter 2025, given the following factors:

- Trailing 12 months positive operating cashflows of $1,181k in the September Quarter 2025.
- ~55% of full-year cash receipts are historically received in the second half of the calendar year.
- Strong upside potential from the recent Core Chemicals acquisition, given the positive momentum of record November 2025 performance.
- Revenue contribution from the Company's domestic water filtration products.
- Continued cross-sell of high-margin products across the Company's national business portfolio, also driving margins.

Transformational Year

The past year represents a clear inflection point for De.mem. We have transitioned into a profitable, cash-generative business with a scalable platform and a disciplined approach to capital allocation.

I would like to thank our employees for their commitment, our customers for their trust, and our shareholders for their continued support.

We look forward to updating you on our progress as we build on this momentum into CY 2026.

Andreas Kroell
CEO, De.mem Limited