



27 November 2018

Dear Option Holder,

NON-RENOUNCEABLE RIGHTS ISSUE OFFER

On 26 November 2018, De.mem Limited (**Company**) announced that it would be offering shareholders the opportunity to participate in a non-renounceable rights issue of a one (1) Share for every seven (7) Shares held at an issue price of \$0.135 (**New Shares**) to raise up to \$2,076,473 before costs of the offer (**Offer**).

The Directors intend to apply the net 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; and
- (c) providing working capital.

This letter is to inform you about the Offer and to explain why you will not be able to participate in the Offer with respect to your options. This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares.

You are not required to do anything in response to this letter.

This Offer is being undertaken pursuant to section 708AA of the *Corporations Act 2001*.

Information about the Offer

1. The Offer is being made to Eligible Shareholders on the basis of the number of fully paid ordinary shares in the Company (**Shares**) held at 5.00pm (AWST) on Thursday, 29 November 2018 (**Record Date**). Under the Offer, Eligible Shareholders with a registered address in Australia, New Zealand, Singapore, Hong Kong, Germany and Switzerland will be able to subscribe for one (1) New Share for every seven (7) Shares held on the Record Date at an issue price of \$0.135 per New Share.
2. The Offer opens on Tuesday, 4 December 2018 and is expected to close at 5.00pm (AWST) on Thursday, 13 December 2018.
3. The Offer is non-renounceable which means that Eligible Shareholders cannot sell their rights under the Offer.
4. A person is an Eligible Shareholder and is eligible to participate in the Offer if they are a registered holder of Shares on the Record Date and they:
 - (a) have a registered address listed on the Company's share register in Australia, New Zealand, Singapore, Hong Kong, Germany or Switzerland only;
 - (b) are not in the United States and are not a US person or acting for the account of benefit of a person in the United States or a US person; and

- (c) are eligible under all applicable securities laws to receive an offer under the Offer, without the use of a prospectus, disclosure document or other lodgement, filing, registration or qualification.
5. The Offer is not extended to security holders who do not meet this criteria.
 6. To the extent that a person holds Shares on behalf of another person resident outside Australia, New Zealand, Singapore, Hong Kong, Germany or Switzerland, it is that person's responsibility to ensure that any acceptance complies with all applicable foreign laws.
 7. Up to 15,381,282 New Shares may be issued under the Offer (based on the current capital structure of the Company and assuming that no existing options are exercised, vest or are converted before the Record Date). New Shares issued under the Offer will rank equally with the Company's existing fully paid ordinary shares.
 8. There is no minimum subscription under the Offer.
 9. Eligible Shareholders who take up their Rights in full may also apply for additional New Shares under any shortfall.

Eligibility to participate

A person is eligible to participate in the Offer if they are a registered holder of Shares on the Record Date and have an address in Australia, New Zealand, Singapore, Hong Kong, Germany and Switzerland.

The Offer does not extend to the holders of options in the Company and unless you also hold Shares, you will not be sent documents relating to the Offer.

You are not entitled to participate in the Offer **unless you exercise your options and you are registered (with an address in Australia, New Zealand, Singapore, Hong Kong, Germany or Switzerland) as the holder of Shares by 5.00pm (AWST) on the Record Date.**

Options may only be exercised, in accordance with the terms of issue together with payment of the relevant exercise or conversion price (if any).

If you do not exercise your options, then after the Closing Date of the Offer an adjustment may be made to the terms of those securities in accordance with any formula set out in their terms and conditions.

Timetable for the Offer

26 November 2018	Announcement to ASX of the Offer.
26 November 2018	Offer Document lodged with ASIC and ASX (Appendix 3B lodged with ASX)
27 November 2018	Notice of Offer sent to Shareholders
28 November 2018	Shares commence trading on the ASX on an ex-rights basis.
5.00pm (AWST) 29 November 2018	Record Date – the date for identifying eligible shareholders entitled to participate in the Offer.
4 December 2018	Offer Document with Entitlement and Acceptance Forms sent to eligible shareholders.
4 December 2018	Opening Date – the first day for receipt of acceptances under the Offer and the shortfall offer.
5.00pm (AWST) 13 December 2018	Closing Date – the last day for receipt of acceptances under the Offer and the shortfall offer.
14 December 2018	New Shares quoted on ASX on a deferred settlement basis.
18 December 2018	Announcement to ASX of the results of the Offer and any shortfall.
20 December 2018	Issue date - New Shares issued under the Offer
21 December 2018	New Shares expected to commence normal trading on ASX.

Note: these dates are indicative only and may be subject to change.

This letter is provided for your information only and does not constitute an offer of New Shares under the Offer. We encourage you to speak to your financial adviser before making any investment decision whether to exercise your options or convert your convertible notes before the Record Date and whether to take up any resulting entitlement under the Offer.

For further information on the Offer, please see the Company's announcements on ASX (www.asx.com.au) or the Company's website (<http://demembranes.com/investors/>) or alternatively contact the Company on +61 8 9482 0555 from 9.00am to 5.00pm (AWST), Monday to Friday.

The board and management thank you for your continued support of the Company.

Yours faithfully

Brett Tucker
Company Secretary