

Rights Issue Offer Document

Pursuant to s708AA(2) *Corporations Act 2001* (Cth)

A non-renounceable rights issue to existing shareholders of De.mem Limited of one fully paid ordinary share for every seven Shares held at an Issue Price of \$0.135 to raise up to \$2,076,473 before costs of the Offer.

Important notice

This document is not a prospectus. This document does not contain all of the information that an investor may require in order to make an informed investment decision regarding the New Shares offered by this document. The New Shares offered by this document should be considered speculative.

This document should be read in its entirety. If after reading this document you have any questions about the Offer or the New Shares then you should consult your stockbroker, accountant or other professional advisor.

Important information

Offer statistics

Number of New Shares to be issued: up to 15,381,282*

Issue Price: \$0.135

*Excludes any New Shares which may be issued in the event that any Existing Options are exercised prior to the Record Date.

Key dates for investors

Lodgement of Offer Document at ASX:26 November 2018

Application of New Shares for official quotation of New Shares:26 November 2018

Notice provided to Shareholders and Option Holders:27 November 2018

Existing Shares quoted on an 'ex' basis:28 November 2018

Record Date for determining entitlements under the Issue:29 November 2018

Offer expected to open:4 December 2018

Offer expected to close:13 December 2018

Share quoted on a deferred settlement basis:14 December 2018

Notification of shortfall:18 December 2018

Anticipated date for issue of New Shares:20 December 2018

Deferred settlement trading end:20 December 2018

Commencement of trading of New Shares on ASX (on a normal basis):21 December 2018

Further details regarding the timetable for the Offer are set out in section 1.3. All dates are subject to change and accordingly are indicative only. In particular, the Company has the right to vary the dates of the Offer, without prior notice. Investors are encouraged to submit their Entitlement and Acceptance Forms as soon as possible after the Offer opens.

Important notice

The Offer made pursuant to this Offer Document is for a rights issue of continuously quoted securities (as defined in the *Corporations Act 2001* (Cth) (**Corporations Act**)) of the Company. This Offer Document is not a disclosure document for the purposes of chapter 6D of the *Corporations Act*. The Company is offering the securities under this Offer Document without disclosure to investors under chapter 6D of the *Corporations Act* pursuant to section 708AA of the *Corporations Act*. Accordingly, the level of disclosure contained in this Offer Document is significantly less than that required under a prospectus and Eligible Shareholders should consider all relevant facts and circumstances, including their knowledge of the Company and disclosures made to the ASX and should consult their professional advisors before deciding whether to accept the Offer.

This Offer Document is dated 26 November 2018 and was lodged with the ASX on that date. The ASX does not take any responsibility for the contents of this Offer Document.

Securities will only be issued on the basis of this Offer Document in accordance with the terms set out in this Offer Document.

As at the date of this Offer Document, the Company has complied with:

- the provisions of chapter 2M of the *Corporations Act*, as they apply to the Company; and
- section 674 of the *Corporations Act*.

The Offer is only made to those Shareholders who are Eligible Shareholders on the Record Date (being Shareholders who have a registered address in Australia, New Zealand, Singapore, Hong Kong, Germany and Switzerland).

No excluded information

As at the date of this Offer Document the Company is not aware of any excluded information of the kind which would require disclosure in this Offer Document pursuant to subsections 708AA(8) and (9) of the *Corporations Act*.

Foreign shareholders

This document does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Offer Document. Securities may not be offered or sold in any country outside Australia except to the extent permitted below.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of Shareholders and Option Holders in those places, the number and value of the New Shares they would be offered and the cost of complying with the legal and regulatory requirements in those places. Accordingly, the Offer is not being extended to, and does not qualify for distribution or sale by, and no New Shares will be issued to Shareholders having registered addresses outside of Australia, New Zealand, Singapore, Hong Kong, Germany and Switzerland.

The Company has not made any investigation as to the regulatory requirements that may prevail in the countries, outside of Australia, New Zealand, Singapore, Hong Kong, Germany and Switzerland, in which the Company's Shareholders may reside. It is the responsibility of overseas Applicants to ensure compliance with all laws of any country relevant to their Acceptance. The Offer may only be accepted by Eligible Shareholders and does not constitute an offer in any place in which or to any person to whom, it would be unlawful to make such an offer.

The distribution of this Offer Document in jurisdictions outside Australia, New Zealand, Singapore, Hong Kong, Germany and Switzerland may be restricted by law and persons who come into possession of this Offer Document should seek advice on and observe those restrictions. Any failure to comply with restrictions might constitute a violation of applicable securities laws.

See section 1.14 for further information on Offer restrictions with respect to shareholders who do not have registered addresses in Australia.

New Zealand

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these

securities is being made in reliance on the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand)*.

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013 (New Zealand)*. This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of invitation for subscription or purchase, whether directly or indirectly, to person in Singapore except pursuant to and in accordance with exemptions in *Subdivision (4) Division 1, Part XIII of the Securities and Futures ACT, Chapter 289 of Singapore (SFA)*, or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an existing holder of the Company's Shares. In the event that you are not an existing holder, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire securities. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

European Economic Area – Germany

The information in this document has been prepared on the basis that the Offer will be made pursuant to an exemption under the *Directive 2003/71/EC (Prospectus Directive)*, as amended and implemented in Germany, from the requirement to produce a prospectus for offers of securities.

An offer to the public of shares has not been made, and may not be made, in Germany except pursuant to one of the following exemptions under the Prospectus Directive as implemented in Germany:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID");
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID;
- to fewer than 150 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of the Company; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

Switzerland

The New Shares will not be publicly offered, distributed or redistributed, directly or indirectly, to the public in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or any other stock exchange or regulated trading facility in Switzerland. This document does not constitute a public offering prospectus as that term is understood pursuant to *art. 652a or art. 1156 of the Swiss Federal Code of Obligations* or the disclosure standards for listing prospectuses under the SIX Listing Rules or listing rules of any other stock exchange or regulated trading facility in Switzerland. The Company has not applied for a listing of the New Shares being offered pursuant to this document on the SIX or on any other stock exchange or regulated trading facility in Switzerland, and consequently, the information presented in this document does not necessarily comply with the information standards set out in the relevant listing rules. Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland in any way that could constitute a public offering within the meaning of *art. 652a or art. 1156 of the Swiss Code of Obligations*.

Neither this document nor any other offering or marketing material relating to the New Shares has been or will be filed with or approved by any Swiss regulatory authority. In particular, this Offer Document will not be filed with, and the offer of New Shares will not be supervised by, *the Swiss Financial Market Supervisory Authority ("FINMA")*.

This document is personal to the recipient only and not for general circulation in Switzerland. It may not be copied, reproduced, distributed or passed on to others without the Company's prior written consent.

Hong Kong

WARNING: The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any of the contents of this document, you should obtain independent legal advice.

United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

How to accept Entitlement to New Shares

Entitlements to New Shares can be accepted in full or in part by completing and returning the Entitlement and Acceptance Form which is accompanying this Offer Document or making payment of Acceptance money by BPAY® in accordance with the instructions set out in this Offer Document and on the Entitlement and Acceptance Form.

This Offer Document is available in electronic form on the internet at <http://www.demembranes.com>. If you wish to obtain a free hard copy of this Offer Document, please contact the Company on +61 8 9482 0500.

Enquiries

If you are an Eligible Shareholder and have any questions in relation to the Offer, please contact your stockbroker or professional adviser. If you have questions in relation to the Shares upon which your Entitlement has been calculated, or how to complete the Entitlement and Acceptance Form, take up your Entitlement, please call the Share Registry on:

- (a) 1300 554 474 for callers within Australia; or
- (b) +61 2 8280 7111 for overseas callers.

Deciding to accept the Offer

No person named in this Offer Document, nor any other person, guarantees the performance of De.mem, the repayment of capital or the payment of a return on the New Shares.

Please read this document carefully before you make a decision to invest. An investment in the Company has a number of specific risks which you should consider before making a decision to invest. Some of these risks are summarised in section 5. This Offer Document is an important document and you should read it in full before deciding whether to invest pursuant to the Offer. You should also have regard to other publicly available information about the Company, including ASX announcements, which can be found at the Company's website: <http://www.demembranes.com>.

Terms used

A number of terms and abbreviations used in this Offer Document have defined meanings, which are explained in the definitions and glossary in section 7.

Money as expressed in this Offer Document is in Australian dollars unless otherwise indicated.

Forward looking statements

Some of the information contained in this Offer Document constitutes forward-looking statements that are subject to various risks and uncertainties. Forward-looking statements include those containing such words as 'anticipate', 'estimate', 'should', 'will', 'expects', 'plans' or similar expressions. These statements discuss future objectives or expectations concerning results of operations or financial conditions or provide other forward-looking information. The Company's actual results, performance or achievements could be significantly different from the results or objectives expressed in, or implied by, those forward-looking statements. This Offer Document details some important factors that could cause the Company's actual results to differ from the forward-looking statements made in this Offer Document.

No representations

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation in connection with the Offer not contained in this Offer Document may not be relied on as having been authorised by the Company or its officers. This Offer Document does not provide investment advice or advice on the taxation consequences of accepting the Offer. The Offer and the information in this Offer Document, do not take into account your investment objectives, financial situation and particular needs (including financial and tax issues) as an investor.

Table of Contents

- 1. Offer details9
- 2. How to apply.....17
- 3. Company information19
- 4. Control issues arising from the Offer on the Company21
- 5. Risk factors.....23
- 6. Additional information.....26
- 7. Definitions and glossary28

For personal use only

Chairman's letter

26 November 2018

Dear Shareholder,

On behalf of the Directors I am pleased to invite you to take up your entitlement to new ordinary fully paid shares (**New Shares**) in De.mem Limited (**Issue**).

The Company is making a non-renounceable rights issue of one Share for every seven Shares held in De.mem Limited on the Record Date at an Issue Price of \$0.135 per Share, to raise up to approximately \$2,076,473 before the costs of this Issue. This Issue Price represents an approximate 25% discount to the 10 day volume-weighted average price of Shares and an approximate 20% on the closing price as of 23 November 2018.

Any shortfall under the Offer will first be satisfied by allocations made by the Board to Shareholders who have applied for Additional Shares under the terms and conditions of the Offer, subject to compliance with Chapter 6 of the Corporations Act and ASX Listing Rules. The allocation process is described in more detail in Section 1.9.

It is proposed that the funds raised from the Issue will be applied towards the strategic acquisition of a complementary waste water business in Germany, for ongoing research & development and manufacturing operations, to cover the costs of the issue and to provide working capital.

Pursuant to the *Corporations Act*, De.mem Limited is not required to prepare a prospectus for the Issue. A summary of the key information with respect to the Issue is set out in this Offer Document. Please read the Offer Document carefully before deciding whether or not to invest. If there is any matter on which you require further information, you should consult your stockbroker, accountant or other professional advisor.

A personalised Entitlement and Acceptance Form is attached to this Offer Document and sets out the number of New Shares you are entitled to subscribe for as an Eligible Shareholder (**Entitlement**). Entitlements to New Shares can be accepted in full or in part by completing and returning the Entitlement and Acceptance Form or making payment of Acceptance money by BPAY in accordance with the instructions set out below and on the Entitlement and Acceptance Form. Subscription money for the New Shares must be received by the Company at its Share Registry by the Closing Date. Please refer to the timetable for the important dates of the Offer.

The Offer is non-renounceable and therefore your Entitlements will not be tradeable on the ASX or otherwise transferable.

On behalf of the Directors, I thank you for your continued support and I invite you to consider this investment opportunity.

Yours sincerely,

Cosimo Trimiglozzi
Chairman
De.mem Limited

1. Offer details

1.1 The Offer

This Offer Document is for the non-renounceable rights issue of approximately 15,381,282 New Shares at an Issue Price of \$0.135 per New Share, on the basis of one New Share for every seven Shares held by Eligible Shareholders as at the Record Date.

The Offer is an offer to Eligible Shareholders only.

The Issue Price of \$0.135 per New Share represents an approximate 25% discount to the 10 day volume-weighted average price of Shares and an approximate 20% on the closing price as of 23 November 2018.

The Issue may be increased by a total of 1,328,571 New Shares if all holders of Existing Options exercise their Existing Options prior to the Record Date.

On the same date as announcing the Issue, the Company applied to the ASX for the New Shares to be granted official quotation on the ASX. Official quotation of the New Shares is expected to occur on or about 21 December 2018.

The Directors may at any time decide to withdraw this Offer Document and the offer of New Shares made under this Offer Document, in which case the Company will return all Application Money (without interest) within 28 days of giving notice of such withdrawal.

Shareholders who apply for 100% of their entitlement are able to apply for Additional Shares to be issued from any shortfall at the Issue Price subject to the Corporations Act. Any Shortfall Shares will be allocated to Shareholders who apply for New Shares in addition to their Entitlement. The Directors may place any further shortfall to persons who may or may not be Shareholders. The allocation process is described in more detail

1.2 Minimum subscription

There is no minimum subscription to the Issue.

1.3 Important dates

Announcement and application for official quotation of New Shares	26 November 2018
Section 708AA notice given to ASX	26 November 2018
Lodge Offer Document with ASX	26 November 2018
Notice provided to Shareholders and Option Holders	27 November 2018
Ex Date	28 November 2018
Record Date for the Issue	29 November 2018 5.00pm (AWST time)
Dispatch of Offer Document and Acceptance Form	4 December 2018
Opening Date of Offer	4 December 2018
Closing Date of Offer*	13 December 2018 at 5.00pm (AWST time)
Shares quoted on a deferred settlement basis	14 December 2018
Notification of shortfall	18 December 2018
Anticipated date for the issue of New Shares	20 December 2018

Deferred settlement trading end	20 December 2018
Commencement of trading of New Shares on ASX	21 December 2018
Latest date for Directors to place any Additional Shares	25 January 2018

*The Directors may extend the Closing Date by giving at least three (3) Business Days' notice to ASX prior to the Closing Date. As such, the date the New Shares issued under the Entitlement Offer are expected to commence trading on ASX may vary.

The dates set out in this table are subject to change and are indicative only. The Company reserves the right to alter this timetable at any time, subject to the *Corporations Act* and the Listing Rules, without notice.

The Directors, subject to the requirements of the Listing Rules and the *Corporations Act*, reserve the right to:

- (a) withdraw the Offer without prior notice; or
- (b) vary any of the important dates set out in this Offer, including extending the Offer.

1.4 Purpose of the Issue

The Directors intend to apply the proceeds from the Issue to provide funds for the purposes of:

- (a) towards the strategic acquisition of a complementary waste water business in Germany;
- (b) ongoing research and development;
- (c) the costs of the Issue; and
- (d) providing working capital.

The proceeds from the Issue (assuming it is fully subscribed) is proposed to be allocated in the following manner:

Proposed use of funds	
Research and development	\$200,000
Manufacturing and operating costs	\$500,000
Estimated costs of the Issue (including legal fees, share registry fees, ASX fees and other miscellaneous costs associated with the Offer)*	\$30,000
Acquisition of proposed new project incl. related legal and other expenses	\$950,000
Working capital	\$396,473
Total (maximum raising)	\$2,076,473

* Assumes that the Offer is fully subscribed, and does not take account of brokerage (if any) discussed at section 6.3

However, in the event that circumstances change or other better opportunities arise the Directors reserve the right to vary the proposed uses to maximise the benefit to Shareholders.

Further, if a sufficient amount is not raised from the Offer at the discretion of De.mem, including from the issue of Additional Shares or Shortfall Shares, then the proposed new project acquisition is unlikely to proceed. The proposed acquisition is subject to ongoing due diligence and the conclusion of definitive agreements and there is a risk that it may not proceed regardless of the amount raised under this Offer. If the proposed acquisition does not proceed then the Company will use the funds that were allocated to fund the proposed acquisition for working capital.

1.5 **Risk factors**

Eligible Shareholders should be aware that an investment in the Company is subject to investment and other known and unknown risks, including possible loss of income and the principal invested. Investors should carefully read the section on risk factors outlined in section 5. An investment of this kind involves a number of risks, a number of which are specific to the Company and the industry in which it operates.

However, these risks should not be taken to be exhaustive of the risks faced by the Company or its shareholders. Those risk factors referred to section 5, and others not specifically referred to in section 5, may materially affect the financial performance of the Company and the value of its Shares in the future.

The Company has implemented strategies, actions, systems and safeguards for known risks. However, some risks are beyond its control. Consequently, the prevailing price or value of New Shares issued under the Offer may be more or less than the Issue Price.

The New Shares offered under this Offer carry no guarantee of profitability, dividends, return of capital or the price at which they may trade on ASX. The past performance of the Company should not necessarily be considered a guide to their future performance.

1.6 **New Share terms**

Each New Share will rank equally with all existing Shares then on issue. Full details of the rights and liabilities attaching to the Shares are set out in the Company's constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

1.7 **No rights trading**

Entitlements to New Shares pursuant to the Issue are non-renounceable and accordingly will not be traded on the ASX.

1.8 **Acceptance of Entitlement to New Shares**

The number of New Shares to which each Eligible Shareholder is entitled is calculated as at the Record Date and is shown on the personalised Entitlement and Acceptance Form accompanying this Offer Document. This Offer Document is for the information of Eligible Shareholders who are entitled and may wish to apply for the New Shares. Fractional entitlements will be rounded up to the nearest whole number.

Entitlements to New Shares can be accepted in full or in part by completing and returning the Entitlement and Acceptance Form which is attached to this Offer Document in accordance with the instructions set out below and on the Entitlement and Acceptance Form.

1.9 **Placement of Shortfall**

Shareholders who subscribe for their full Entitlement may apply for Additional Shares in excess of their Entitlement at the Issue Price. Shareholders wishing to do so must apply for Additional Shares in their Entitlement and Acceptance Form, which must be received together

with payment in accordance with section 2.1 by the Registry no later than 5.00pm (AWST) on the Closing Date.

The offer of the Shortfall is a separate offer pursuant to this Offer document. Shares not taken up by Eligible Shareholders will form part of the Shortfall Offer. The issue price of any Additional Shares offered pursuant to the Shortfall Offer will be \$0.135 each, which is the Issue Price at which the Offer has been made to Eligible Shareholders.

Shareholders who apply for 100% of their entitlement are able to apply for Additional Shares to be issued from any shortfall at the Issue Price subject to their holding not exceeding 20% of the number of shares on issue after the completion of the Offer.

Any shortfall under the Offer will first be satisfied by allocations made by the Board to Shareholders who subscribe for Additional Shares in excess of their Entitlement.

The allocation of Additional Shares will be subject to availability and any scale back will be applied by the Company at its discretion.

Additional Shares will only be issued if the New Shares under the Offer are not taken up in full. If the Company receives applications for Additional Shares that would result in the Offer being oversubscribed, the Company will scale back applications received for Additional Shares on a pro-rata basis having regard to the number of Additional Shares applied for by each Eligible Shareholder.

In the event of an application for Additional Shares not being accepted, including because of a scale back, the application monies received for an unsuccessful application for Additional Shares (or the applicable portion if the application is partly successful) will be refunded to the applicant, without interest, as soon as practicable.

No Additional Shares will be issued to an applicant if to do so would, to the extent of the knowledge of the Company, result in a breach of the ASX Listing Rules or the restrictions on obtaining or increasing relevant interests of greater than 20% of the Company's issued voting shares under Chapter 6 of the Corporations Act or would otherwise be contrary to the Corporations Act or the ASX Listing Rules.

If a Shareholder subscribes for Additional Shares in excess of their Entitlement and the application is not allocated in full, the excess Application Money received will be refunded, without interest.

In the event that there is a Shortfall in subscriptions under the Issue following the issuance of the Additional Shares, the Directors reserve the right, as contemplated within the Listing Rules, to allocate any Shortfall of New Shares in their discretion and to conduct a placement of the remaining Shortfall to ensure a maximum amount of funds are raised. They will do so in a manner which will ensure that no Shareholder or other investor will as a consequence of being issued any Shortfall hold a relevant interest of more than 20% of all of the Shares in the Company after this Issue.

The Placement of the Additional Shares will occur within two months from the Opening Date of the Offer. Any Shortfall will be issued within three months after the Closing Date at an Issue Price being not less than the Issue Price.

1.10 **Allotment and allocation policy**

The Company will proceed to allocate New Shares as soon as possible after the Closing Date and receiving ASX permission for official quotation of the New Shares.

Successful Applicants will be notified in writing of the number of New Shares allocated to them as soon as possible following the allocation being made.

It is the responsibility of Applicants to confirm the number of New Shares allocated to them prior to trading in New Shares. Applicants who sell New Shares before they receive notice of the number of New Shares allocated to them do so at their own risk.

1.11 **ASX listing**

On the same date as announcing the Offer, the Company applied to the ASX for the New Shares to be issued pursuant to this Offer Document to be listed for official quotation by the ASX. If granted, quotation of the New Shares will commence as soon as practicable after allotment of the New Shares to Applicants. It is the responsibility of the Applicants to determine their allocation of New Shares prior to trading.

Should the New Shares not be granted official quotation on the ASX within three months after the date of this Offer Document, none of the New Shares offered under this Offer Document will be issued and all acceptance money will be refunded without interest to Applicants within the time prescribed by the *Corporations Act*.

1.12 **CHESS**

The Company will apply for the New Shares to participate in CHESS, in accordance with the ASX Listing Rules and ASX Settlement Operating Rules.

The Company will not issue certificates to Shareholders with respect to the New Shares. After allotment of the New Shares, Shareholders who are issuer sponsored will be provided with an issuer sponsored statement and those who are CHESS Holders will receive an allotment advice.

The CHESS statements, which are similar in style to bank account statements, will set out the number of New Shares allotted to each successful applicant pursuant to this Offer Document. The statement will also advise holders of their holder identification number. Further statements will be provided to holders which reflect any changes in their holding in the Company during a particular month.

1.13 **Option Holders**

Option Holders will not be entitled to participate in the Issue unless they:

- (a) have become entitled to exercise their Existing Options under the terms of their issue and do so prior to the Record Date; and
- (b) participate in the Issue as a result of being an Eligible Shareholder at 5.00pm (AWST time) on the Record Date.

There are currently 10,550,000 Existing Unlisted Options on issue. Of these, 9,300,000 Options have vested; have expiry dates during the period from 21 November 2019 to 10 April 2021 and have an exercise price of \$0.30 each.

If all holders elect to exercise their Existing Options prior to the Record Date to participate in the Issue, a further 1,328,571 New Shares may be issued under this Offer Document.

1.14 **Overseas Shareholders**

The Company has not made investigations as to the regulatory requirements that may prevail in the countries outside of Australia, New Zealand, Singapore, Hong Kong, Germany and Switzerland in which the Company's Shareholders reside.

This Offer Document and accompanying forms do not, and are not intended to, constitute an offer of New Shares in any place outside of Australia, New Zealand, Singapore, Hong Kong,

Germany and Switzerland in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Offer or that Form.

The distribution of this Offer Document and the accompanying form in jurisdictions outside of Australia, New Zealand, Singapore, Hong Kong, Germany and Switzerland may be restricted by law and persons who come into possession of this Offer Document and the accompanying form should seek advice on and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws.

The Company has decided that it is unreasonable to make offers under the Issue to Shareholders with registered addresses outside of Australia, New Zealand, Singapore, Hong Kong, Germany and Switzerland (**Ineligible Shareholders**) having regard to the number of Shareholders in those places, the number and value of the New Shares they would be offered and the cost of complying with the legal and regulatory requirements in those places. Accordingly, the Offer is not being extended to, and does not qualify for distribution or sale by, Ineligible Shareholders and no New Shares will be issued to Ineligible Shareholders.

In particular this Offer is not made in the United States or to persons (including nominees or custodians) acting for the account or benefit of a person in the United States, or to any person who is ineligible under applicable securities laws in any country to receive an offer under the Offer Document without any requirement for a prospectus to be lodged or registered.

New Zealand

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand)*.

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013 (New Zealand)*. This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of invitation for subscription or purchase, whether directly or indirectly, to person in Singapore except pursuant to and in accordance with exemptions in *Subdivision (4) Division 1, Part XIII of the Securities and Futures ACT, Chapter 289 of Singapore (SFA)*, or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an existing holder of the Company's shares. In the event that you are not an existing holder, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on - sale restrictions in Singapore that may be applicable to investors who acquire securities. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

European Economic Area – Germany

The information in this document has been prepared on the basis that the Offer will be made pursuant to an exemption under the *Directive 2003/71/EC (Prospectus Directive)*, as amended and implemented in Germany, from the requirement to produce a prospectus for offers of securities. An offer to the public of shares has not been made, and may not be made, in Germany except pursuant to one of the following exemptions under the Prospectus Directive as implemented in Germany:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID");
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID;
- to fewer than 150 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of the Company; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

Switzerland

The New Shares will not be publicly offered, distributed or redistributed, directly or indirectly, to the public in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or any other stock exchange or regulated trading facility in Switzerland. This document does not constitute a public offering prospectus as that term is understood pursuant to *art. 652a or art. 1156 of the Swiss Federal Code of Obligations* or the disclosure standards for listing prospectuses under the SIX Listing Rules or listing rules of any other stock exchange or regulated trading facility in Switzerland. The Company has not applied for a listing of the New Shares being offered pursuant to this document on the SIX or on any other stock exchange or regulated trading facility in Switzerland, and consequently, the information presented in this document does not necessarily comply with the information standards set out in the relevant listing rules. Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland in any way that could constitute a public offering within the meaning of *art. 652a or art. 1156 of the Swiss Code of Obligations*.

Neither this document nor any other offering or marketing material relating to the New Shares has been or will be filed with or approved by any Swiss regulatory authority. In particular, this Offer Document will not be filed with, and the offer of New Shares will not be supervised by, *the Swiss Financial Market Supervisory Authority ("FINMA")*.

This document is personal to the recipient only and not for general circulation in Switzerland. It may not be copied, reproduced, distributed or passed on to others without the Company's prior written consent.

United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

1.15 Nominees and custodians

Nominees and custodians may not distribute any part of this document in the United States or in any other country outside of Australia, New Zealand, Singapore, Hong Kong, Germany and Switzerland, except to beneficial Shareholders in another country (other than the United States) where the Company may determine it is lawful and practical to make the Offer. Any person in the United States with a holding through a nominee may not participate in the Offer.

1.16 Electronic Offer Document

An electronic version of this Offer Document is available on the Internet at <http://www.demembranes.com>.

The Entitlement and Acceptance Form may only be distributed together with a complete and unaltered copy of the Offer Document. The Company will not accept a completed Entitlement and Acceptance Form if it has reason to believe that the investor has not received a complete paper copy or electronic copy of the Offer Document or if it has reason to believe that the Entitlement and Acceptance Form or electronic copy of the Offer Document has been altered or tampered with in any way.

While the Company believes that it is extremely unlikely that in the Offer period the electronic version of the Offer Document will be tampered with or altered in any way, the Company cannot give any absolute assurance that it will not be the case. Any investor in doubt concerning the validity or integrity of an electronic copy of the Offer Document should immediately request a paper copy of the Offer Document directly from the Company or the Share Registry.

2. How to apply

2.1 How to accept your entitlement

Eligible Shareholders may accept their Entitlement either in whole or in part. The number of New Shares to which Eligible Shareholders are entitled to is shown on the Entitlement and Acceptance Form which accompanies this Offer Document.

If Eligible Shareholders take no action in respect of their Entitlement they will have no right to subscribe for the New Shares pursuant to this Offer.

As an Eligible Shareholder, you may:

- (a) take up all of your Entitlement and apply for Shortfall Shares;
- (b) take up all of your Entitlement but not apply for Shortfall Shares;
- (c) accept part of your Entitlement and allow the balance to lapse; or
- (d) do nothing which will allow of your Entitlement to lapse

Entitlements to New Shares can be accepted in full or in part by completing and returning the Entitlement and Acceptance Form which is attached to this Offer Document in accordance with the instructions set out on the Entitlement and Acceptance Form and forwarding the completed Form together with payment for the full amount so as to reach the Share Registry by no later than 5.00pm (AWST time) on the Closing Date.

Payment may be made by cheque, bank draft or BPAY®. The Issue Price of \$0.135 per New Share is payable in full on acceptance of part or all of your Entitlement.

Cheques should be in Australian currency and made payable to "De.mem Limited - Rights Issue Account" and crossed "not negotiable".

Completed Forms and accompanying cheques should be lodged at or forwarded to the following address:

Mailing Address	OR	Hand Delivery
De.mem Limited Offer		De.mem Limited Offer
C/- Link Market Services Limited GPO Box 3560 Sydney NSW 2001		C/- Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138

Entitlement and Acceptance Forms will not be accepted at the Company's registered office.

No brokerage, handling fees or stamp duty is payable by Applicants in respect of their applications for New Shares under this Offer Document. The amount payable on acceptance will not vary during the period of the Offer and no further amount is payable on allotment. Application Money will be held in trust in a subscription account until allotment of the New Shares. The subscription account will be established and kept by the Company on behalf of the Applicants. Any interest earned on the Application Money will be retained by the Company irrespective of whether allotment takes place.

If you do not wish to accept all or any part of your Entitlement, do not take any further action and that part of your Entitlement will lapse. If you do not take up all of your Entitlement in accordance with the instructions set out above, any New Shares that you would have

otherwise been entitled to under the Offer may be placed by the Directors to third parties. See sections 1.9 and 4.3 for further details.

2.2 To apply for Shortfall Shares

Eligible shareholders may, in addition to their Entitlement, apply for Shortfall Shares regardless of the size of their present holding. Refer to Section 1.9 if you wish to apply for Shortfall Shares.

2.3 Binding effect of Entitlement and Acceptance Form

A completed and lodged Entitlement and Acceptance Form, or a payment made through BPAY, constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Offer Document and, once lodged or paid, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid application for New Shares. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

By completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Money or making a payment by BPAY, you will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:

- (a) you are an Eligible Shareholder and are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares under the Offer;
- (b) you acknowledge that the New Shares have not been, and will not be, registered under the US Securities Act or under the laws of any other jurisdiction outside of Australia, New Zealand, Singapore, Hong Kong, Germany and Switzerland; and
- (c) you have not and will not send any materials relating to the Offer to any person in the United States or to any person (including nominees or custodians) acting for the account or benefit of a person in the United States.

3. Company information

Overview of De.mem Group

De.mem was incorporated on 12 September 2016 in Perth. De.mem Ltd acquired 100% of the issued capital of De.mem Pte Ltd, Singapore, on 20 October 2016 and listed on the Australian Stock Exchange (**ASX**) on 7 April 2017.

On 14 September 2017, De.mem acquired 100% of the shares in Akwa-Worx Pty Ltd and Akwa Facility Maintenance Pty Ltd, Caboolture, Queensland, Australia (**Akwa-Worx**). Established in 2002 and headquartered in Caboolture, Queensland, Akwa-Worx has a strong customer base in the industrial and municipal sectors. Akwa-Worx's clients include a number of leading corporations from the Australian mining sector. Akwa Facility Maintenance Pty Ltd offers maintenance and operations services and has a number of contracts in place which provide a stable revenue component. Akwa-Worx Pty Ltd was renamed into De.mem-Akwa Pty Ltd effective 12 November 2018.

The purpose of the Company and its subsidiaries is to design, build, own and operate equipment and technology for de-centralised water treatment in the Asia-Pacific region. It operates in the municipal and industrial sectors, providing water and waste water treatment systems and solutions for use in potable water treatment, sewage treatment and industrial waste water treatment applications.

De.mem's product offering is based on a range of proprietary products and technologies around hollow fibre membrane-based water treatment. Some of the technologies were originally developed at Nanyang Technological University, Singapore (**NTU**). The membranes and membrane modules are manufactured at a production facility in Singapore.

Planned Acquisition

The Company intends to acquire a 75% stake in the equity of a company based and incorporated in Germany (**Target Company**) which currently provides equipment, consumables and services related to industrial waste water treatment.

The Target Company's main products are the supply of chemical dosing systems, related consumables (chemicals) and consulting services. It has an established customer base of over 100 Small-and-Medium-sized Enterprises and larger corporations in Germany to which it regularly delivers products or renders services.

In 2017, the Target Company has recorded approximately A\$1.8 million (1.2 million EUR) in revenues and approximately A\$ 230,000 (150,000 EUR) in earnings before interest and taxes (EBIT). These figures are unaudited and reported by management of the Target Company. The Target Company employs six employees.

The Company and the Target Company have signed an Letter-of-Intent for the acquisition of a 75% stake in the Target Company's for cash consideration of approximately A\$ 865,000 (562,500 EUR).

The Target Company is wholly owned and managed by a private individual, who is the company's founder. The private individual has been active in the above-mentioned business segment for more than 30 years. The founder has indicated that he is willing to remain active as the Target Company's Managing Director for an indefinite period after the acquisition.

De.mem is currently undertaking financial and commercial due diligence as well as preparing & negotiating a formal sale and purchase agreement for acquisition of the Target Company.

There is a risk that the planned acquisition will not proceed after further due diligence by De.mem. Furthermore, the acquisition is subject to the conclusion of definitive agreements. If the acquisition proceeds, the acquisition date will likely be in the first quarter of the 2019 calendar year.

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The cash consideration for the planned acquisition is to be funded from the Offer and therefore the acquisition is unlikely to proceed if a sufficient amount is not raised from the Offer, at the discretion of De.mem.

4. Control issues arising from the Offer on the Company

4.1 Present position

At the date of this Offer Document the Company is of the view that there is no one entity who controls the Company.

The Shareholders who hold more than 5% of the Shares prior to the date of this Offer Document are as follows:

Name	Shares	%
NA Singapore Early-Stage Venture Fund I Pte Ltd	41,795,168	38.82
New Asia Investments Pte Ltd	11,921,611	11.07
J P Morgan Nominees Australia Limited	6,574,505	6.11

NA Singapore Early-Stage Venture Fund I Pte Ltd and New Asia Investments Pte Ltd have advised the Company that neither is intending on increasing their shareholding or respective equity percentage interest in the Company under the Offer or otherwise.

The Directors have resolved that no shortfall will be allocated and placed to a shareholder or any third party if to do so would result in that shareholder or someone else's voting power in the Company increasing from 20% or below or to more than 20%, or from a starting point that is above 20% and below 90%. Accordingly, the Offer should not effect the control of the Company.

4.2 Capital structure

Assuming full subscription under the Offer, the share capital structure of the Company immediately following the Issue assuming the Issue is fully subscribed will be as follows:

	Shares	
	Number	%
Ordinary Shares on issue at the date of the Offer Document	107,668,974	87.50%
Maximum number of New Shares under the Offer Document ^{1,3}	15,381,282	12.50%
Total:	123,050,256 ²	100%

Notes:

- If any of the Existing Options are exercised prior to the Record Date, additional New Shares will be issued under the Offer under this Offer Document. If all Existing Options on issue as at the date of this Offer Document were exercised prior to the Record Date, the Company's issued shares would increase by 9,300,000 resulting in 1,328,571 New Shares being issued pursuant to this Offer Document. This would increase the Company's total Shares on issue after completion of the Offer to 133,678,827 Shares.*
- As part of the acquisition of Akwa-Worx, certain milestone payments to the seller of Akwa-Worx have been agreed upon based on the achievement of revenue milestones, to be settled in cash and shares, as previously announced to the ASX on 14 September 2017. Any milestone cash payments and milestone share issues are expected to be settled in January 2019 and have not been included in the Proposed Use of Funds at section 1.4 or the Capital structure table above. Details of the calculation of the milestone payments are provided at Schedule A.*

3. *The Directors reserve the right to allocate and place any shortfall within three months after the close of the Offer to those persons determined by the Directors. The Directors have resolved that no shortfall will be allocated and placed to a shareholder if to do so would result in that shareholder or someone else's voting power in the Company increasing from 20% or below or to more than 20%, or from a starting point that is above 20% and below 90% other than as permitted under the Corporations Act.*

As at the date of this Offer Document, the Company has a total of 10,550,000 Existing Options on issue as follows:

No of options	Exercise price	Vesting date/performance hurdle	Expiry date
4,250,000	\$0.30	ASX escrow to 07/04/19	21/11/19
3,800,000	\$0.30	ASX escrow to 07/04/19	30/03/20
375,000	\$0.30	Vesting on 15/05/19	15/05/20
375,000	\$0.30	Vesting on 01/05/20	15/05/20
1,250,000	\$0.30	None	11/09/20
250,000	\$0.30	Vesting on 13/04/20	13/04/21
250,000	\$0.30	Vesting on 31/03/21	10/04/21

4.3 Potential effect of the Offer

The Offer is a pro-rata offer so that if all Eligible Shareholders take up their Entitlements and none of the Option Holders exercise their Existing Options and participate in the Offer, the voting power of all Eligible Shareholders will remain the same. In that event, there will be no actual or potential effect or consequences arising from the Offer on the control of the Company.

However, Shareholders who do not take up all of their Entitlements will have their interest in the Company diluted. In addition, the proportional shareholdings of Shareholders who are not resident in Australia, New Zealand, Singapore, Hong Kong, Germany and Switzerland may be diluted as those Shareholders are not entitled to participate in the Offer.

While the final percentage interests held by Shareholders of the Company is entirely dependent on the extent to which they are Eligible Shareholders and to the extent to which the other Shareholders take up their Entitlements, the Company expects that the potential effect of the issue of Shares under the Offer on the control of the Company will be minimal.

In the event of a Shortfall, the Directors reserve the right to place the Shortfall at their sole discretion subject to the provisions of the *Corporations Act* and the Listing Rules.

5. Risk factors

5.1 Introduction

The activities of the Company, as in any business, are subject to risks which may impact on its future performance. The Company has appropriate actions, systems and safeguards for known risks, however, some are outside its control.

Prior to making any decision to accept the Offer, Eligible Shareholders should carefully consider the risk factors which the Company has previously disclosed (many of which are listed below), as well as those risks of which the Eligible Shareholder is aware, or should be aware of through their own knowledge and enquiries.

Some of the risks may be mitigated by the Company using safeguards and appropriate systems and taking certain actions. However, as noted above and previously, some of the risks are outside the control of the Company and are not capable of mitigation. There are also general risks associated with any investment in shares.

The risks listed below (and previously disclosed by the Company) should not be taken as exhaustive of the risks faced by the Company. Factors other than those listed may in the future materially affect the financial performance of the Company and the value of the New Shares. Eligible Shareholders should read this Offer Document in its entirety and consult their stockbroker, accountant or other professional advisor without delay before deciding whether to accept the Offer.

5.2 General risks

The New Shares that are to be issued pursuant to the Offer are speculative because of the nature of the business of the Company. The value of shares can go up as well as down and a dividend may or may not be paid in the future, depending on the Company's operating successes. As the holding of the Company's securities can involve certain risks, Eligible Shareholders in doubt as to the course they should follow should consult their stockbroker, accountant or other professional advisor without delay.

A summary of the major general risks are described below:

Nature of investment

Any potential investor should be aware that subscribing for New Shares involves risks. The New Shares to be issued pursuant to this Offer carry no guarantee with respect to the payment of dividends, return on capital or the market value of those New Shares. An Applicant may not be able to recoup his or her initial investment. More specifically, the risks are that:

- (a) the price at which the Applicant is able to sell the New Shares is less than the price paid due to changes in market circumstances;
- (b) the Applicant is unable to sell the New Shares; and
- (c) the Company is placed in receivership or liquidation making it reasonably foreseeable that Shareholders could receive none, or only some of their initial investment.

Stock market

The New Shares may trade on the ASX at higher or lower prices than the Issue Price following listing. Investors who decide to sell their New Shares after listing may not receive the entire amount of their original investment.

The Shares are currently listed on the ASX. However, there can be no guarantee that there is or will be an active market in the Shares or that the price of the New Shares will increase.

The price at which the New Shares trade on the ASX may be affected by the financial performance of the Company and by external factors over which the Directors and the Company have no control. These factors include movements on international share markets, local interest rates and exchange rates, domestic and international economic conditions, government taxation, market supply and demand and other legal, regulatory or policy changes.

Economic factors

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions including the levels of consumer confidence and spending, business confidence and investment, employment, inflation, interest rates, exchange rates, access to debt and capital markets, fiscal policy, monetary policy and regulatory policies. A prolonged deterioration in any number of the above factors may have a material adverse impact on the Company's business and financial performance.

Management actions

The Directors will, to the best of their knowledge, experience and ability (in conjunction with their management) endeavour to anticipate, identify and manage the risks inherent in the activities of the Company, but without assuming any personal liability for same, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of the Company and its securities.

Unforeseen expenses

While the Company is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of the Company may be adversely affected.

Additional capital requirements

The Company's ability to effectively implement its business strategy over time, including expansion through strategic acquisitions of businesses and assets, may depend in part on its ability to raise additional funds. There can be no assurance that any such equity or debt funding will be available to the Company on favourable terms or at all. If adequate funds are not available on acceptable terms, the Company may not be able to take advantage of opportunities or otherwise respond to competitive pressures.

Regulatory risk, Government policy

Changes in relevant taxation, interest rates, other legal, legislative and administrative regimes and Government policies in Australia, may have an adverse effect on the assets, operations and ultimately the financial performance of the Company and the market price of its securities.

5.3 Risks specific to an investment in the Company

In addition to the general risks noted in section 5.2, Eligible Shareholders should be aware of risks specific to an investment in the Company, which may include, but are not limited to the following:

Sales Risks

While the Company is already earning substantial revenues and has a diversified customer base, it still needs to grow its sales further to build a sustainable business. It may take longer than expected to generate and grow sales and to achieve sustainable profitability, which may

lead to additional financing requirements as pointed out above. Sales and related cash flows are largely projects based and may therefore fluctuate in between accounting periods.

Key Personnel Risk

The Company depends on certain key personnel. This applies to both the commercial as well as the engineering / technology side. If such key people are leaving the Company, this may lead to disruptions of customer relationships or delays in the manufacturing and product development efforts.

Competition

The industry in which the Company operates is subject to strong competition. Competitors may come up with new, better or cheaper products and solutions. The Company's competitors include both small and medium enterprises and large, established corporations or multinationals. Those may decide to enter the Company's target markets, and be able to fund aggressive marketing strategies. They may also have stronger financial capabilities than the Company. This may affect the operating and financial performance of the business.

Company may not be able to complete the planned acquisition

The Company may not raise sufficient funds under this Offer to complete the planned acquisition outlined in section 3 of this document. In that case, the acquisition may be delayed or not occur.

Completion of any acquisition is subject to satisfaction of all conditions to completion and each party discharging their respective contractual obligations. There can be no guarantee that the documentation will be entered into on terms satisfactory to the Company or that the contract is completed in accordance with those formal terms.

Delayed integration after completion of the planned acquisition

The planned acquisition comes along with uncertainties for the Company. While the Company is pursuing appropriate due diligence procedures on the acquisition target, this may not identify or address all the risks associated with the target entity or the jurisdictions in which it operates.

Shareholders should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for the New Shares.

6. Additional information

6.1 Section 708AA Corporations Act

De.mem is a disclosing entity and therefore subject to regular reporting and disclosure obligations under the *Corporations Act*. Under those obligations, the Company is obliged to comply with all applicable continuous disclosure and reporting requirements in the Listing Rules.

This Offer is being undertaken pursuant to section 708AA of the *Corporations Act*. This section enables disclosing entities to undertake a rights issue in relation to securities in a class of securities which has been quoted by ASX at all times during the 12 months before the date of the Offer. Apart from formal matters a notice under section 708AA(2)(f) need only:

- (a) contain information that is excluded information as at the date of the Offer Document pursuant to section 708AA(8) and (9); and
- (b) state:
 - (1) the potential effect the issue of the New Shares will have on the control of the Company; and
 - (2) the consequences of that effect.

A notice under section 708AA(2)(f) and (7) was lodged with the ASX on 26 November 2018.

6.2 Rights and liabilities attaching to New Shares

The New Shares will have from issue the same rights attaching to all existing Shares on issue. The rights attaching to ownership of the New Shares are set out in the Company's Constitution, a copy of which is available for inspection at the registered office of the Company during business hours.

This Offer Document does not contain a summary of the principal rights and liabilities of holders of the New Shares.

6.3 Expenses of the Offer

All expenses connected with the Offer are being borne by the Company. Total expenses of the Offer are estimated to be in the order of \$30,000 (assuming that the Offer is fully subscribed).

In addition the Company may if it deems it necessary for the placement of any Shortfall, pay stockbrokers' fees which will be equal to a percentage of the Issue Price (including GST) of New Shares issued under the Shortfall.

6.4 Consents and disclaimers

Written consents to the issue of this Offer Document have been given and at the time of this Offer Document have not been withdrawn by the following parties:

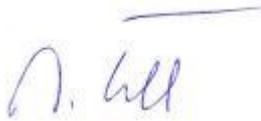
Link Market Services Limited has given and has not withdrawn its consent to be named in this Offer Document as the Share Registry of the Company in the form and context in which it is named. It has had no involvement in the preparation of any part of this Offer Document other than recording its name as share registrar to the Company and it takes no responsibility for any part of the Offer Document other than the references to its name.

HopgoodGanim Lawyers has given and has not withdrawn its consent to be named in this Offer Document as solicitors to the Offer in the form and context in which it is named. It takes no responsibility for any part of the Offer Document other than references to its name.

6.5 **Directors' statement**

This Offer Document is issued by De.mem Limited. Each director has consented to the lodgement of the Offer Document with ASX.

Signed on the date of this Offer Document on behalf of De.mem Limited by:

A handwritten signature in blue ink, appearing to read 'A. Kroell', with a horizontal line above it.

.....
Mr Andreas Kroell
CEO & Director

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7. Definitions and glossary

Terms and abbreviations used in this Offer Document have the following meaning:

Acceptance	An acceptance of Entitlements
Additional Shares	Means the Shares issued under the Shortfall Offer.
Applicant	A person who submits an Entitlement and Acceptance Form
Application Money	The Issue Price multiplied by the number of New Shares applied for
ASX	ASX Limited ACN 008 624 691
ASX Settlement Operating Rules	The operating rules of ASX Settlement Pty Ltd
AWST	Australian Western Standard Time
Board	The board of Directors of the Company
CHESS	means the Clearing House Electronic Sub-register System, an automated transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in paperless form.
Closing Date	The date by which valid acceptances must be received by the Share Registry being 5.00pm (AWST time) on 13 December 2018 or such other date determined by the Board
Company or De.mem	De.mem Limited ACN 614 756 642
Constitution	The Constitution of the Company
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Directors	The Directors of the Company
Eligible Shareholder	A shareholder of the Company that holds shares in the Company on the Record Date whose registered address is in Australia, New Zealand, Singapore, Hong Kong, Germany and Switzerland.
Entitlement and Acceptance Form or Form	An entitlement and acceptance form in the form attached to this Offer Document
Entitlements	The entitlement to accept New Shares under this Offer Document
Existing Options	All vested options to subscribe for Shares currently on issue as at the date of this Offer Document
Ineligible Shareholder	A Shareholder who is not an Eligible Shareholder
Issue or Offer	The offer and issue of New Shares in accordance with this Offer Document
Issue Price	\$0.135 for each New Share applied for
Listing Rules	The official listing rules of the ASX
New Shares	Shares proposed to be issued under the Offer
Opening Date	The date from which valid acceptances will be accepted by the Share Registry being on 4 December 2018 or such other date determined by the Board

Option Holders	The holders of the Existing Options
Options	Options on issue in the Company from time to time
Offer Document	This Offer Document dated 26 November 2018 as modified or varied by the Company
Record Date	29 November 2018
Register	The company register of the Company
Relevant Interest	Has the meaning given to that term in the <i>Corporations Act</i>
securities	Has the same meaning as in section 92 of the <i>Corporations Act</i>
Share Registry or Link	Link Market Services Limited
Shares	The ordinary shares on issue in the Company from time to time
Shareholder or Shareholders	The holders of Shares from time to time
Shortfall	Those New Shares for which the Entitlement lapses
Shortfall Application Form	Means the shortfall application form accompanying this Offer Document.
Shortfall Offer	Means the offer to apply for the Shortfall as described in Section 1.9
US Securities Act	The US Securities Act of 1933, as amended.

Corporate directory

Directors	Solicitors to the Offer
<p>Andreas Kroell (CEO/Executive Director)</p> <p>Stuart Carmichael (Non-Executive Director)</p> <p>Bernd Dautel (Non-Executive Director)</p> <p>Michael Edwards (Non-Executive Director)</p> <p>Cosimo Trimigliozi (Non-Executive Director)</p>	<p>HopgoodGanim Lawyers Level 8 Waterfront Place 1 Eagle Street Brisbane QLD 4000</p>
Administration and Registered Office	Share Registry
<p>Ground Floor 16 Ord Street West Perth Western Australia 6005 Tel: 08 9482 0500 Fax: N/A http://www.demembranes.com</p>	<p>Link Market Services Limited QV1 Building, Level 12, 250 St Georges Terrace, Perth WA 6000</p>

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Schedule A

Outstanding Milestones from Akwa-Worx acquisition

As part of the acquisition of Akwa-Worx, certain milestone payments to the seller of Akwa-Worx have been agreed upon. As of the date of this offer, two milestone payments are still outstanding. Each milestone includes one tranche to be paid in cash and another tranche to be paid in Shares.

The two outstanding milestone payments are summarized as follows:

Milestone No.:	Milestone Period	Milestone Test Date	Milestone Revenue Criteria	Milestone Cash Payment	Milestone Share Payment
2	01.01.18 to 31.12.18	31.12.18	> \$8,000,000	\$125,000	\$125,000
3	01.07.17 to 31.12.18	31.12.18	> \$12,000,000 ²	The amount calculated in accordance with the formula. ¹	The amount calculated in accordance with the formula. ³

The milestone payments are based on the achievement of certain revenue targets (“Milestone Revenue Criteria”) by the Akwa-Worx entities acquired by the Company . “Milestone Revenue Criteria” is defined as the total aggregate revenue of the Akwa-Worx entities for the corresponding Milestone Period Payment.

The Milestone Cash and Share payments have to determined within 30 business days after each Milestone Test Date.

Notes

1 $X = ((Y - \$12,000,000) / 4,000,000) \times \$62,500$

Where:

X = the Milestone Cash Payment for Milestone 3;

Y = the lesser of:

(a) *The total aggregate revenue of the Companies for the Milestone Period attributable to Milestone 3; or*

(b) *\$16,000,000*

x = multiplied by

2 For clarity, where the total aggregate revenue for the Companies for the Milestone Period attributable to Milestone 3 is equal to or less than \$12 million – no Milestone Payment for Milestone 3 will be paid;

3 $A = ((B - \$12,000,000) / 4,000,000) \times \$187,500$

Where:

A = the Milestone Share Payment for Milestone 3;

B = the lesser of:

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- (c) *The total aggregate revenue of the Companies for the Milestone Period attributable to Milestone 3; or*
- (d) *\$16,000,000*

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