ECO QUEST LIMITED
(TO BE RENAMED CYNATA THERAPEUTICS LIMITED)
ACN 104 037 372

NOTICE OF ANNUAL GENERAL MEETING

TIME: 11.30 am (WST)

DATE: 29 October 2013

PLACE: The Celtic Club, 48 Ord Street, West Perth, Western Australia

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9481 3860

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IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 11.30 am (WST) on Tuesday, 29 October 2013 at The Celtic Club, 48 Ord Street, West Perth, Western Australia.

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 4.00 pm (WST) on Sunday, 27 October 2013.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting at the time, date and place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return it by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies

should be aware of these changes to the Corporations Act, as they will apply to this Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
    - the proxy is not recorded as attending the meeting;
    - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

FINANCIAL STATEMENTS AND REPORTS – AGENDA ITEM

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2013 together with the declaration of the Directors, the Directors' Report, the Remuneration Report and the auditor's report.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

> *"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2013."*

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

(a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or

(b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

(a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or

(b) the voter is the Chair and the appointment of the Chair as proxy:

(i) does not specify the way the proxy is to vote on this Resolution; and

(ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR HOWARD DIGBY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purpose of clause 12.11 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Howard Digby, a Director, retires by rotation, and being eligible, is re-elected as a Director."*

3. RESOLUTION 3 – ELECTION OF DIRECTOR – DR STEWART WASHER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purpose of clause 12.17 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Dr Stewart Washer, a Director who was appointed on 1 August 2013, retires, and being eligible, is elected as a Director."*

4. RESOLUTION 4 – APPROVAL OF 10% PLACEMENT CAPACITY

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as a **special resolution**:

> "*That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company (at the time of the issue), calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement*"

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 5 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, subject to and conditional upon the passing of Resolutions 6 to 9 inclusive, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change in the nature and scale of its activities as described in the Explanatory Statement accompanying this Notice."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

(a) the proxy is either:

  (i) a member of the Key Management Personnel; or

  (ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(a) the proxy is the Chair; and

(b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

6. RESOLUTION 6 – ISSUE OF SHARES – VENDOR CONSIDERATION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, subject to and conditional upon the passing of Resolutions 5 and 7 to 9 inclusive, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 10,000,001 Shares on a post-Consolidation basis to the Vendors of Cynata Incorporated (or their nominees), on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(a) the proxy is the Chair; and

(b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

7. RESOLUTION 7 – ISSUE OF SHARES – CAPITAL RAISING

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, subject to and conditional upon the passing of Resolutions 5, 6, 8 and 9 and for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 15,000,000 Shares on a post-Consolidation basis at an issue price of $0.40 each, on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(a) the proxy is the Chair; and

(b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

8. RESOLUTION 8 – CONSOLIDATION OF CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to and conditional upon the passing of Resolutions 5 to 7 inclusive and 9, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that:

(a) every 20 Shares be consolidated into 1 Share; and

(b) every 20 Options be consolidated into 1 Option,

and, where this Consolidation results in a fraction of a Share or an Option being held, the Company be authorised to round that fraction up to the nearest whole Share or Option (as the case may be)."

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(a) the proxy is the Chair; and

(b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

9. RESOLUTION 9 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, subject to and conditional upon the passing of Resolutions 5 to 8 inclusive, for the purposes of section 157(1)(a) and for all other purposes, approval is given for the name of the Company to be changed to Cynata Therapeutics Limited*."*

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(a) the proxy is the Chair; and

(b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

10. RESOLUTION 10 – REPLACEMENT OF CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

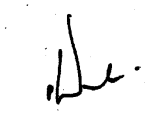
"That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the Chair of the Meeting for identification purposes."

11. RESOLUTION 11 – APPROVAL OF AUDITOR APPOINTMENT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of section 327B of the Corporations Act and for all other purposes, Stantons International Audit and Consulting Pty Ltd (trading as Stantons International Securities) having been nominated by a Shareholder and having consented in writing to act in the capacity of auditor, be appointed as auditor of the Company with immediate effect."

DATED: 24 SEPTEMBER 2013
BY ORDER OF THE BOARD



Peter Webse
Director & Company Secretary

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

1. FINANCIAL STATEMENTS AND REPORTS

The business of the Meeting will include the receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2013, including the declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at **www.ecoquest.com.au** or by contacting the Company on (08) 9481 3860.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' Report contained in the annual financial report of the Company for the financial year ending 30 June 2013.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

2.2 Voting consequences

Under changes to the Corporations Act which came into effect on 1 July 2011, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

2.3 Proxy Restrictions

Shareholders appointing a proxy for Resolution 1 should note the following:

If you appoint a member of the Key Management Personnel as your proxy (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member as your proxy

You must direct the proxy how they are to vote *on this Resolution*. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

If you appoint the Chair as your proxy (where he is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member)

You ***do not*** need to direct your proxy how to vote on this Resolution. However, if you do not direct the Chair how to vote, ***you must tick the acknowledgement on the Proxy Form to expressly authorise the Chair to exercise his discretion in exercising your proxy even though this Resolution is connected directly or indirectly with the remuneration of Key Management Personnel.***

If you appoint any other person as your proxy

You ***do not*** need to direct your proxy how to vote, and you ***do not*** need to tick any further acknowledgement on the proxy form.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR HOWARD DIGBY

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever is the longer.

Clauses 12.11 to 12.13 of the Constitution provides that:

12.11 At each annual general meeting of the Company the following directors must retire from office:

(i) One-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest one-third.

(ii) Any other Director, except a Managing Director, who has been in office for 3 years or more since that Director's election or last election as a Director.

12.12 The Directors to retire at an annual general meeting are those who have been longest in office since their last election. If 2 or more persons became Directors on the same day, those to retire shall be determined by lot unless they otherwise agree among themselves.

12.13 A Director retiring at an annual general meeting who is not disqualified by law from being reappointed is eligible for re-election and may act as a director throughout the meeting at which that Director retires.

Mr Howard Digby, the Director equally longest in office since his last election, retires by rotation and seeks re-election.

Mr Howard Digby, B.Eng (Hons) was appointed as a Non-Executive Director of the Company on 18 May 2012 and subsequently an Executive Director on 10 September 2012. Howard has a career of over 23 years in management in Australia and the Asia Pacific region, mostly in the information technology industry. He started out his career working for IBM in Perth and Sydney before joining Adobe (NSDQ: ADBE), Gartner (NYSE: IT) and then serving as managing director for The Economist Group based in Hong Kong. He was Chairman of the Business Software Alliance, an industry lobby group and a board member of the British Chamber of Commerce Policy Unit. In Australia he served as an executive editor of WA Business News. He is Non-Executive Chairman of Sun Biomedical Limited.

4. RESOLUTION 3 – ELECTION OF DIRECTOR – DR STEWART WASHER

Clause 12.16 of the Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution of seven.

Pursuant to clause 12.17 of the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Dr Stewart Washer, having been appointed as the Company's Executive Chairman on 1 August 2013 will retire from the Company's Board in accordance with clause 12.17 of the Constitution and ASX Listing Rule 14.4 and being eligible, seeks election from Shareholders.

Dr Washer has 20 years of CEO and board experience in medical technology, biotech and agrifood companies. He is currently the Chairman of iSonea Ltd (ASX: ISN). Dr Washer was previously the CEO of Calzada Ltd (ASX: CZD), the founding CEO of Phylogia Ltd (ASX: PYC) and before this, he was CEO of Celentis. Dr Washer has held a number of board positions in the past as the Chairman of Resonance Health Ltd (ASX: RHT) and Hatchtech Pty Ltd, a director of iCeutica Pty Ltd, AusBiotech Ltd, Immuron (ASX: IMC) and also served on the Murdoch University senate. He is currently the Chairman of Firefly Health.

5. RESOLUTION 4 – APPROVAL OF 10% PLACEMENT CAPACITY

5.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity may, seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital over a period up to 12 months after the annual general meeting (**10% Placement Capacity**).

The Company is an Eligible Entity.

If Shareholders approve Resolution 4, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in Section 5.2 below).

The effect of Resolution 4 will be to allow the Company to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 4 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 4 for it to be passed.

5.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

(a) is not included in the S&P/ASX 300 Index; and

(b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of $300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and at 23 September 2013 has a current market capitalisation of approximately $22,038,571 (including its quoted Shares and quoted Options).

The Equity Securities must be in the same class as an existing class of quoted Equity Securities. The Company currently has two classes of quoted Equity Securities, being Shares (ASX Code: ECQ) and quoted Options (ASX Code ECQO) in addition to two classes of unlisted Options.

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times D) - E$$

Where:

A is the number of Shares on issue 12 months before the date of issue or agreement:

(i) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;

(ii) plus the number of partly paid shares that became fully paid in the previous 12 months;

(iii) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval; and

(iv) less the number of Shares cancelled in the previous 12 months.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of ordinary securities under ASX Listing Rule 7.1 or 7.4.

5.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 4:

(a) **Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX Trading Days on which trades in that class were recorded immediately before:

(i) the date on which the price at which the Equity Securities are to be issued is agreed; or

(ii) if the Equity Securities are not issued within 5 ASX Trading Days of the date in paragraph 5.3(a)(i), the date on which the Equity Securities are issued.

(b) **Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

(i) 12 months after the date of this Meeting; and

(ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid). Resolution 5 does not count for that purpose.

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 4 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below, subject to the assumptions listed below the table.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A.2, on the basis of the current market price of Shares and the number of Equity Securities the Company will have on issue as at the date of the Meeting.

The table also shows:

(i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company will have on issue at the date of the Meeting. The number of ordinary securities on issue may increase as a

result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and

(ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price. The voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue (Variable 'A' in ASX Listing Rule 7.1A.2)		**Dilution**		
		$0.014 **(50% decrease in current issue price)**	**$0.028** **(Current issue price)**	**$0.042** **(50% increase in current issue price)**
635,972,491 **(Current)**	**Shares Issued**	63,597,249 Shares	63,597,249 Shares	63,597,249 Shares
	Funds Raised	$890,361	$1,780,723	$2,671,084
953,958,736 (50% increase)*	**Shares Issued**	95,395,873 Shares	95,395,873 Shares	95,395,873 Shares
	Funds Raised	$1,335,542	$2,671,084	$4,006,627
1,271,944,982 **(100% increase)***	**Shares Issued**	127,194,498 Shares	127,194,498 Shares	127,194,498 Shares
	Funds Raised	$1,780,723	$3,561,446	$5,342,169

***The number of ordinary securities on issue (variable A in the formula) could increase as a result of the issue of ordinary securities that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. There are currently 635,972,491 Shares on issue. The Consolidation and issues of Shares proposed pursuant to Resolutions 6 and 7 have not been factored into the table above, given the impossibility of forecasting potential trading prices in the Company's Securities following those events.
2. The issue price set out above is the closing price of the Shares on the ASX on 23 September 2013.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company issued 30,000,000 Shares pursuant to a placement on 7 August 2013 and issued on 2 September 2013 45,749,030 Shares pursuant to a Share Purchase Plan as announced on 1 August 2013, in each case at an issue price of $0.01 per Share. Although these Shares were not issued with Shareholders approval under Listing Rule 7.1, as they were issued under the Company's placement capacity under Listing Rule 7.1, they have been included in variable "A" in the table above, to show the added potential dilution which may result if Shareholders ratify those issues of Shares at the Company's general meeting to be held on 27 September 2013.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.

6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

(i) the market price for the Company's Equity Securities may be significantly lower on the issue date than on the date of the Meeting; and

(ii) the Equity Securities may be issued at a price that is at a discount to the market price for those Equity Securities on the date of issue or the Equity Securities are issued as part of the consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

(i) as cash consideration, in which case, assuming Resolutions 5 to 9:

(A) are approved by Shareholders, the Agreement proceeds to successful Completion (as defined below) and the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules and is reinstated to official quotation by ASX, the Company intends to use funds raised for acquisition of new businesses, assets and investments (including expenses associated with such an acquisition), continued expenditure on the Company's current assets and Cynata and general working capital; or

(B) are not approved by Shareholders but that the Company continues as a going concern, the Company will continue to operate its business. On this basis, the Company intends to use funds raised for the continued development of its business; or

(ii) as non-cash consideration, in consideration for the acquisition of new businesses, assets and investments excluding previously announced acquisitions, in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

(e) **Allocation under the 10% Placement Capacity**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Capacity. The identity of the allottees of Equity Securities will

be determined on a case-by-case basis having regard to the factors including but not limited to:

(i) the purpose of the issue;

(ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;

(iii) the effect of the issue of the Equity Securities on the control of the Company;

(iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company; and

(v) advice from corporate, financial and broking advisers (if applicable).

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined but may include current Shareholders or new investors (or both), none of whom will be related parties of the Company. Further, if the Company is successful in acquiring new assets or investments, it is likely that the allottees under the 10% Placement Capacity will be vendors of the new assets or investments.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

(f) **Previous Approval under ASX Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders pursuant to Listing Rule 7.1A at its 2012 Annual General Meeting. The Company has not issued any Equity Securities pursuant to that Listing Rule 7.1A approval. During the 12 month period preceding 29 October 2013, being the date of the Meeting, the Company otherwise issued a total of 230,749,030 Shares and 50,000,000 Options (100,000,000 further Director Options are subject to Shareholder approval at a general meeting to be held on 27 September 2013) were issued. As 55,000,000 of the Shares issued arose from the exercise of Options, the net amount of 325,749,030 Equity Securities issued (assuming the Director Options are approved and issued on 27 September 2013) represents approximately 49.5% of the total diluted number of Equity Securities on issue in the Company on 29 October 2012, being 658,797,948.

Information relating to issues of Equity Securities by the Company in the 12 months prior to 29 October 2013 is as follows:

Date of Appendix 3B	Number of Equity Securities	Class of Equity Securities and summary of terms	Names of recipients or basis on which recipients determined	Issue price of Equity Securities and discount to Market Price[1] on the trading day prior to the issue	**If issued for cash** – the total consideration, what it was spent on and the intended use of any remaining funds **If issued for non-cash consideration** – a description of the consideration and the current value of the consideration
31/10/2012	100 million Shares 40 million Options	Note 2 Note 3	Sophisticated and professional investors, none of whom were related parties of the Company Issued to Forrest Capital Pty Ltd for corporate advisory & brokerage services.	$0.0175 issue price being approximately a 23.9% discount to the Market Price on 30/10/2012 of $0.023. Nil cash consideration	$1.75 million The funds raised were to be used for the existing business, business development and working capital. Corporate advisory services.
27/11/2012	10 million Options	Note 4	Mr Howard Digby	Nil cash consideration	Issued as performance related incentive component of Mr Howard Digby's remuneration.
07/08/2013	30 million Shares	Note 2	Sophisticated and professional investors, none of whom were related parties of the Company	$0.01 issue price being approximately a 44.4% discount to the Market Price on 06/08/2013.	$300,000. The funds raised are to be used for working capital purposes, to assist in funding the Company's current activities and to cover the costs of re-compliance.
16/08/2013	9.5 million Shares	Note 2	Option holders who exercised listed Options	$0.01 exercise price being a 50% discount to the Market Price on 15/08/2013	$95,000. The funds raised will be used for working capital purposes.
22/08/2013	16.5 million Shares	Note 2	Option holders who exercised listed Options	$0.01 exercise price being a 50% discount to the Market Price on 21/08/2013	$165,000. The funds raised will be used for working capital purposes.
28/08/2013	19 million Shares	Note 2	Option holders who exercised listed Options	$0.01 exercise price being a 56.5% discount to the Market Price on 27/08/2013	$190,000. The funds raised will be used for working capital purposes.
29/08/2013	10 million Shares	Note 2	Option holders who exercised listed Options	$0.01 exercise price being a 52.4% discount to the Market Price on 28/08/2013	$100,000. The funds raised will be used for working capital purposes.
02/09/2013	45,749,030 Shares	Note 2	Shareholders registered at 5pm (WST) on 31 July 2013 who were issued Shares under the Company's Share Purchase Plan	$0.01 issue price being a 55% discount to the Market Price on 30/08/2013	$457,490. The funds raised will be used for working capital purposes, to assist in funding the Company's current activities and to cover the costs of re-compliance.

Notes:

1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises).
2. Fully paid ordinary shares in the capital of the Company, ASX Code: ECQ (terms are set out in the Constitution).
3. Listed Options, exercisable at $0.01 each, on or before 31 December 2014, ASX Code: ECQO.
4. Unlisted Options issued to the Director Mr Howard Digby on the following terms:
   (a) 2,500,000 unlisted Options, which vested upon grant, are exercisable at $0.02 each and expire on 09/09/2016;

(b) 2,500,000 unlisted Options, which will vest upon earlier of 12 months continuous employment and the volume weighted average price (**VWAP**) of the Shares being at least $0.02 for 10 consecutive Business Days, are exercisable at $0.02 each and expire on 09/09/2016;

(c) 2,500,000 unlisted Options, which will vest upon earlier of 24 months continuous employment and the VWAP of the Shares being at least $0.03 for 10 consecutive Business Days, are exercisable at $0.02 each and expire on 09/09/2016; and

(d) 2,500,000 unlisted Options, which will vest upon earlier of 24 months continuous employment and the VWAP of the Shares being at least $0.04 for 10 consecutive Business Days, are exercisable at $0.02 each and expire on 09/09/2016,

more detail on which is set out in the Company's notice of meeting announced to the ASX on 24 October 2012.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it will give to ASX:

(i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and

(ii) the information required by Listing Rule 3.10.5A for release to the market.

(h) **Voting Exclusion**

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 4.

6. BACKGROUND TO PROPOSED ACQUISITION OF CYNATA INCORPORATED

6.1 General Background

Eco Quest Limited (**the Company**) is seeking Shareholder approval pursuant to Resolutions 5 to 9 inclusive at the Meeting, in relation to the Directors' proposal to complete eleven option agreements (together the **Agreement**) by which the Company has exercised options to acquire the remaining shares to a 100% interest in the issued share capital of Cynata Incorporated (Corporation number C3420976) (**Cynata**) which it does not already own.

Completion under the Agreement of the sale by the eleven other Cynata shareholders (**Vendors**) and purchase by the Company of the balance of issued shares in Cynata (**Cynata Shares**) which the Company does not already own (together **Completion**) is conditional on the conditions precedent described in Section 6.6(b)**.**

Cynata is a California registered biotechnology company that conducts a business focused around proprietary stem cell technologies. It specialises in multi-purpose stem cell technology, incorporating intellectual property, for regenerative medicine. The Company currently holds 33.2% of the Cynata Shares.

The Company proposes to, subject to the Shareholders' approval of Resolutions 5 to 9 of this Notice and the terms of the Agreement, including satisfaction or waiver of the conditions precedent summarised in Section 6.6(b) below:

(a) proceed to Completion of the Agreement by which the Company would issue in aggregate 10,000,001 Shares on a post-Consolidation basis to the Vendors in consideration for 50,350,000 Cynata Shares, representing the balance of Cynata Shares that the Company does not already own (Resolution 6) (**Vendor Consideration**).

(b) Subject to the Board's discretion to vary the amounts, raise a minimum of $5,000,000 or up to a maximum of $6,000,000 via a public prospectus offer (**Prospectus**) by issuing at least 12,500,000 Shares or up to a maximum of 15,000,000 Shares at $0.40 per Share (**Capital Raising**) (Resolution 7). The Company has agreed the terms of underwriting of the $5,000,000 minimum raising for the Capital Raising, with $2,500,000 to be underwritten by Forrest Capital Pty Ltd ACN 118 115 834 and $2,500,000 to be underwritten by KTM Capital Pty Ltd ACN 086 281 950 (together the **Underwriters**). The Underwriters are entitled to obtain firm commitments from third parties to take up part or all of the Shares underwritten. The underwriting arrangements remain subject to conditions precedent. Please refer to Section 6.6 for a summary of the underwriting arrangement between the Company and the Underwriters, including the fees payable by the Company.

(c) Consolidate the issued capital of the Company (**Consolidation**) on the basis that every 20 Securities be consolidated into 1 Security (Resolution 8).

(d) Change the Company's name to Cynata Therapeutics Limited with effect from when ASIC alters the details of the Company's registration (Resolution 9).

The Directors also propose to replace the Company's existing Constitution with a new constitution which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules (Resolution 10).

6.2 Existing Activities

The Company is a life sciences technology business focused on developing a proprietary platform technology in the field of biodegradable hygiene products, including nappies and wipes. The current business strategy involves licensing this technology to companies that are best positioned in their markets to maximise the potential for commercial return. The Company has a net profit royalty license agreement with Containers and Packaging Corporation (CPC) in the Philippines covering the Asia Pacific region and is pursuing similar arrangements in other markets. The Company notes that there is no guarantee that its biodegradable hygiene intellectual property or products derived from such intellectual property can or will be commercialised. The Board will consider all alternative opportunities to maximise shareholder benefit from these assets while conserving capital to allocate to those activities which pose the largest opportunity.

6.3 Change in the Nature and Scale of Activities

The Company and the Vendors have entered into the separate option agreements comprising the Agreement, pursuant to which the Company will, subject to Shareholders' approval of Resolutions 5 to 9 of this Notice and the terms of the Agreement, including satisfaction or waiver of the conditions precedent summarised in Section 6.6(b), acquire the remainder of the issued share capital of Cynata which the Company does not already own.

The Company presently owns 33.2% of the issued shares in Cynata, having invested a total of US$1,000,000 into Cynata since September 2012.

Since the first investment into Cynata, the Directors have:

- conducted further due diligence of, and investigations into, the prospects of Cynata's interest as licensee in proprietary stem cell technology summarised in Sections 6.5 and 6.6 (**Cynata Technology**);
- received positive feedback from Shareholders with regard to the prospects of the Cynata Technology, and the Company's role in providing further support for development of the Cynata Technology; and
- determined parameters of a manufacturing, preclinical and clinical program, with the aim of potentially further developing the Cynata Technology toward eventual commercialisation.

The Directors have determined that access to the public capital markets will assist funding the ongoing development of the Cynata Technology. Cynata does not own the Cynata Technology but rather has rights as licensee.

The Directors also consider that Shareholders may benefit by the Company owning 100% of Cynata, so that any potential future value up-lift generated by the development and commercialisation of the Cynata Technology will benefit Shareholders, although there can be no guarantee that will occur.

The stem cell technology and regenerative medicine field is a rapidly developing area of medicine. Through its focus on the Cynata Technology – and the associated manufacturing, preclinical and clinical programs – the Company aims to secure a position in this high-growth sector.

The Directors have investigated the requirements for progressing the Cynata Technology into clinical development, including undertaking such investigations as, for example, engagement with regulatory advisers, and assessing requirements for pilot-scale cell manufacture, GMP (good manufacturing practice) manufacturing process development, preclinical testing and clinical programs. The present view of the Directors is that, with adequate funding, the Company can expect to fund and manage these elements so that Cynata Technology could progress into the clinic without undue delay.

6.4 Cynata

Cynata was established in 2011 to further develop and commercialise a stem cell platform technology, originating from the University of Wisconsin-Madison, a world leader in stem cell research. Stem cells, and particularly mesenchymal stem cells (**MSCs**), are the subject of widespread research and use in clinical trials around the world. Recently several stem cell products (which Cynata has no interest in) have been approved for commercial use.

The Cynata Technology (for which the Company has registered the trade mark Cymerus™) seeks to address a critical shortcoming in existing methods of production of MSCs; that is the ability to achieve economic manufacture at commercial scale. Current methods of obtaining stem MSC's for therapeutic uses generally involve isolating them directly from donor tissues, such as bone marrow or adipose (fat) tissue. However, cell therapies based on such tissue-derived MSCs have encountered supply restriction. Moreover, their limited expansion ability in culture and variation in quality makes them difficult to use in the clinical setting. The limited ability to propagate tissue-derived MSCs makes it very difficult to establish commercial scale manufacturing capability. The Cynata Technology is aimed to facilitate the production of a particular type of MSC precursor cell, called a mesenchymoangioblast (**MCA**), The Cynata MCA platform provides a source of MSCs that is independent of donor-limitations and is the subject of a recent granted USA patent of which Cynata is a licensee.

Cymerus™ is a potential "off-the-shelf" stem cell platform for therapeutic product use, with a pharmaceutical business model and economies of scale. This has the potential to create a new standard in the emergent arena of stem cell therapeutics and provides both a unique differentiator and an important competitive position.

Pre-clinical testing of Cynata's MSC product has already been undertaken in an animal model of Critical Limb Ischaemia (**CLI**), a complication of diabetes, with favourable results.

Potential commercial opportunities for the Cynata Technology include treatments of the following diseases and medical conditions:

- diseases where immune modulation is required (e.g. Crohn's disease, multiple sclerosis, graft versus host disease);
- circulatory disorders (e.g. CLI); and
- diseases or injury requiring tissue regeneration (e.g. bone fracture repair, cardiac repair).

To seek to access these opportunities, Cynata must invest in:

- Developing a regulatory strategy to facilitate conducting human clinical trials;
- Pilot-scale manufacture (to provide cells for research and preclinical testing);
- GMP manufacturing process development, including potency assay development;
- Preclinical testing (safety, efficacy); and
- Clinical trial using Cynata's MSC product.

Cynata Incorporated is a California (USA) registered company, formed in October 2011. Cynata Australia Pty Ltd is a Victorian (Australia) registered company, 100% owned by Cynata.

The Directors of Cynata are:

- Prof Igor Slukvin – Founder, Inventor and scientific expert;
- Ian Dixon – Founder, Regenerative medicine industry and technology expert;
- Dr Roger Aston (Chairman) - Founder, Director/executive and experienced in the biotechnology industry;
- Dr Stewart Washer – Appointed August 2013 - Representing the Company; and
- Dr Ross Macdonald – Appointed August 2013 - Representing the Company.

Besides the Cynata Shares held by the Company, the major shareholders of Cynata are Professor Igor Slukvin of the University of Wisconsin-Madison USA (**UW**), Ian Dixon, Dr Allen Bollands, Dr Roger Aston and Dr Maxim Vodyanik (formally of UW). Minority interests are held by seed investors and other founders.

Since its formation, Cynata has conducted the following activities:

- successfully conducted an animal study of CLI using Cynata's MSC product;

- executed a technology license agreement with Wisconsin Alumni Research Foundation (**WARF**) summarised in Section 6.6 (**License Agreement**);

- finalised the design of a program for GMP manufacturing process development, including potency assay development, with a leading service provider; and

- reviewed and selected contract service providers to assist in:

  (i) undertaking in vitro and in vivo testing activities;

  (ii) developing an appropriate regulatory strategy; and

  (iii) conducting clinical trial(s).

A total of around $900,000 has been spent to date by Cynata on the above activities.

Please refer to Cynata's website at **www.cynata.com** for further information.

6.5 Key assets of Cynata

The key assets of Cynata are:-

- Cynata Technology license from WARF pursuant to the License Agreement for licensed intellectual property (including as listed in the table below).
- R&D Rebate for financial year 2012 - 2013

The License Agreement to Cynata from WARF includes exclusive rights to certain fields under the following patent and patent applications family:

"GENERATION OF CLONAL MESENCHYMAL PROGENITORS AND MESENCHYMAL STEM CELL LINES UNDER SERUM-FREE CONDITIONS"

Inventors: Igor Slukvin, James Thomson, Junying Yu, Maksym Vodyanik.

Jurisdiction	**Official No.**	**Filing Date**	**Status**
United States	7615374	1 February 2008 (expiring 1 February 2028)	Granted patent, in force
United States	12/726814	18 March 2010	Continuation patent application, under examination
International	PCT/US2011/028700	16 March 2011	Patent application, expired at end of life
Europe	11710630.2	16 March 2011	Patent application, examination requested
Australia	2011227274	16 March 2011	Patent application, under examination
Canada	2793380	16 March 2011	Patent application, filed
Brazil	1120120235370	16 March 2011	Patent application, filed
Japan	2013-500186	16 March 2011	Patent application, filed
Mexico	MX/a/2012/010721	16 March 2011	Patent application, filed

The Cynata Technology license also includes certain non-exclusive rights under the patents and patent application with the details provided below:

Jurisdiction	Official No.	Filing Date	Status
United States	61/779564	13 March 2013	Provisional application, filed
United States	7029913	18 October 2001 (expiring 20 January 2015)	Granted continuation patent, in force
United States	7582479	14 January 2005 (expiring 20 January 2015)	Granted continuation patent, in force
United States	5843780	18 January 1996 (expiring 20 January 2015)	Granted continuation patent, in force
United States	6200806	26 June 1998 (expiring 20 January 2015)	Granted continuation patent, in force
United States	7005252	9 March 2000 (expiring 9 March 2020)	Granted patent, in force
United States	7217569	6 May 2003 (expiring 9 March 2020)	Granted continuation patent, in force
Australia	2007200575	9 February 2007 (expiring 2 March 2021)	Granted divisional patent, in force

In general, a patent will expire 20 years after the filing date of the patent application, subject to fees being paid and certain extensions available for some types of patents.

6.6 Key Contracts

Investment Deed and Stock Purchase Agreement

Previously, the Company has purchased 18,750,000 shares in Cynata for an investment of US$750,000 (US$0.04 per share) under formal agreements that were completed in 2012 as the Company previously announced to the ASX.

On 11 July 2013, the Company made a further investment into Cynata under a Stock Purchase Agreement and a revised Investment Deed (**Investment Deed**). This investment of US$250,000 was made on 15 July 2013 in consideration for the issue of 6,250,000 Cynata Shares, such shares have been issued to the Company.

The investment of the further US$250,000 on 15 July 2013 took the Company's fully diluted interest in Cynata to approximately 33.2 percent (when aggregated with its previous acquisitions of Cynata Shares), as the Company announced to the ASX on 12 July 2013.

Cynata Shares are currently held as follows:

Shareholder(s)	Number of Cynata Shares	Percentage of Cynata Shares held
Vendors	50,350,000	66.8
Company	25,000,000	33.2
Total	**75,350,000**	**100.0**

Cynata has no options on issue.

Option Agreements

On or around 11 July 2013, the Company entered into a set of formal agreements (**Option Agreements**) together comprising the Agreement under which the Company acquired the right (but not the obligation), at a total option fee of $100, to acquire all Cynata Shares that the Company does not own.

One Option Agreement was agreed between the Company and each separate Vendor (i.e. all Cynata shareholders other than the Company), being eleven Option Agreements in total. Under the Option Agreements, the Company obtained the option to acquire all Cynata Shares that it does not own (together the **Option**) on terms summarised below. As announced by the Company on 24 September 2013 the Company has exercised all the Options and Completion of the Company's acquisition of the Cynata Shares it does not own is subject to the conditions precedent summarised below, which include Shareholders approving Resolutions 5 to 9.

The Option Agreements to purchase all Cynata Shares that the Company does not own provide, on Completion, for a total aggregate acquisition consideration of 200,000,000 Shares in the Company on a pre-Consolidation basis (which equates to 10,000,001 Shares proposed to be issued in total to the Vendors pursuant to Resolution 6 on a post-Consolidation basis).

The key terms of the Option Agreements are as follows, among other provisions:

(a) **Option:** The Vendors have separately granted the Company options comprising the Option, exercisable for 18 Months after 11 July 2013 (**Option Period**) which Options have all been exercised by the Company.

(b) **Conditions Precedent**: Completion is subject to satisfaction of the following outstanding conditions precedent:

  (i) each Option Agreement not having not been terminated;

  (ii) the Company obtaining all Shareholder and regulatory approvals required to give effect to Completion (other than re-compliance with Chapters 1 and 2 of the ASX Listing Rules);

  (iii) the Company receiving in principle approval from ASX for the readmission of its Securities to the official list of ASX on conditions reasonably acceptable to the Company; and

  (iv) the Company having cash at bank equal to at least $1,500,000 (less any amounts loaned or transferred to Cynata during the Option Period).

(c) **Completion**: Subject to the satisfaction of the conditions precedent, at Completion the Vendors will be deemed to sell, and the Company deemed to purchase the Vendors' Cynata Shares. Unless otherwise

agreed between the parties, Completion must occur within 45 days of the expiry of the Option Period. Completion of each option comprising the Agreement is interdependent, on the basis that Completion of the Company's acquisition of the Cynata Shares pursuant to all the Option Agreements must occur simultaneously.

(d) **Consideration**: In consideration for acquiring the Cynata Shares, the Company must issue the Vendors (or their nominees) the Vendor Consideration, comprising a total of 200,000,000 Shares on a pre-Consolidation basis (being the 10,000,001 post-Consolidation Shares proposed to be issued pursuant to Resolution 6), issued on a pro-rata basis in relation to the number of Cynata Shares each Vendor holds.

If the sale and purchase under the Agreement successfully proceeds to Completion, the Company will hold all Cynata Shares currently on issue, being as follows:

Shareholder(s)	Number of Cynata Shares	Percentage of Cynata Shares held
Company	73,350,000	100
Total	**75,350,000**	**100**

Investment Deed Assignment

Simultaneous with the execution of the July 2013 Investment Deed, Stem Cell Investments Pty Ltd (ACN 074 566 635), which was the company which sourced the opportunity for the Company to enter into the Agreement, assigned all of its rights under the Investment Deed to the Company in exchange for $50,000, which was subsequently paid by the Company.

Underwriting Agreement

The Capital Raising has been conditionally underwritten to $5,000,000 by the Underwriters who have each committed to subscribe for half of the shortfall (or may nominate parties giving firm commitments to subscribe) of the $5,000,000 minimum Capital Raising. The Underwriters and the Company have signed an underwriting agreement, which is subject to conditions precedent, being the Underwriters' satisfaction with due diligence, procuring any firm commitments to subscribe for the minimum Capital Raising which the Underwriters deem necessary, the Underwriters consenting to be named in the Capital Raising Prospectus and the Prospectus being lodged with ASIC by 14 October 2013. The Underwriters may terminate the underwriting agreement if the conditions precedent are not satisfied by close of business on 14 October 2013.

The underwriting of the Capital Raising is also subject to, among other things:

- Completion;
- the Company complying with its obligations to the Underwriters under the underwriting agreement;
- the Company obtaining Shareholders' approvals the subject of Resolutions 5 - 8 (which also requires approval of Resolution 9, given that is a condition of those Resolutions); and
- ASX given conditional consent to the reinstatement of the Company's securities to official quotation on ASX after their suspension pending re-

compliance with Chapters 1 and 2 of the Listing Rules. That consent must be only conditional on matters acceptable to the Company and the Underwriter (acting reasonably).

The underwriting agreement also contains indemnities given by the Company in favour of the Underwriters and is also subject to various restrictions on ECQ's activities as is typical of such agreements and various customary warranties and termination events, by which the underwriting proposals may not eventuate. For example, the Underwriters may terminate the underwriting arrangement if the S&P ASX 200 Index or S&P ASX Healthcare Index drops by 10% or more below their respective levels as at the close of business on 20 September 2013. The Underwriters may also terminate the underwriting agreement in the event the Company's Shares finish trading on the ASX on any three consecutive days with a closing price that is less than $0.02 (on a pre-Consolidation basis) prior to the suspension of the Company's Shares on the date of the Meeting.

In consideration for the underwriting commitment the Company must pay to each Underwriter an underwriting fee of $150,000 (being in aggregate 6% of the underwritten minimum subscription of the Capital Raising). In addition, the Company must pay to each Underwriter a fee equal to 3% of any amount raised pursuant to the Capital Raising above the minimum subscription. The Company will pay and will indemnify and keep indemnified the Underwriters against and in relation to, their reasonable costs and expenses of and incidental to the Capital Raising offer.

The Underwriters are not related parties of each other or of the Company and the Underwriters underwriting agreement requires the Underwriter to ensure that no person will acquire, through providing a firm commitment to subscribe for the minimum Capital Raising offer of $5,000,000, a holding of Shares of, or increase their holding, to an amount in excess of 19.9% of all the Shares on issue on completion of the Capital Raising.

WARF License Agreement

Cynata entered into a License Agreement with WARF, in March 2013, that provides certain rights in relation to certain intellectual property (**IP**) comprising the Cynata Technology as summarised in Section 6.5, pertaining to stem cells, particularly MCAs and methods to produce them.

The License Agreement grants Cynata world-wide exclusive rights to certain patented (a mix of granted and patent applied for) IP forming part of the Cynata Technology in relation to:

- therapeutic and diagnostic uses;
- methods for the manufacture of MCAs;
- the specific features of MCAs.

The License Agreement also grants Cynata world-wide non-exclusive rights to Cynata Technology patented (a mix of granted and patent applied for) IP in relation to:

- access to human pluripotent embryonic stem cells for research use only; and
- a serum free culture method to improve the methods for the manufacture of MCAs.

Under the License Agreement, Cynata is granted the following rights in relation to certain parts of the Cynata Technology:

- sublicense the Cynata Technology;
- further develop the Cynata Technology; and
- make sale of product incorporating Cynata Technology.

Under the License Agreement, Cynata is required to:

- progress through various milestones;
- provide WARF with a regularly updated development plan;
- pay WARF certain annual and milestone fees;
- pay WARF certain royalty payments;
- pay WARF certain other non-royalty sublicense payments;
- indemnify WARF and maintain certain insurance policies; and
- pay WARF certain reimbursement of patent fees and costs.

The acquisition of Cynata by the Company shall not be a trigger for any further payments. The License Agreement can be assigned to the Company and any such assignment shall not require consent of WARF.

There are termination clauses within the License Agreement, which otherwise continues in force until expiration of the last to expire of the licensed patents. The USA Government retains certain rights in relation to the Cynata Technology, as is typical for this situation.

6.7 Chairman and Managing Director remuneration, voting prohibitions and voting exclusions

Pursuant to the executive services agreements between the Company and each of Drs Stewart Washer (as Executive Chairman) and Ross Macdonald (as Managing Director and Chief Executive Officer), their salaries for their services to the Company will increase respectively to $150,000 and $300,000 if:

(a) the Company raises at least $1,000,000 from equity capital raising (including the proceeds of exercise of Options) after their appointments (which has been satisfied); and

(b) Completion occurs and the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules and is reinstated to quotation by ASX.

Given that Resolutions 5 to 9 are inter-conditional pre-requisites to occurrence of the events in Section 6.7(b) (among other pre-requisites) it may be considered that those Resolutions indirectly relate to the remuneration of Key Management Personnel and that Drs Washer and Macdonald may receive benefits which Shareholders do not receive, albeit indirectly. On that basis, out of an abundance of caution, the Directors consider that voting prohibition statements apply to Resolutions 5 to 9 pursuant to the Corporations Act and that Drs Washer and Macdonald and their associates are also excluded from voting on Resolutions 5 to 7 pursuant to the Listing Rules.

6.8 Pro forma balance sheet

The pro forma balance sheets, of the Company assuming that all of the Resolutions have been passed, the Consolidation and Completion have occurred and showing alternatively the minimum or the maximum Capital Raising which is proposed to be $5,000,000 and $6,000,000 respectively, are set out below. The historical and pro-forma information is presented in an

abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements:

	Notes	Historical (Audited) 30 Jun 2013	Pro-forma A (Settlement of Acquisition) 30 Jun 2013	Pro-forma B (Settlement of Acquisition) 30 Jun 2013
		$	$	$
Current Assets				
Cash & cash equivalents	1-6	1,116,587	6,168,518	7,106,573
Trade & other receivables		33,261	35,677	35,677
Total Current Assets		1,149,848	6,204,195	7,142,250
Non-Current Assets				
Investments in associates	4	642,695	-	-
Property, plant & equipment			892	892
Intangible assets	7,8		4,805,565	4,805,565
Total Non-Current Assets		642,695	4,806,457	4,806,457
TOTAL ASSETS		**1,792,543**	**11,010,652**	**11,948,707**
Current Liabilities				
Trade & other payables		13,988	-	-
Provisions	5	135,712	7,592	7,592
Total Current Liabilities		149,700	7,592	7,592
TOTAL LIABILITIES		**149,700**	**7,592**	**7,592**
NET ASSETS		**1,642,843**	**11,003,060**	**11,941,115**
Equity				
Contributed equity	1-3, 7	12,338,120	22,054,526	22,992,581
Reserves	9	1,544,052	2,526,052	2,526,052
Accumulated losses	6,8,9	(12,239,329)	(13,577,518)	(13,577,518)
TOTAL EQUITY		**1,642,843**	**11,003,060**	**11,941,115**

Notes:

The historical information as at 30 June 2013 is based on the audited financial statements of the Company as at that date. The pro-forma balance sheets have been included for illustrative purposes to reflect the position of the Company and include the following assumptions:

1. Assuming the issue of a minimum of 12,500,000 Shares pursuant to the Capital Raising at an issue price of $0.40 per Share to raise $5 million (Pro-forma A) and the issue of a maximum of 15,000,000 Shares pursuant to the Capital Raising at an issue price of $0.40 per Share to raise $6 million (Pro-forma B).
2. Estimated Capital Raising expenses of $512,635 assuming a minimum Capital Raising of $5 million and $574,580 assuming a maximum Capital Raising of $6 million (refer to Section 6.11 for details of the estimated costs of the matters proposed in Resolutions 5 to 9).
3. Placement of $300,000 at $0.01 completed on 7 August 2013. Exercise of $550,000 in listed Options in August 2013 at $0.01 each. The raising of $457,490 pursuant to a Share Purchase Plan at $0.01 was completed on 2 September 2013. Capital raising costs of $78,449 associated with the aforementioned are also accounted for.
4. The investment by the Company of US$250,000 in Cynata on 12 July 2013.
5. Settlement of legal disputes with former directors and contractors of the Company totalling $93,507 in August 2013.
6. Allowance for expenditure for the 3 months to 30 September 2013.
7. Payment of certain creditors and accruals from 30 June 2013.
8. The issue of 10,000,001 post-consolidation Shares to acquire the shares in Cynata that the Company does not already own at a deemed issue price of $0.40 per Share.
9. Consolidation of Cynata and its subsidiary from Completion of the Agreement and the equity accounting of the Company's share of Cynata's losses for the 3 months to 30 September 2013.
10. The issue of 5 million post consolidated Share Options exercisable at $0.40 (subject to vesting conditions) with an assessed fair value of $982,000. The issue of the options is subject to Shareholder approval at a meeting to be held on 27 September 2013 and the value of the Options may vary.

6.9 Capital Raising

ASX has advised the Company that it must re-comply with Chapters 1 and 2 of the ASX Listing Rules upon exercise of the Option pursuant to the Option Agreements. Re-compliance includes the requirement to issue a Prospectus to raise funds for the Company's future activities.

The Company is proposing to offer for subscription a minimum of 12,500,000 Shares and up to a maximum number of 15,000,000 Shares at an issue price of $0.40 per Share to raise a minimum of $5,000,000 and a maximum of $6,000,000 pursuant to the Capital Raising. In addition, the Board has agreed the terms of underwriting of the $5,000,000 minimum raising for the Capital Raising with half to be underwritten by each Underwriter. The underwriting arrangements remain subject to conditions precedent. Please refer to Section 6.6 for a summary of the underwriting agreement between the Company and the Underwriters, including the fees payable by the Company.

6.10 Pro forma capital structure

The capital structure of the Company following completion of the matters contemplated by the Resolutions is set out below:

	Shares	Options[4]
Current issued capital [1]	635,972,491	245,574,487[4]
Issue of unlisted Options (if approved by Shareholders at the 27 September 2013 general meeting)	Nil	100,000,000[5]
Issued capital prior to the Consolidation contemplated by Resolution 8	635,972,491	345,574,487
Issued capital following the Consolidation contemplated by Resolution 8[1]	31,798,625	17,278,725
Issued Vendor Consideration	10,000,001	Nil
Issued pursuant to the maximum subscription pursuant to the Capital Raising (Resolution 7)[2]	15,000,000	Nil
Total estimate on completion of the matters contemplated by Resolutions 5 to 9 on a post-Consolidation basis[3]	**56,798,626**	**17,278,725**

Notes:

1. Assumes no further securities are issued prior to completion of the matters the subject of the Resolutions, other than as set out in the table. The post-Consolidation issued capital of the Company is only an estimate and is subject to variation, for example arising from rounding of individual Security holdings.

2. Assumes the Capital Raising is fully subscribed for a maximum raising of 15,000,000 Shares. If a lesser raising is achieved under the Capital Raising, the total number of Shares estimated on completion of the matters contemplated by the Resolutions 5 to 9 would be a lesser amount. For example if the minimum raising of 12,500,000 Shares is issued under the Capital Raising the total estimated Shares on completion of the matters contemplated by Resolutions 5 to 9 on a post-Consolidation basis would be approximately 54,298,626 Shares.

3. Assumes that no Options are exercised.

4. The existing Options on issue in the Company are as follows, on a pre-Consolidation basis:

   (a) 235,074,487 listed Options exercisable at $0.01 each and expiring on 31 December 2014 (ECQO);

   (b) 500,000 unlisted Options exercisable at $0.199 each and expiring on 30 November 2013 (ECQAO); and

   (c) 10,000,000 unlisted Options exercisable at $0.02 each and expiring on 9 September 2016 (subject to vesting conditions) (ECQAK).

5. Assumes the issue of 50,000,000 pre-Consolidation unlisted Options exercisable at $0.02 each and expiring on 27 September 2018 (subject to vesting conditions) to each of Dr Stewart Washer and Dr Ross Macdonald (both Directors) are approved at a Shareholders' meeting to be held on 27 September 2013.

6.11 Proposed Budget

The Company has current cash reserves of approximately $1.7 million as at the date of this Notice of Meeting.

The Company intends to apply the current cash reserves as follows over the next two years, when combined with the proposed minimum or maximum Capital Raising funds, which when aggregated with existing cash reserves respectively would give a total of $6.7 million and $7.7 million funds available respectively:

Item	Proposed minimum Capital Raising ($5 million) plus existing cash	Proposed maximum Capital Raising ($6 million) plus existing cash
Development of the Company's existing assets	$200,000	$200,000
Estimated cost of the matters proposed in Resolutions 5 to 9 and the Capital Raising[1]	$512,635	$574,580
Development of regulatory strategy	$300,000	$125,000
Pilot scale product manufacture	$200,000	$200,000
Manufacturing process development	$1,500,000	$1,500,000
Pre-clinical development	$1,650,000	$1,650,000
Clinical trial preparation	$600,000	$300,000
Clinical trial	-	$1,310,000
Contingency	$400,000	$454,000
Working capital and corporate administration	$1,337,365	$1,386,420
TOTAL	**$6,700,000**	**$7,700,000**

Please note the Board reserves the discretion to modify the proposed Capital Raising and the table above.

1. Refer to the table below for the itemised costs of the matters proposed in the Resolutions:

Estimated Costs of the matters proposed in Resolutions 5 to 9 and the Capital Raising	Proposed minimum Capital Raising ($5 million)	Proposed maximum Capital Raising ($6 million)
ASX Fees	$71,135	$72,080
ASIC Fees	$2,500	$2,500
Legal, Accounting and Due Diligence Expenses	$96,500	$96,500
Underwriters' fees for the Capital Raising	$300,000	$360,000
Shareholder Meeting / Share Registry Costs	$6,500	$7,500
Printing	$31,000	$31,000
Miscellaneous	$5,000	$5,000
Total	**$512,635**	**$574,580**

The above tables are statements of current intentions as at the date of this Notice. Intervening events may alter the way funds are ultimately applied by the Company.

6.12 Anticipated timetable for the key business the subject of the Resolutions

	Indicative Timing*
Lodgement of Prospectus and Prospectus offers anticipated to open	14 October 2013
Company's quoted Shares and Options are suspended from official ASX quotation Annual General Meeting of Shareholders ASX notified whether Shareholders' approval has been granted for the Resolutions	29 October 2013
If Resolutions 5 to 9 are approved by Shareholders, the date that would ordinarily be the last day for trading in pre-Consolidation securities	30 October 2013
Date that securities would ordinarily commence trading on a deferred settlement (post-Consolidation) basis**	31 October 2013
Prospectus offers close	6 November 2013
Last day to register transfers on a pre-Consolidation basis (although the Company is anticipated to remain suspended at this stage)	7 November 2013
First day for the Company to send notice to each security holder of the change in their details of holdings First day for the Company to register securities on a post-Consolidation basis First day for issue of new holding statements	8 November 2013
Issue date – deferred settlement market ends** Last day for the Company to send notice to each security holder of the change in their details of holdings Last day to send new holding statements and enter securities into the holders' security holdings	14 November 2013
Subject to Directors' satisfaction that the conditions precedent in the Agreement are satisfied (or waived), Completion of the Agreement, including issue of Shares, to Vendors (or their nominees) pursuant to Resolution 6 and issue of Shares to investors, Underwriters or their nominees pursuant to Resolution 7	Mid November 2013
Normal T+3 trading anticipated to commence on a post-Consolidation basis and commencement of trading of Shares and quoted Options, on ASX (subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules and subject to ASX agreeing to reinstate the Company's Shares to quotation).	Late November 2013

* The Directors reserve the right to change the above indicative timetable without requiring any disclosure to Shareholders or Option holders.

** As the Company's securities are anticipated to be suspended from trading, deferred settlement trading will not occur.

6.13 Board intentions if Completion occurs

In the event that the minimum subscription is obtained, the funds raised from the Capital Raising, together with the Company's and Cynata's existing cash reserves will be used to:

- Fund activities to continue the aim of out-licensing of its intellectual property in biodegradable hygiene technologies;
- Fund the proposed development of Cynata's stem cell technology including development of a regulatory strategy, manufacturing scale-up, test product manufacture, pre-clinical development and potentially commencing a Phase 1 clinical study during the second half of the 2014 calendar year or 2015, dependent upon the regulatory path;
- Meet the ongoing administration costs of the Company;
- Pay the costs of the Capital Raising; and
- Otherwise contribute to the working capital of the Company.

It is intended to allocate the funds raised from the Capital Raising and existing cash reserves as set out in Section 6.11.

The Board may also consider partnering and/or further licensing or sublicensing of the Cynata Technology, although no such proposals are currently under consideration. In parallel with the product development and regulatory activities, the Board will continually assess the optimal approach to commercialising potential products arising from the Company's assets with the goal to maximise value and return to Shareholders. This will involve ongoing evaluation and assessment of strategic issues, such as the costs and risks associated with development of Cymerus™ products, at what development stage partnering might occur and in which markets partnering could be appropriate. The Board anticipates it will look to progress such matters after Completion, subject to re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

6.14 Advantages of the proposals in the Resolutions

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on each Resolution:

(a) the Agreement represents an opportunity for the Company to diversify its interests to include a greater investment and focus on multipurpose stem cell technology for potential regenerative medicines; and

(b) the acquisition of an existing company, will enable the Company to tap into the established nature of Cynata's business.

6.15 Disadvantages of the proposals in the Resolutions

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on each Resolution:

(a) the Company will be changing the nature and scale of its activities to include a greater focus on multipurpose stem cell technology for regenerative medicines, which may not be consistent with the objectives of all Shareholders;

(b) the acquisition of Cynata will result in the Capital Raising and issue of the Vendor Consideration which will have a dilutionary effect on the holdings of Shareholders;

(c) significant future outlays of funds from the Company will be required for Cynata; and

(d) risk factors associated with the change in nature and scale of the Company's activities some of which are summarised in Section 6.17 below.

6.16 Composition of the Board of Directors

The Company's Board of Directors currently comprises:

(a) Dr Stewart Washer (Executive Chairman);

(b) Dr Ross Macdonald (Managing Director, CEO);

(c) Mr Howard Digby (Executive Director); and

(d) Mr Peter Webse (Non Exec. Director, Company Secretary).

It is intended that each Director will remain on the Board of the Company following the proposed acquisition of 100% of the Cynata Shares which the Company does not already own. Additional Board and management resources may be considered as appropriate as product development progresses.

6.17 Risk factors

Shareholders should be aware that if the proposed acquisition of the Cynata Shares which the Company does not already own is approved and completed, the Company will be changing the nature and scale of its activities and will be subject to additional or increased risks arising from Cynata, parties contracted or associated with Cynata and the Agreement. The risks and uncertainties described below are not intended to be exhaustive. There may be additional risks and uncertainties that the Company is unaware of or that the Company currently considers to be immaterial, which may affect the Company. Based on the information available, a non-exhaustive list of risk factors for the Company associated with the Company's proposal to acquire all Cynata Shares are as follows.

(a) **Company Specific**

Summary

There are a number of specific risks involved for the Company, and consequently its Security holders, in the acquisition of Cynata, including risks specific to the business and assets of Cynata, which include the following non-exhaustive list:

(i) Cynata's stem cell products must still undergo a range of pre-clinical tests as well as clinical trials and these tests and trials may show that the potential product does not work in a safe and effective manner and so cannot proceed further;

(ii) The Company plans to undertake clinical trials in Australia as well as in other jurisdictions and there is no assurance that any regulatory body will allow the Company to undertake such trials;

(iii) Any delays in securing relevant approvals from regulatory bodies may result in substantial delays and/or increases in costs;

(iv) The Company's ability to operate in the future will depend in part on whether it is able to effectively commercialise its potential interests in products. This will depend on successful completion of product development activities, obtaining regulatory (marketing)

approval and on there being commercial demand for such products which cannot be guaranteed;

(v) The Directors make no forecast of whether the Company will ever be profitable;

(vi) Cynata's licensed stem cells have only been manufactured at laboratory scale and there are significant risks inherent in manufacturing scale-up, including the risk that manufacture at commercial scale may not be economically feasible;

(vii) patent infringement described below;

(viii) patent protection described below;

(ix) trade secrets described below;

(x) in order to maximise the potential for commercial returns from any product derived from the Cynata Technology it is likely that the Company will need to form marketing and/or product development alliances with other companies and there is no assurance that suitable partnerships will be secured;

(xi) The Company will need to outsource to expert consultants and contract development organisations the bulk of its product development activities and there is no guarantee that such experts or organisations will be available as required or meet expectations; and

(xii) Additional capital may be required in order to undertake further development activities and there is no guarantee that the Company will be able to fund ongoing development.

Risks associated with the Agreement and License Agreement

The Company relies on continuation of the License Agreement between WARF and Cynata for access to the Cynata Technology. This agreement includes certain obligations on Cynata, including achieving certain development milestones and there is no guarantee that such obligations will be met and that Cynata's license to Cynata Technology might not be terminated by WARF.

Reinstatement to ASX's official list

It is anticipated that the Company's Shares and quoted Options will be suspended or placed in a trading halt prior to market open on the date of the Meeting. In the event Resolutions 5 to 9 are approved at the Meeting, it is anticipated that the Company's securities will remain suspended until Completion of the Agreement, Capital Raising and Consolidation, re-compliance by the Company with Chapters 1 and 2 of the ASX Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that the Company will not be able to satisfy one or more of those requirements and that its listed Securities may consequently remain suspended from quotation.

(b) **Industry specific**

Development and commercialisation of technologies

The Company is relying on its objective of acquiring Cynata to potentially develop and commercialise the Cynata Technology. A failure to successfully develop and commercialise the Cynata Technology could lead to a loss of opportunities and adversely impact

on the Company's and Cynata's operating results and financial position.

Intellectual Property

Cynata's interest as licensee of the Cynata Technology is reliant on the License Agreement with WARF. There is no guarantee that other companies will not legally challenge the Cynata Technology or the License Agreement or that WARF will comply with the License Agreement. Further there is a risk that parties might knowingly or unknowingly infringe Cynata's interests as licensee to the Cynata Technology. There is also a risk that the Company or Cynata infringes the rights of third parties. Any such action as described in the foregoing may adversely affect the business, operating results and financial condition of the Company and Cynata. Moreover there is no guarantee that WARF's patent claims or applications will be found to be valid and enforceable or that it will be granted all of its patent applications. Cynata and the Company rely on protecting its trade secrets and the protective measures employed may not always be sufficient. Any failure in the measures implemented to protect its intellectual property may result in an erosion of its competitive position.

Competition

There is significant competition in the biomedical industry generally. There is no assurance that competitors will not succeed in developing products that are more effective or economic than the products potentially manufactured or developed by the Company or Cynata, or which would render the products obsolete and/or otherwise uncompetitive. There is also no guarantee that the Company or Cynata will ever commercialise or produce any products or the Cynata Technology.

The Company and Cynata may be unable to compete successfully against future competitors where aggressive policies are employed to capture market share. If the Company or Cynata are successful in producing or otherwise commercialising products, which may never occur, such competition could result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect the Company's and Cynata's potential future business, operating results and financial position.

Regulatory approval

The regulatory environment for biomedical products in Australia, the United States of America and elsewhere is demanding, complex, time consuming and very expensive and as such there is no certainty that any applications for regulatory approval for products developed by the Company or Cynata will be successful.

Product liability and uninsured risks

Through their intended business, the Company and Cynata are exposed to potential product liability risks which are inherent in the research and development, manufacturing marketing and use of any products which may arise from the Cynata Technology, which products may never be developed. It will be necessary to secure insurance to help manage such risks. The Company and Cynata may not be able to maintain insurance for product or service liability on reasonable terms in the future and, in addition, the Company's and Cynata's insurance may not

be sufficient to cover large claims, or the insurer could disclaim coverage on claims.

Although the Company endeavours to work to rigorous standards there is still the potential for the Cynata Technology and any potential products derived from them (which products do not yet exist and may never exist) to contain defects which may result in system failures. These defects or problems could result in the loss of or delay in potential opportunities for generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, injury to the Company's and Cynata's reputation or increased insurance or litigation costs.

If the Company or Cynata fails to meet its potential partners' or clients' expectations, their reputation could suffer and they could be liable for damages.

Further, the Company and Cynata are exposed to the risk of catastrophic loss to necessary laboratory equipment, computer equipment or other facilities which would have a serious impact on their operations. The Company gives no assurance that all such risks will be adequately managed through insurance policies to ensure that catastrophic loss does not have an adverse effect on its performance or Cynata's performance.

Research and development

The Company can make no representation that any of its potential research or that of Cynata into or development of the Cynata Technology will be successful, that development milestones will be achieved, or that the Cynata Technology will be developed into products that are commercially exploitable.

There are many risks inherent in the development of biotechnology products, particularly where the products are in the early stages of development, which is the case for the Cynata Technology. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific, regulatory and commercial reasons.

Protection of technology rights

Securing rights to technologies (including the Cynata Technology), and in particular IP, including patents, through licensing or otherwise, is an integral part of securing potential product value in the outcomes of biotechnology research and development. Competition in retaining and sustaining protection of technologies and the complex nature of technologies can lead to expensive and lengthy patents disputes for which there can be no guaranteed outcome.

The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop competing technologies that circumvent such patents. The Company's and Cynata's success depends, in part, on their ability to obtain interests in patents (for example Cynata being licensee of the Cynata Technology under the License Agreement), maintain trade secret protection and operate without infringing the proprietary rights of third parties. Because the patent position of biotechnology companies can be highly uncertain and frequently involve complex legal and scientific

evaluation, neither the breadth of claims allowed in biotechnology patents nor their enforceability can be predicted. There can be no assurance that any patents the Company or Cynata may have an interest in now or in the future will afford the Company or Cynata commercially significant protection of technologies, or that any of the projects that may arise from technologies will have commercial applications.

Certain of the non-core intellectual property forming part of the Cynata Technology encompassed under the License Agreement is licensed to Cynata on a non-exclusive basis. Although the Company is not otherwise aware of any third party interests in relation to the Cynata Technology, and has taken steps to protect and confirm its potential interest in these rights held by Cynata through the License Agreement, there is always a risk of third parties claiming involvement in technological and medical discoveries, and if any disputes arise, they could adversely affect the Company and Cynata.

Although the Company will implement all reasonable endeavours to protect Cynata's interest as licensee of the Cynata Technology on the terms in the License Agreement, there can be no assurance that these measures have been, or will be sufficient.

Unforeseen expenditure risk

Expenditure may need to be incurred that has not been taken into account in the estimates summarised in Section 6.11. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(c) **General risks**

Additional requirements for capital

The funds raised under the Capital Raising are considered sufficient to meet the immediate objectives of the Company. Additional funding may be required in the event costs exceed the Company's estimates and to effectively implement its business and operations plans in the future (including in relation to Cynata) to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur. If such events occur, additional financing will be required.

The Company may seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's and Cynata's activities and future projects may result in delay and indefinite postponement of their activities and potential research and development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company or Cynata and might involve substantial dilution to Shareholders.

Economic

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's and

Cynata's business activities and potential research and development programmes, as well as on their ability to fund those activities.

Force Majeure

The Company's and Cynata's projects now or in the future may be adversely affected by risks outside the control of the Company and Cynata, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Insurance risks

The Company intends to insure its operations and those of Cynata in accordance with industry practice. However, in certain circumstances, such insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company and Cynata.

Litigation Risks

The Company and Cynata are exposed to possible litigation risks including, but not limited to, intellectual property and patent claims, occupational health and safety claims and employee claims. Further, the Company or Cynata may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's and Cynata's operations, financial performance and financial position. The Company and Cynata are not currently engaged in any litigation.

Dependence on outside parties

The Company may pursue a strategy that forms strategic business relationships with other organisations for the in relation to potential products and services. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with these organisations or that any potential agreements with such organisations will be complied with.

Market conditions

Share market conditions may affect the value of the Company's quoted Securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

(i) general economic outlook;

(ii) introduction of tax reform or other new legislation;

(iii) interest rates and inflation rates;

(iv) changes in investor sentiment toward particular market sectors;

(v) the demand for, and supply of, capital; and

(vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and biotechnology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or

any return to Security holders arising from the transactions the subject of this Notice or otherwise.

Reliance on key personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment or if one or more of the Directors leaves the Board.

Regulatory risks

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law or laws applicable in the United State of America, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's or Cynata's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of Cynata and the Company and its Securities. In addition there is a commercial risk that legal action may be taken against the Company and Cynata in relation to commercial matters.

6.18 Plans for the Company if the Resolutions are not passed

If the Resolutions are not passed and the Agreement is not completed, the Company will continue to seek to licence its biodegradable non woven hygiene products technology and look for potential business acquisitions to take the Company forward.

6.19 Directors' interests in the Agreement

None of the Company's existing Directors have any interest in the proposed acquisition of the issued shares of Cynata pursuant to the Agreement, other than as disclosed in this Notice.

6.20 Vendors

None of the Vendors or their associates are related parties of the Company and they have no existing interest in the Company's Securities separate from the Resolutions and the Agreement.

6.21 Conditional Resolutions

Resolutions 5 to 9 are inter-conditional, meaning that each of them will only take effect if all of them are approved by the requisite majority of Shareholders' votes at the Meeting. If any one of those Resolutions is not approved at the Meeting, none of them will take effect and the Agreement and other matters contemplated by the Resolutions will not be completed pursuant to this Notice.

6.22 Directors' Recommendation

The Directors of the Company unanimously recommend the Company's proposed acquisition of the Cynata Shares the subject of the Agreement and that Shareholders vote in favour of Resolutions 5 to 9.

7. RESOLUTION 5 – APPROVAL TO CHANGE THE NATURE AND SCALE OF ACTIVITIES

7.1 General

Resolution 5 seeks approval from Shareholders for a change in the nature and scale of the activities of the Company to expand the focus of the Company's activities into a larger investment in proprietary stem cell technologies, by acquiring pursuant to the Agreement, all the Cynata Shares which the Company does not already own.

As outlined in Section 6.6 of this Explanatory Statement, the Company has entered into the Agreement whereby the Company proposes to acquire in aggregate, 50,350,000 Cynata Shares.

The Agreement is subject to the conditions precedent summarised in Section 6.6 above.

A detailed description of Cynata and its business is outlined in Section 6 above.

7.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

(a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;

(b) if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the notice of meeting; and

(c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the official list of ASX.

ASX has indicated to the Company that the change in the nature and scale of the Company's activities as a result of the exercise of the Option requires the Company in accordance with ASX Listing Rule 11.1.2 to obtain Shareholder approval and must comply with any requirements of ASX in relation to the Notice of Meeting.

ASX has also indicated to the Company that the change in the nature and scale of the Company's activities is a back door listing of Cynata which consequently requires the Company to (in accordance with ASX Listing Rule 11.1.3) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules (including any ASX requirement to treat the Company's Securities as restricted securities). Accordingly, it is anticipated that the Company's securities will be subjected to a trading halt or suspension and thereby cease trading on ASX's Official List prior to market open on the day of the Meeting. If Resolutions 5 to 9 are approved at the Meeting, it is expected that the Company's securities will remain suspended from quotation until the Company has acquired Cynata pursuant to the Agreement and re-complied with Chapters 1 and 2 of the Listing Rules, including by satisfaction of ASX's conditions precedent to reinstatement.

If Resolutions 5 to 9 are not approved at the Meeting, it is expected that the Company's securities will be reinstated to quotation on ASX's Official List after the Company announces the results of the Meeting in accordance with the Listing Rules and Corporations Act.

8. RESOLUTION 6 – ISSUE OF SHARES – VENDOR CONSIDERATION

8.1 General

Resolution 6 seeks Shareholder approval for the issue of 10,000,001 Shares on a post-Consolidation basis in consideration for the Cynata Shares (**Placement**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 6 will be to allow the Company to issue the Shares comprising the Vendor Consideration during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The Directors understand that ASX will treat the 10,000,001 Shares the subject of Resolution 6 as restricted securities for the purpose of the ASX Listing Rules.

8.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue of the Vendor Consideration:

(a) the maximum number of Shares to be issued as Vendor Consideration is 10,000,001, on a post-Consolidation basis;

(b) the Vendor Consideration Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of all those Shares will occur on the same date;

(c) the Vendor Consideration Shares will be issued to the Vendors (or their nominees), who are not related parties of the Company, in consideration for their respective Cynata Shares, in the following numbers:

Vendors	Number of Shares
Allen Bollands	1,787,488
Alexander Gosling and Wirat Sukprem as trustees for the Presling Super Fund (AB Gosling Pension 1)	99,305
Guy John Humble	39,722
Ian Edward Dixon	2,383,317
Igor Slukvin	2,383,317
Roger Aston	1,787,488
Technology Farmers Pty Ltd	19,861
Geoffrey Tymms	248,262

Maxim Vodyanik	1,191,658
Reece Walcott Walker	39,722
Wiedman Investments Pty Ltd	19,861
Total	**10,000,001**

(d) the Vendor Consideration Shares proposed to be issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

(e) although the notional issue price of Vendor Consideration Shares is in aggregate $4,000,000 (being $0.40 per Vendor Consideration Share on a post-Consolidation basis), no funds will be raised from the proposed issue of the Vendor Consideration as those Shares are proposed to be issued in consideration for the acquisition by the Company of 50,350,000 Cynata Shares under the terms of the Agreement.

9. RESOLUTION 7 – ISSUE OF SHARES – CAPITAL RAISING

9.1 General

Resolution 7 seeks Shareholder approval for the Company to allot and issue up to maximum of 15,000,000 Shares at an issue price of $0.40 per Share on a post Consolidation basis, by which it is proposed the Company raise at least $5,000,000 or up to a maximum of $6,000,000.

The Board has agreed the terms of underwriting of the shortfall of the proposed $5,000,000 minimum raising for the Capital Raising, which minimum raising is proposed to comprise 12,500,000 Shares in total (at an issue price of $0.40 each), with half to be underwritten by each Underwriter.

A summary of ASX Listing Rule 7.1 is set out in Section 8.1 above.

The effect of Resolution 7 will be to allow the Company to issue the Shares pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The Underwriters and their associates and any parties they identify to provide firm commitments to participate in the Capital Raising, and their associates are excluded from voting on Resolution 7. The underwriting arrangements remain subject to conditions precedent. Please refer to Section 6.6 for a summary of the underwriting arrangement between the Company and the Underwriters, including the fees payable

9.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

(a) the maximum number of Shares to be issued is 15,000,000 (with 12,500,000 being the proposed minimum Capital Raising);

(b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of all the Shares pursuant to the Capital Raising will occur on the same date;

(c) the issue price will be $0.40 per Share;

(d) the Shares are proposed to be issued to the public at the Board's discretion pursuant to a public offer by Prospectus for the purpose of ASX Listing Rule 1.1 condition 3. Subject to the terms of the underwriting agreement between the Underwriters and the Company (summarised in Section 6.6) which is subject to conditions precedent and other terms, the shortfall of the minimum raising of $5,000,000 pursuant to the Capital Raising would be taken up by the Underwriters (split evenly between them), and/or their respective nominees who give firm commitments to so participate. The Underwriters are not related parties of each other or the Company. None of the subscribers for the Capital Raising will be related parties of the Company;

(e) the Shares proposed to be issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

(f) the Company intends to use the funds raised from the Capital Raising towards the budgeted expenditure described at Section 6.11.

10. RESOLUTION 8 – CONSOLIDATION OF CAPITAL

10.1 Background

The Company proposes to undertake the Consolidation to consolidate the numbers of Shares and Options on issue on a one (1) for twenty (20) basis for the purpose of seeking to comply with ASX Listing Rules 1.1 condition 11 and 2.1 condition 2 in conjunction with the Company's proposed re-compliance with Chapters 1 and 2 of the ASX Listing Rules. Those rules respectively require the exercise price of its Options and the issue or sale price of its Shares to be at least $0.20 each.

The Directors intend to implement the Consolidation prior to Completion of the Agreement and the proposed issue of Shares pursuant to the Prospectus, but it will only occur if Shareholders approve all of Resolutions 5 to 9.

10.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

The ASX Listing Rules also require that the number of Options on issue be consolidated in the same ratio as the ordinary capital and the Option exercise prices be amended in inverse proportion to that ratio.

10.3 Fractional entitlements

Not all Security holders will hold that number of Securities which can be evenly divided by twenty. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Security.

10.4 Taxation

It is not considered that any taxation implications will exist for Security holders arising from the Consolidation. However, Security holders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, nor its advisers accept any responsibility for the individual taxation implications arising from the Consolidation.

10.5 Holding statements and Option certificates

From the date of the Consolidation:

(a) all holding statements for previously quoted Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a post-Consolidation basis; and

(b) all certificates for unlisted Options will cease to have any effect, except as evidence of entitlement to a certain number of Options on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Securities proposed to be quoted to be issued to holders of those Securities and, to the extent required, new certificates for unlisted Options to be issued to Option holders.

It is the responsibility of each Security holder to check the number of Shares and Options held prior to disposal or exercise (as the case may be).

10.6 Effect on capital structure

The estimated effect which the Consolidation will have on the capital structure of the Company is set out in the table in Section 6.10 and as follows.

On a post-Consolidation basis, the Options on issue, are estimated to be as follows (assuming none of them are exercised prior to completion of the Consolidation):

(a) 11,753,725 listed Options exercisable at $0.20 each and expiring on 31 December 2014 (ECQO);

(b) 25,000 unlisted Options exercisable at $3.98 each and expiring on 30 November 2013 (ECQAO);

(c) 500,000 unlisted Options exercisable at $0.40 each and expiring on 9 September 2016 (subject to vesting conditions)(ECQAK); and

(d) subject to approval at a Shareholder meeting to be held on 27 September 2013 5,000,000 unlisted Options exercisable at $0.40 each and expiring on 27 September 2018 (subject to vesting conditions).

10.7 Indicative timetable

If Resolution 8 is passed, the Consolidation of capital will take effect in accordance with the timetable as set out in Appendix 7A (paragraph 5) of the ASX Listing Rules, indicative timing for which is set out at Section 6.12.

11. RESOLUTION 9 – CHANGE OF COMPANY NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 9 seeks the approval of Shareholders for the Company to change its name to Cynata Therapeutics Limited.

If Resolution 9 is passed the change of name will take effect when ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company and if Resolution 9 is passed (along with Resolutions 5 - 8), the Company will lodge a copy of the special resolution with ASIC following the Meeting in order to effect the change.

The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company.

12. RESOLUTION 10 – REPLACEMENT OF CONSTITUTION

12.1 General

A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 10 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules.

This will incorporate amendments to the Corporations Act and ASX Listing Rules since the current Constitution was adopted in June 2006.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature including but not limited to:

- updating references to bodies or legislation which have been renamed; and
- expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement; however, a summary of the proposed material changes is set out below.

The total aggregate fixed sum per annum which may be paid to directors of the Company (excluding salaries of executive directors) is maintained at the level of $300,000 previously approved by the Shareholders in general meeting.

12.2 Summary of material proposed changes

Below is a non-exhaustive summary of material proposed changes that can be found in the Proposed Constitution. References to clauses are references to clauses in the Proposed Constitution.

A copy of the Proposed Constitution is available for review by Shareholders at the Company's website **www.ecoquest.com.au** and at the office of the Company. A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Company Secretary (+61 8) 9481 3860. Shareholders are invited to contact the Company if they have any queries or concerns.

Fee for registration of off market transfers (clause 8.4(c))

On 24 January 2011, ASX amended ASX Listing Rule 8.14 with the effect that the Company may now charge a "reasonable fee" for registering paper-based transfers, sometimes referred to as "off-market transfers".

Clause 8.4 of the Proposed Constitution is being made to enable the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the

Company in upgrading its fraud detection practices specific to off-market transfers.

Before charging any fee, the Company is required to notify ASX of the fee to be charged and provide sufficient information to enable ASX to assess the reasonableness of the proposed amount.

Dividends (clause 21)

Section 254T of the Corporations Act was amended effective 28 June 2010.

There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

The amended requirements provide that a company must not a pay a dividend unless:

(a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;

(b) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and

(c) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing Constitution reflects the former profits test and restricts the dividends to be paid only out of the profits of the Company. The Proposed Constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in the payment of dividends in the future should the Company be in a position to pay dividends.

Partial (proportional) takeover provisions (clause 35)

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

<u>Information required by section 648G of the Corporations Act</u>

Effect of proposed proportional takeover provisions

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

Reasons for proportional takeover provisions

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

Knowledge of any acquisition proposals

As at the date of this Notice of Meeting, other than as disclosed in the Notice and proposed by the Resolutions, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential advantages and disadvantages of proportional takeover provisions

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

(a) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;

(b) assisting in preventing Shareholders from being locked in as a minority;

(c) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and

(d) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

(a) proportional takeover bids may be discouraged;

(b) lost opportunity to sell a portion of their Shares at a premium; and

(c) the likelihood of a proportional takeover bid succeeding may be reduced.

Recommendation of the Board

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 10.

Number of Directors (Clause 13.1)

The Proposed Constitution states that the number of Directors shall not exceed 9. The existing Constitution currently provides that the number of Directors shall not exceed 7.

Election of Directors (Clause 13.3)

The Proposed Constitution provides that if a person or Shareholder – other than a Director seeking re-election – wishes to nominate themselves for election to the office of Director at any general meeting, that person or Shareholder must submit their nomination and the nominee's consent to the Registered Office at least 30 Business Days before that general meeting.

The existing Constitution currently provides that the nomination and consent must be submitted by the later of the following:

(a) 35 Business Days before that general meeting; and

(b) another date, which may be not later than the last date on which the notice convening the general meeting may be lawfully given, fixed in relation to that general meeting by resolution of the Board.

13. RESOLUTION 11 – APPROVAL OF AUDITOR APPOINTMENT

Stantons International Audit and Consulting Pty Ltd ACN 144 581 519 (trading as Stantons International) (**Auditor**) is the Company's current auditor, which has consented to act in that capacity.

In accordance with section 327C of the Corporations Act, the Auditor was appointed to that position and the Company has sought and obtained a nomination from a Shareholder for the Auditor to remain appointed as the Company's auditor pursuant to Resolution 11. A copy of this nomination is attached to this Explanatory Statement in the Schedule.

The Auditor has given its written consent to act as the Company's auditor.

If Resolution 11 is passed, the Auditor's role as the Company's auditor will continue in effect.

14. ENQUIRIES

Shareholders may contact Mr Peter Webse on (+ 61 8) 9481 3860 if they have any queries in respect of the matters set out in these documents.

SCHEDULE – NOMINATION OF AUDITOR LETTER

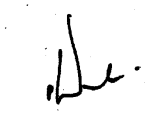
20 September 2013

The Board of Directors
Eco Quest Limited ACN 104 037 372
Suite 1
1233 High Street
Armadale VIC 3143

I, Peter Webse, being a member of Eco Quest Limited ACN 104 037 372 (**Company**), nominate Stantons International Audit and Consulting Pty Ltd ACN 144 581 519 (trading as Stantons International) in accordance with section 328B(1) of the *Corporations Act 2001* (Cth) (**Act**) to fill the office of auditor of the Company.

Please distribute copies of this notice of this nomination as required by section 328B(3) of the Act.

Signed and dated:



Peter Webse
20 September 2013

GLOSSARY

$ means Australian dollars unless otherwise specified.

10% Placement Capacity has the meaning given in Section 5.1 of this Notice.

Agreement means collectively, the eleven Option Agreements agreed by the Company separately with each Vendor for the acquisition of Cynata Shares by the Company.

Annual General Meeting or **Meeting** means the meeting convened by this Notice.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules or **Listing Rules** means the Listing Rules of ASX.

Auditor means Stantons International Audit and Consulting Pty Ltd ACN 144 581 519 (trading as Stantons International).

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Capital Raising means the Company's proposal under Resolution 7 to raise at least $5,000,000 or up to $6,000,000 via a public Prospectus offer of a minimum of 12,500,000 Shares or up to a maximum of 15,000,000 Shares at $0.40 per Share.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

(a) a spouse or child of the member;

(b) a child of the member's spouse;

(c) a dependent of the member or the member's spouse;

(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;

(e) a company the member controls; or

(f) a person prescribed by the *Corporations Regulations 2001* (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Eco Quest Limited (ACN 104 037 372).

Completion means completion under the Agreement of the sale by the Vendors and purchase by the Company of the balance of Cynata Shares which the Company does not already own.

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Cynata means Cynata Incorporated, a company incorporated in California, USA (Corporation number C3420976).

Cynata Share means a fully paid share of common stock in the capital of the Cynata.

Cynata Technology means Cynata's interest as licensee pursuant to the License Agreement, in proprietary stem cell technology summarised in Sections 6.5 and 6.6.

Directors means the current directors of the Company.

Eligible Entity means an entity that, at the date of the Meeting:

(a) is not included in the S&P/ASX 300 Index; and

(b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of $300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Investment Deed has the meaning given in Section 6.6.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

License Agreement means the license agreement dated 26 March 2013 between Cynata and WARF, summarised in Section 6.6.

Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises).

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of Annual General meeting including the Explanatory Statement, the Schedule and the Proxy Form.

Option means an option to acquire a Share in the Company.

Option Agreements means the eleven separate option agreements which together are defined as the Agreement.

ordinary securities has the meaning set out in the ASX Listing Rules.

Prospectus means the prospectus proposed to be issued by the Company in relation to the Capital Raising.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Directors' Report section of the Company's annual financial report for the year ended 30 June 2013.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement unless otherwise specified.

Security holder means a holder of one or more Securities.

Securities means all Equity Securities of the Company, including a Share and an Option.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Underwriters mean Forrest Capital Pty Ltd ACN 118 115 834 and KTM Capital Pty Ltd ACN 086 281 950, who have conditionally agreed with the Company to underwrite the minimum subscription of $5,000,000 pursuant to the Capital Raising.

Variable A means "A" as set out in the calculation in Section 5.2 of this Notice.

Vendor Consideration means in aggregate 10,000,001 Shares proposed to be issued on a post-Consolidation basis to the Vendors (or their nominees) pursuant to Resolution 6, in consideration for acquisition by the Company of all the Cynata Shares which the Company does not already own.

Vendors mean each holder of Cynata Shares, other than the Company, who has entered into the Agreement, being:

(a) Allen David Bollands;

(b) Alexander Gosling and Wirat Sukprem as trustees for the Presling Super Fund (AB Gosling Pension 1);

(c) Guy John Humble;

(d) Ian Edward Dixon;

(e) Igor Slukvin;

(f) Roger Aston;

(g) Technology Farmers Pty Ltd;

(h) Geoffrey Tymms;

(i) Maxim Vodyanik;

(j) Reece Walcott Walker; and

(k) Wiedman Investments Pty Ltd.

WARF means Wisconsin Alumni Research Foundation, a non-profit Wisconsin corporation.

WST means Western Standard Time as observed in Perth, Western Australia.

APPOINTMENT OF PROXY FORM

ECO QUEST LIMITED
ACN 104 037 372

ANNUAL GENERAL MEETING

I/We Insert name

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name of proxy: Insert proxy's name

Address of proxy: Insert proxy's address

OR: ☐ the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Annual General Meeting to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia at 11.30 am (WST) on Tuesday, 29 October 2013, and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on business of the Meeting		**FOR**	**AGAINST**	**ABSTAIN**
Resolution 1	Adoption of Remuneration Report	☐	☐	☐
Resolution 2	Re-election of Director – Mr Howard Digby	☐	☐	☐
Resolution 3	Election of Director – Dr Stewart Washer	☐	☐	☐
Resolution 4	Approval of 10% Placement Capacity	☐	☐	☐
Resolution 5	Change to Nature and Scale of Activities	☐	☐	☐
Resolution 6	Issue of Shares – Vendor Consideration	☐	☐	☐
Resolution 7	Issue of Shares – Capital Raising	☐	☐	☐
Resolution 8	Consolidation of Capital	☐	☐	☐
Resolution 9	Change of Company name	☐	☐	☐
Resolution 10	Replacement of Constitution	☐	☐	☐
Resolution 11	Approval of Auditor appointment	☐	☐	☐

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Important for Resolutions 1 and 5 to 9

If you have not directed your proxy how to vote as your proxy in respect of Resolutions 1 and 5 to 9 and the Chair is, or may by default be, appointed your proxy, you must mark the box below.

☐ I/we direct the Chair to vote in accordance with his/her voting intentions (as set out above) on Resolutions 1 and 5 to 9 (except where I/we have indicated a different voting intention above) and expressly authorise that the Chair may exercise my/our proxy even though Resolutions 1 and 5 to 9 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel and acknowledge that the Chair may exercise my/our proxy even if the Chair has an interest in the outcome of Resolutions 5 to 7 and that votes cast by the Chair for Resolutions 5 to 7, other than as proxy holder, will be disregarded because of that interest.

If the Chair is, or may by default be, appointed your proxy and you do not mark this box and you have not directed the Chair how to vote, the Chair will not cast your votes on Resolutions 1 and 5 to 9 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 and 5 to 9.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____%

Signature of Shareholder(s): **Date: _____**

Individual or Shareholder 1	**Shareholder 2**	**Shareholder 3**
Sole Director/Company Secretary	**Director**	**Director/Company Secretary**

Contact Name: _____ Contact Ph (daytime): _____

Instructions for Completing 'Appointment of Proxy' Form

1. (**Appointing a proxy**): A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.

2. (**Direction to vote**): A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked, the proxy may vote as they choose, subject to the relevant laws. Where more than one box is marked on an item, the vote will be invalid on that item.

3. (**Signing instructions**):

   (a) (**Individual**): Where the holding is in one name, the Shareholder must sign.

   (b) (**Joint holding**): Where the holding is in more than one name, all of the Shareholders should sign.

   (c) (**Power of attorney**): If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.

   (d) (**Companies**): Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.

4. (**Attending the Meeting**): Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

5. (**Return of Proxy Form**): To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

   (a) By hand to Eco Quest Limited, Suite 1, 1233 High Street Armadale, Victoria 3143; or

   (b) post to Eco Quest Limited, PO Box 271, West Perth. Western Australia 6872; or

   (c) facsimile to the Company on facsimile number +61 3 9822 7735.

   so that it is received no later than 11.30 am (WST) on Sunday, 27 October 2013. **Proxy Forms received later than this time will be invalid.**