



17 July 2019

Anjuli Sinniah
Listings Compliance (Perth)
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

Dear Anjuli,

RESPONSE TO ASX PRICE QUERY

De.mem Limited (ASX:DEM) (“**the Company**” or “**De.mem**”) refer to your letter dated 16 July 2019 in relation to the above and provide the following responses to your questions:

1. The Company previously announced on 2 July 2019 that the Company is in negotiations in relation to a potential acquisition that continues to remain confidential and incomplete.
2. We provide the following:
 - a. Names of the counterparties: Mr Grant Petterwood, Mr Graham Van Essen, Pumptech Tasmania Pty Ltd.
 - b. Consideration value: The indicative terms of the transaction which are non-binding, incomplete and subject to change are:
 - i. De.mem will acquire 100% of the shares; and
 - ii. Indicative purchase price of \$900,000 in cash paid in three tranches (\$450,000 at completion and \$150,000 each over three years from the acquisition) plus \$150,000 in De.mem shares payable on or about completion.
 - c. Material terms on the non-binding term sheet that is subject to change:
 - i. De.mem will acquire 100% of the shares;
 - ii. Subject to completion of due diligence satisfactory to the Company;
 - iii. Agreement on and execution of definitive legal agreements including key personnel service agreements;
 - iv. Completion of all regulatory requirements, including any requirements of the Australian Securities Exchange;
 - v. Final approval by the De.mem Board of Directors and shareholders, if required; and
 - vi. Agreement on revenue and operating budget for the next 24 months.
3. The Company also notes recent announcements made to the ASX including the following:
 - 6 June 2019 – ‘Investor presentation’.
 - 18 June 2019 – ‘DEM reports first revenues from new forward Osmosis Membrane’.
 - 27 June 2019 – ‘DEM completes placement with leading institutional investors’ where the Company successfully completed a placement to raise \$1.907m. As disclosed to the



ASX on 27 June 2019 and 3 July 2019, Perennial Value Management participated in the placement and currently holds 7.7% of the issued share capital of the Company.

- 1 July 2019 – Appendix 3B and Cleansing Notice.
- 2 July 2019 – The Company noted that negotiations in relation to a potential acquisition remains incomplete and does not trigger the application of Chapter 11 of the ASX Listing Rules.

The Company advises that negotiations in relation to a potential acquisition as disclosed on 1 July 2019 and 2 July 2019 remain confidential and incomplete and do not trigger the application of Chapter 11 of the ASX Listing Rules. The status of those negotiations in relation to that transaction has not changed from 2 July 2019.

The Company also notes that since 6 June 2019 the Company has and continues to undertake investor roadshows which have been held in Melbourne on 17-18 June, Sydney on 19 June, Queensland on 20 and 25-26 June 2019 and in Singapore on 10 and 11 July 2019. The Company's CEO will also be attending another roadshow in Australia from 17 July 2019.

4. The Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
5. This response has been approved by an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

Yours sincerely,

Deborah Ho
Joint Company Secretary



16 July 2019

Ms Deborah Ho
Company Secretary
De.Mem Limited

By email:

Dear Ms Ho

De.Mem Limited ('DEM'): Price Query

We note the change in the price of DEM's securities from a close of \$0.175 on 15 July 2019 to an intra-day high of \$0.24 at the time of writing today.

We also note the significant increase in the volume of DEM's securities traded today.

Request for Information

In light of this, ASX asks DEM to respond separately to each of the following questions and requests for information:

1. Is DEM aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities?
2. If the answer to question 1 is "yes".
 - (a) Is DEM relying on Listing Rule 3.1A not to announce that information under Listing Rule 3.1? Please note that the recent trading in DEM's securities would suggest to ASX that such information may have ceased to be confidential and therefore DEM may no longer be able to rely on Listing Rule 3.1A. Accordingly, if the answer to this question is "yes", you need to contact us immediately to discuss the situation.
 - (b) Can an announcement be made immediately? Please note, if the answer to this question is "no", you need to contact us immediately to discuss requesting a trading halt (see below).
 - (c) If an announcement cannot be made immediately, why not and when is it expected that an announcement will be made?
3. If the answer to question 1 is "no", is there any other explanation that DEM may have for the recent trading in its securities?
4. Please confirm that DEM is complying with the Listing Rules and, in particular, Listing Rule 3.1.
5. Please confirm that DEM's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of DEM with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **7.30 AM AWST Thursday, 18 July 2019**. If we do not have your response by then, ASX will likely suspend trading in DEM's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, DEM's obligation is to disclose the information

“immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to DEM’s obligations under Listing Rules 3.1 and 3.1A and also to *Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that DEM’s obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, or if the answer to question 1 is “yes” and an announcement cannot be made immediately, you should discuss with us whether it is appropriate to request a trading halt in DEM’s securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in *Guidance Note 16 Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above ASX will likely suspend trading in DEM’s securities under Listing Rule 17.3.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Regards

Anjuli Sinniah
Senior Adviser, Listings Compliance (Perth)