ECO QUEST LIMITED

ACN 104 037 372

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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CORPORATE DIRECTORY

DIRECTORS:	Dr Stewart Washer	Executive Chairman
	Dr Ross Macdonald	Managing Director/Chief Executive Officer
	Howard Digby	Executive Director
	Peter Webse	Non-Executive Director
COMPANY SECRETARY:	Peter Webse	
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DIRECTORS' REPORT

The directors of Eco Quest Limited ('the Company') submit herewith the annual report of the Company for the financial year ended 30 June 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors

The names and particulars of the directors of the Company during or since the end of the financial year are:

Dr Stewart Washer (Executive Chairman)

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.

Dr Ross Macdonald, PhD (Biochemistry) Grad Dip in Bus Admin (Managing Director, Chief Executive Officer)

Dr Macdonald has over 20 years' experience and a track record of success in pharmaceutical and biotechnology businesses. Most recently he was CEO of Hatchtech Pty Ltd. Previously he held the role of Vice President of Business Development for Sinclair Pharmaceuticals Ltd, a UK-based specialty pharmaceuticals company. Prior to that he was Vice President, Corporate Development for Stiefel Laboratories Inc, the largest independent dermatology company in the world and acquired by Glaxo Smith Kline in 2009 for £2.25b. He joined Stiefel following that company's acquisition of Palo Alto-based Connetics Corporation for US$650m in 2006. At that time Dr Macdonald was Connetics' Vice-President, Business Development a position he had held for over 5 years. Before joining Connetics he was Vice President of Research & Development with FH Faulding & Co Limited (acquired in 2001 by Mayne Nickless) and a former Managing Director of Soltec Research Pty Ltd. He is a non-executive director of iSonea Ltd (ASX: ISN), Telesso Technologies Ltd (ASX: TEO) and Hatchtech Pty Ltd.

Mr Howard Digby, B.Eng (Hons) (Executive Director)

Howard has over 23 year career 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.

Mr Peter Webse, B.Bus FCSA FCIS FCPA MAICD (Non-Executive Director)

Peter has over 23 years' company secretarial experience. He is the Managing Director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services.

Mr Darren Olney-Fraser, BSc LLM (Executive Chairman – resigned 1 August 2013)

Darren is a former corporate lawyer with mergers and acquisitions experience. Darren practiced law with Baker & McKenzie and Blake Dawson, and was a partner at Andersen Legal. He has grown business interests of over $200M over the last 10 years and is also the CEO of Mariner Corporation Limited.

The above named directors held office during the whole of the financial year and since the end of the financial year except for:

- Dr Stewart Washer – appointed 1 August 2013
- Dr Ross Macdonald – appointed 1 August 2013
- Mr Darren Olney-Fraser – resigned 1 August 2013

DIRECTORS' REPORT (continued)

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Stewart Washer	iSonea Limited	Since 2012
	Immuron Limited	2012-2013
Ross Macdonald	iSonea Limited	Since 2012
	Telesso Technologies Limited	Since 2003
Howard Digby	Sun Biomedical Limited	Since 2013
Peter Webse	Sun Biomedical Limited	Since 2013
	Blina Minerals NL	Since 2012
Darren Olney-Fraser	Mariner Corporation Limited	Since 2010
	Stanfield Funds Management Limited	Since 2009

Directors' shareholdings

The following table sets out each director's relevant interest in shares and rights or options in shares of the Company as at the date of this report:

Directors	Fully paid ordinary shares Number	Share options Number
Stewart Washer	-	-
Ross Macdonald	-	-
Howard Digby	3,750,000	13,750,000
Peter Webse	2,150,000	2,550,000

Remuneration of key management personnel

Information about the remuneration report of key management personnel is set out in the remuneration report of this director's report on pages 9 to 14. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Share options granted to directors

During and since the end of the financial year, an aggregate of 10,000,000 share options were granted to the following directors as part of their remuneration:

Director	Number of options granted	Issuing entity	Number of ordinary shares under option
Howard Digby	10,000,000	Eco Quest Limited	10,000,000

Company secretary

Peter Webse, ***B.Bus FCSA FCIS FCPA MAICD***

Peter has over 23 years' company secretarial experience. He is the managing director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services.

DIRECTORS' REPORT (continued)

Operating and financial review

Operations of the Company

The principal activity of the Company in the course of the financial year was to progress the commercialisation of biodegradable hygiene products, including nappies and wipes and the Company began to implement its new strategy for the business. Following a review by an independent consultant commissioned by the board the previous year, the directors at the time decided to substantially reduce the Australian sales operations and become a licensor of its intellectual property in biodegradable hygiene technologies. During the year the Company signed a licence agreement with Containers and Packaging Corporation (CPC) in the Philippines to licence the Company's biodegradable hygiene technology to manufacture, market and sell products in the Asia Pacific region on a net profit royalty basis. CPC is currently undergoing manufacturing tests and determining which parts of the range it will lead with and in which markets. The Company has also been pursuing opportunities to acquire other intellectual property assets to broaden its asset base and which have the potential to deliver new revenue streams. In September 2012, the Company took an 11% stake in privately held US company, Cynata Incorporated, which is developing a therapeutic stem cell technology platform. In December 2012, this stake was increased to 27% for a combined outlay of US$750,000.

Financial position of the Company

The Company incurred a net loss from operations for the financial year ended 30 June 2013 of $915,701 (2012: $1,542,307). At 30 June 2013, the Company had a cash balance of $1,116,587 (2012: $993,076) and net assets of $1,642,843 (2012: $853,753). The net cash outflow from operating activities for the financial year was $765,765 (2012: $729,331). During the financial year current liabilities were reduced from $163,086 to $149,700.

Business strategies and prospects for future financial years

The directors have also been pursuing opportunities to acquire other intellectual property assets that can broaden the Company's asset base and have the potential to deliver new revenue streams. These efforts have led to the identification of the Cynata opportunity and to the subsequent transactions mentioned elsewhere in this Annual Report. The Company plans to undertake activity toward acquiring the balance of Cynata shares that it does not already own, subject to Eco Quest shareholder approval and compliance with all applicable laws and stock exchange rules. Assuming the full acquisition of Cynata proceeds, the Company will seek to further develop the Cynata stem cell technology for human therapeutic uses. Stem cells represent one of the most exciting developments in recent medical history and their potential use in a wide range of diseases and regenerative medicine applications is attracting intensive research worldwide. Stem cells are particular types of unspecialised (undifferentiated) cells in the body that may assist in the body's own ability to repair or replace tissue that is damaged or destroyed by injury or disease. The directors believe that the proposed acquisition of Cynata will provide shareholders with access to a high growth segment of the life science products industry with the potential to meet multiple areas of significant unmet medical need.

Changes in state of affairs

During the financial year, the Company issued 100,000,000 ordinary shares at $0.0175 per share to fund its existing business, to fund further development opportunities (including potential acquisition opportunities) and for ongoing working capital requirements.

On 17 September 2012, the Company made the payment of US$250,000 to acquire an 11% investment in Cynata Incorporated (Cynata), a US company specialising in multi-purpose stem cell technology for regenerative medicine.

On 21 December 2012, the Company entered into an agreement to increase its investment in Cynata to 27% via the subscription of a further 12,500,000 shares in Cynata at US$0.04 per share, amounting to US$500,000.

Other than the above, there was no significant change in the state of affairs of the Company during the year.

DIRECTORS' REPORT (continued)

Subsequent events

On 12 July 2013, the Company announced its strategy to acquire 100% of Cynata Incorporated ('Cynata') following the signing by Cynata of a Foundation License Agreement with the Wisconsin Alumni Research Foundation (WARF), providing the company with certain rights to a novel stem cell technology. The acquisition of Cynata will take place in two stages. The first stage, which has been completed, was the investment of a further US$250,000 which increased the Company's stake in Cynata to a fully diluted 33%. The second stage is an option to acquire within 18 months the balance of Cynata shares that the Company does not already. Consideration for the acquisition of all remaining shares of Cynata will be 200,000,000 fully paid ordinary Eco Quest Limited shares. Exercise of the option will be conditional on Eco Quest shareholder approval and compliance with all applicable laws and stock exchange rules.

On 1 August 2013, the Company announced that it had completed a share placement (Placement) to sophisticated investors of $300,000 at a subscription price of $0.01 per share and that it would will also offer eligible shareholders the opportunity to participate in a Share Purchase Plan (SPP) to raise up to $300,000 with the right to accept over-subscriptions of a further $157,500. A maximum of 45,750,000 shares will be offered under the SPP. On 27 August 2013 the Company announced that the SPP had been closed oversubscribed on 26 August 2013, with the shares to be issued shortly and refunds despatched.

On 16 August 2013, the Company announced that it had issued 9,500,000 fully paid ordinary shares at $0.01 each following the exercise of 9,500,000 listed 31 December 2014 options. On 22 August 2013, the Company announced that it had issued 16,500,000 fully paid ordinary shares at $0.01 each following the exercise of 16,500,000 listed 31 December 2014 options. On 23 August 2103, the Company announced that it had issued 14,000,000 fully paid ordinary shares at $0.01 each following the exercise of 14,000,000 listed 31 December 2014 options.

A total payment of $93,507 representing claims from ex-directors and services providers of the Company for services rendered and termination payments has been effected subsequent to balance date. This amount was provided for in the accounts at 30 June 2013.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or state of affairs of the Company in future financial years.

Environmental regulations

The Company's operations are not subject to significant environmental regulation under Australian Commonwealth or State law.

Dividends

No dividends were paid or declared and the directors have not recommended the payment of a dividend.

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Eco Quest Limited[1]	280,574,487	Ordinary	$0.010	31 December 2014
Eco Quest Limited	500,000	Ordinary	$0.199	30 November 2013
Eco Quest Limited[2]	10,000,000	Ordinary	$0.020	9 September 2016

[1]Listed options.

[2]Unlisted options issued to Howard Digby. In accordance with the terms of the share-based arrangement, 25% of the options vested immediately, 25% vest upon earlier of 12 months continuous employment and the VWAP of the Company's shares being at least $0.02 for 10 consecutive business days. 25% vest upon earlier of 24 months continuous employment and the VWAP of the Company's shares being at least $0.03 for 10 consecutive business days. 25% vest upon earlier of 24 months continuous employment and the VWAP of the Company's shares being at least $0.04 for 10 consecutive business days.

The holders of these options do not have the right, by virtue of the option, to participate in any share or interest issue of the Company or any other body corporate or registered scheme.

DIRECTORS' REPORT (continued)

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the company secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability as such an officer or auditor.

Directors' meetings

The following table sets out the number of directors' meetings held during the year and the number of meetings attended by each director. During the financial year, 11 board meetings were held.

	Board of Directors	
Directors	**Held**	**Attended**
Darren Olney-Fraser	11	11
Howard Digby	11	11
Peter Webse	11	11
Stewart Washer	-	-
Ross Macdonald	-	-

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Non-audit services

Details of amounts paid or payable to the auditor for services provided during the year by the auditor are outlined in note 24 to the financial statements. The auditor did not perform any non-audit services during the financial year.

Auditor's independence declaration

The auditor's independence declaration is included on page 15 of the annual report.

DIRECTORS' REPORT (continued)

Remuneration report

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Eco Quest Limited's key management personnel for the financial year ended 30 June 2013. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel
- remuneration policy
- relationship between the remuneration policy and company performance
- remuneration of key management personnel
- key terms of employment contracts

Key management personnel

The directors and other key management personnel of the Company during or since the end of the financial year were:

- Mr Darren Olney-Fraser (Chairman, Executive Director - resigned 1 August 2013)
- Mr Howard Digby (Executive Director)
- Mr Peter Webse (Non-Executive Director)
- Dr Stewart Washer (Executive Chairman - appointed 1 August 2013)
- Dr Ross Macdonald (Managing Director/CEO - appointed 1 August 2013)

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

Remuneration Policy

Eco Quest Limited's remuneration policy, which is set out below, is designed to promote superior performance and long term commitment to the Company.

As at the date of this report, the Company has three executives, the executive chairman, managing director and executive director, and one non-executive director. As set out below, total remuneration costs for the 2013 financial year were $323,328, down from $336,716 for the previous year.

1. **Non-executive director remuneration**

   Non-executive directors are remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or salary sacrifice into equity and do not normally participate in schemes designed for the remuneration of executives.

   Shareholder approval must be obtained in relation to the overall limit set for the non-executive directors' fees. The maximum aggregate remuneration approved by shareholders for non-executive directors is $300,000 per annum. The directors set the individual non-executive director fees within the limit approved by shareholders.

2. **Executive remuneration**

   Executives and employees receive a base remuneration which is market related, and may be entitled to performance based remuneration, which is determined on an annual basis.

   Overall remuneration policies are subject to the discretion of the board and can be changed to reflect competitive and business conditions where it is in the interests of the Company and shareholders to do so.

   Executive remuneration and other terms of employment are reviewed annually by the board having regard to the performance, relevant comparative information and expert advice.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

The board's remuneration policy reflects its obligation to align executive remuneration with shareholder interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles are:

(a) remuneration reflects the competitive market in which the Company operates;
(b) individual remuneration should be linked to performance criteria if appropriate; and
(c) executives should be rewarded for both financial and non-financial performance.

The total remuneration of executives consists of the following:

(a) salary – executives receive a fixed sum payable monthly in cash;
(b) cash at risk component – the executives may participate in share and option schemes generally made in accordance with thresholds set in plans approved by shareholders, if deemed appropriate. However, the board considers it appropriate to issue shares and options to executives outside of approved schemes in exceptional circumstances; and
(c) other benefits – executives may, if deemed appropriate by the board, be provided with a fully expensed mobile phone and other forms of remuneration.

3. Remuneration of consultants

During the financial year ended 30 June 2013, the Company did not engage the services of any remuneration consultants.

4. Equity-settled compensation

The fair value of the equity which executives and employees are granted is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Relationship between the remuneration policy and company performance

The board considers that at this time, evaluation of the Company's financial performance using generally accepted measures such as profitability, total shareholder return or per company comparison are not relevant as the Company is at a very early stage in the implementation of a corporate strategy centred on the identification and acquisition of new business opportunities.

The table below sets out the summary information about the Company's earnings and movements in shareholder wealth for the five years to 30 June 2013:

	30 June 2013 $	30 June 2012 $	30 June 2011 $	30 June 2010 $	30 June 2009 $
Revenue	71,021	323,867	353,499	140,006	328,259
Net loss before tax	915,701	1,582,567	2,572,297	2,116,125	1,450,271
Net loss after tax	915,701	1,542,307	2,564,979	2,116,125	1,450,271
Share price at start of year	0.01	0.03	0.09	0.05	0.05
Share price at end of year	0.01	0.01	0.03	0.09	0.05
Basic and diluted loss per share (cents)	0.19	0.81	2.52	2.75	2.14

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Remuneration of key management personnel

	Short-term employee benefits			Post-employment benefits	Equity	Total	Performance
	Salary & fees $	Bonus $	Other $	Super-annuation $	Options $	$	Related %
2013							
Directors							
D. Olney-Fraser[1]	60,000	-	-	-	-	60,000	-
H. Digby	99,886	-	-	8,990	69,202	178,078	38.9%
P. Webse[2]	36,000	-	49,250	-	-	85,250	-
S. Washer[3]	-	-	-	-	-	-	-
R. Macdonald[4]	-	-	-	-	-	-	-
	195,886	**-**	**49,250**	**8,990**	**69,202**	**323,328**	

[1]Mr Olney-Fraser's services were provided by Mariner Corporation Limited (Mariner). The amounts set out above were paid to Mariner. Mr Olney-Fraser resigned on 1 August 2013.

[2]The amount of $49,250 in 'Other' represents company secretarial fees of $4,000 per month and an amount of $1,250 for additional work performed outside the scope of the consultancy agreement with Platinum Corporate Secretariat Pty Ltd (Platinum). Mr Peter Webse is the sole director of Platinum.

[3]Dr Stewart Washer was appointed on 1 August 2013.

[4]Dr Ross Macdonald was appointed on 1 August 2013.

	Short-term employee benefits			Post-employment benefits	Equity	Total	Performance
	Salary & fees $	Bonus $	Other $	Super-annuation $	Options $	$	Related %
2012							
Directors							
D. Olney-Fraser[1]	80,565	-	75,000	-	-	155,565	-
H. Digby[2]	4,355	-	-	-	-	4,355	-
P. Webse[3]	43,855	-	-	-	-	43,855	-
S. Tulloch[4]	21,875	-	-	-	-	21,875	-
M. Greenup[5]	16,000	-	-	-	-	16,000	
G. Ferro[6]	-	-	-	-	-	-	-
K. Herbert[7]	14,441	-	-	-	-	14,441	-
Executive							
M. Hiscox[8]	78,871	-	-	1,754	-	80,625	-
	259,962	**-**	**75,000**	**1,754**	**-**	**336,716**	

[1]Appointed as Acting Managing Director on 21 October 2011 and as Executive Chairman on 18 May 2012. Mr Olney-Fraser's services are provided by Mariner Corporation Limited (Mariner). The amounts set out above were paid to Mariner. The amount in 'Other' represents a non-monetary component settled by the issue of shares.

[2]Appointed as Non-Executive Director on 18 May 2012.

[3]Appointed as Non-Executive Director on 18 May 2012 (fees paid $4,355). Resigned as Company Secretary on 11 November 2011 and re-appointed on 3 April 2012 (fees paid $39,500).

[4]Resigned as Non-Executive Chairman on 18 May 2012.

[5]Resigned as Non-Executive Director on 22 November 2011.

[6]Resigned as Non-Executive Director on 18 May 2012.

[7]Appointed as Managing Director on 19 July 2011, resigned on 18 October 2011.

[8]Resigned on 26 October 2011.

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Bonuses and share-based payments granted as compensation for the current financial year

Bonuses

No bonuses were paid to key management personnel during the financial year (2012: $nil).

Incentive share-based payment arrangements

During the financial year, the following share-based payment arrangements were in existence:

Options series	Grant date	Expiry date	Grant date fair value $	Vesting date
Series 1	1 December 2009	15 December 2012	0.140	At date of grant
Series 2	28 March 2011	30 November 2013	0.050	At date of grant
Series 3*	27 November 2012	9 September 2016	0.013	25% - at grant date
				25% - 26 November 2013
				25% - 26 November 2014
				25% - 26 November 2014

* Unlisted options issued to Howard Digby. In accordance with the terms of the share-based arrangement, 25% of the options vest immediately, 25% vest upon earlier of 12 months continuous employment and the VWAP of the Company's shares being at least $0.02 for 10 consecutive business days. 25% vest upon earlier of 24 months continuous employment and the VWAP of the Company's shares being at least $0.03 for 10 consecutive business days. 25% vest upon earlier of 24 months continuous employment and the VWAP of the Company's shares being at least $0.04 for 10 consecutive business days.

The following grants of share-based payment compensation to key management personnel relate to the current financial year:

		During the financial year				% of compensation for the year consisting of options
Name	Option series	No. granted	No. vested	% of grant vested	% of grant forfeited	
Howard Digby	Series 3	10,000,000	2,500,000	25%	n/a	38.9%

During the year, there were no fully paid ordinary shares issued on the exercise of options.

The following table summarises the value of options to key management personnel granted, exercised or lapsed during the year:

	Value of options granted at the grant date (i) $	Value of options exercised at the exercise date $	Value of options lapsed at the date of lapse $
Howard Digby	127,757	n/a	n/a

(i) The value of the options granted during the year is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Key terms of employment contracts

Remuneration and other terms of employment for key management personnel and consulting company secretary are formalised in service agreements. Details of these agreements are:

Name:	**Dr Stewart Washer**
Title:	Executive Chairman (appointed 1 August 2013)
Age	44
Agreement Commenced:	1 August 2013
Term of Agreement:	24 months expiring on 31 July 2015
Details:	Initial salary of $48,000 pa increasing to $96,000 pa upon achievement of $1 million from equity capital raisings and further increasing to $150,000 pa upon settlement of the Company's proposed acquisition of US based Cynata Inc and reinstatement to trading after re-compliance with Chapters 1 and 2 of the ASX Listing Rules. The agreement may be terminated by either party providing 6 months' notice.

Name:	**Dr Ross Macdonald**
Title:	Managing Director/Chief Executive Officer (appointed 1 August 2013)
Age	55
Agreement Commenced:	1 August 2013
Term of Agreement:	24 months expiring on 31 July 2015
Details:	Initial salary of $60,000 pa increasing to $120,000 upon achievement of $1 million from equity capital raisings and further increasing to $300,000 pa upon settlement of the Company's proposed acquisition of US based Cynata Inc and reinstatement to trading after re-compliance with Chapters 1 and 2 of the ASX Listing Rules. The agreement may be terminated by either party providing 6 months' notice.

Name:	**Howard Digby**
Title:	Executive Director
Age	46
Agreement Commenced:	18 May 2012 (Non-Executive Director), 6 September 2012 (Executive Director)
Term of Agreement:	Not subject to fixed term.
Details:	Entitled to a fee of $3,000 per month plus statutory superannuation for services as a Non-Executive Director. Mr Howard Digby was paid a fee of $10,000 per month inclusive of superannuation for the provision of executive director's services for the period 6 September 2012 to 31 July 2013.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Name:	**Peter Webse**
Title:	Non-Executive Director/Company Secretary
Age	50
Agreement Commenced:	18 May 2012 (Non-Executive Director), 3 April 2012 (Company Secretary)
Term of Agreement:	Not subject to fixed term.
Details:	Platinum Corporate Secretariat Pty Ltd is paid a fee of $3,000 (exc. GST) per month for the provision of Mr Webse's services as a Non-Executive Director, commencing from 18 May 2012. A new consultancy agreement was entered into with Platinum Corporate Secretariat Pty Ltd, commencing 3 April 2012, for the provision of Mr Webse's services as a consulting Company Secretary at a fee of $4,000 (exc. GST) per month plus additional services charged at a rate of $250 per hour as agreed from time to time. Subject to two months' notice of termination.

Name:	**Darren Olney-Fraser**
Title:	Executive Chairman (resigned 1 August 2013)
Age	47
Agreement Commenced:	21 October 2011 (Acting Managing Director), 18 May 2012 (Executive Chairman)
Term of Agreement:	Not subject to fixed term.
Details:	The services of Mr Olney-Fraser are provided by Mariner Corporation Limited (Mariner). From July 2012, Mariner was paid a fee of $5,000 (exc. GST) per month for Mr Olney-Fraser's services as Executive Chairman of the Company. The Agreement may be terminated by either party providing one month's notice.

This is the end of the audited remuneration report

This directors' report is signed in accordance with a resolution of directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors

Dr Stewart Washer
Executive Chairman

27 August 2013

Stantons International Audit and Consulting Pty Ltd
trading as
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27 August 2013

Board of Directors
Eco Quest Limited
Level 4 Podium
120 Collins Street
Melbourne VIC 3000

Dear Directors

RE: ECO QUEST LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Eco Quest Limited.

As Audit Director for the audit of the financial statements of Eco Quest Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Samir (Sam) Tirodkar
Director

Stantons International Audit and Consulting Pty Ltd
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ECO QUEST LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Eco Quest Limited, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 3, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of Eco Quest Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 3.

Report on the Remuneration Report

We have audited the remuneration report included in pages 9 to 14 of the directors' report for the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Opinion
In our opinion the remuneration report of Eco Quest Limited for the year ended 30 June 2013 complies with section 300 A of the *Corporations Act 2001.*

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International

Samir Tirodkar
Director

West Perth, Western Australia
27 August 2013

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3.1 to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company; and

(d) the directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors

Dr Stewart Washer
Executive Chairman

27 August 2013

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Revenue	6	33,964	160,729
Cost of sales		(8,689)	(521,475)
Gross profit/(loss)		25,275	(360,746)
Investment income	7	37,057	163,138
Share of losses of associate	12	(103,618)	-
Product development costs		(90,986)	(61,071)
Employee benefits expenses	8	(113,991)	(125,452)
Depreciation and amortisation		-	(413,392)
Share based payment expenses/(lapsed)		(69,202)	4,789
Borrowing costs		(981)	(1,910)
Other expenses	8	(599,255)	(787,923)
Loss before tax		(915,701)	(1,582,567)
R&D tax offset		-	40,260
Income tax	9	-	-
Loss for the year		**(915,701)**	**(1,542,307)**
Other comprehensive income, net of income tax			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive loss for the year		(915,701)	(1,542,307)
Loss and total comprehensive income for the year attributable to the members of Eco Quest Limited		(915,701)	(1,542,307)
Loss per share			
Basic and diluted loss per share (cents)	10	0.19	0.81

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	2013 $	2012 $
Current assets			
Cash and cash equivalents	21	1,116,587	993,076
Trade and other receivables	11	33,261	23,763
Total current assets		**1,149,848**	**1,016,839**
Non-current assets			
Investments in associates	12	642,695	-
Total non-current assets		**642,695**	**-**
Total assets		**1,792,543**	**1,016,839**
Current liabilities			
Trade and other payables	13	13,988	16,974
Provisions	14	135,712	146,112
Total current liabilities		**149,700**	**163,086**
Total liabilities		**149,700**	**163,086**
Net assets		**1,642,843**	**853,753**
Equity			
Issued capital	15	12,338,120	10,913,811
Reserves	16	1,544,052	1,263,570
Accumulated losses		(12,239,329)	(11,323,628)
Total equity		**1,642,843**	**853,753**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Issued capital $	Reserves $	Accumulated losses $	Total $
Balance at 1 July 2011	9,484,892	1,268,359	(9,781,321)	971,930
Loss for the year	-	-	(1,542,307)	(1,542,307)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(1,542,307)	(1,542,307)
Issue of shares	1,526,274	-	-	1,526,274
Share issue costs	(97,355)	-	-	(97,355)
Recognition of share-based payments	-	(4,789)	-	(4,789)
Balance at 30 June 2012	10,913,811	1,263,570	(11,323,628)	853,753
Balance at 1 July 2012	10,913,811	1,263,570	(11,323,628)	853,753
Loss for the year	-	-	(915,701)	(915,701)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(915,701)	(915,701)
Issue of shares	1,750,000	-	-	1,750,000
Share issue costs	(325,691)	-	-	(325,691)
Recognition of share-based payments	-	280,482	-	280,482
Balance at 30 June 2013	12,338,120	1,544,052	(12,239,329)	1,642,843

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Cash flows from operating activities			
Receipts from customers		44,964	198,620
Receipts from other revenues		-	192,804
Interest received		37,057	7,415
Payments to suppliers and employees		(846,805)	(1,128,170)
Interest paid		(981)	-
Net cash used in operating activities	21	(765,765)	(729,331)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(746)
Payments for investments		(746,313)	-
Net cash (used in)/generated by investing activities		(746,313)	(746)
Cash flows from financing activities			
Proceeds from issue of shares		1,750,000	1,451,274
Payment for share issue costs		(114,411)	(97,355)
Repayment of borrowings		-	(20,000)
Net cash generated by financing activities		1,635,589	1,333,919
Net increase in cash and cash equivalents		123,511	603,842
Cash and cash equivalents at the beginning of the year		993,076	389,234
Cash and cash equivalents at the end of the year	21	1,116,587	993,076

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. General information

Eco Quest Limited ('the Company') is a limited company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the corporate directory of the annual report. The principal activities of the Company are described in the directors' report.

2. Application of new and revised Accounting Standards

2.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

Amendments to AASB 101 'Presentation of Financial Statements'	The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle') requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.

Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

2. Application of new and revised Accounting Standards (continued)

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards[1]	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements'(2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014

[1]The AASB has issued the following versions of AASB 9 and the relevant amending standards;

- AASB 9 'Financial Instruments' (December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'
- AASB 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure'.

For annual reporting periods beginning before 1 January 2015, an entity may early adopt either AASB 9 (December 2009) or AASB 9 (December 2010) and the relevant amending standards.

2. Application of new and revised Accounting Standards (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119(2011)'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014

3. Significant accounting policies

3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the financial statements of the Company. For the purposes of preparing the financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 27 August 2013.

3.2 Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

3. Significant accounting policies (continued)

3.3 Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Company losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with AASB 139. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Company accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate. When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Company's consolidated financial statements only to the extent of interests in the associate that are not related to the Company.

3.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3. Significant accounting policies (continued)

3.4.1 Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.4.2 Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.5 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight line basis over the period of the lease.

3.6 Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

3.7Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.8 Government grants

Government grants are assistance by the government in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Company other than the requirement to operate in certain regions or industry sectors.

3. Significant accounting policies (continued)

Government grants relating to income are recognised as income over the periods necessary to match them with the related costs on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised as income of the period in which it becomes receivable.

3.9 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3.10 Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 18.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

3.11 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.11.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.11.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Significant accounting policies (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.14 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

3. Significant accounting policies (continued)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.14.1 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3.14.1.1 Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it has a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition in consistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

3.14.1.2 AFS financial assets

Listed shares and listed redeemable notes held by the Company that are traded in an active market are classified as AFS and are stated at fair value. The Company also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

3. Significant accounting policies (continued)

3.14.1.3 Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

3.14.1.4 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3.15 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

3. Significant accounting policies (continued)

3.16 Comparative amounts

When current period balances have been classified differently within current period disclosures when compared to prior periods, comparative disclosures have been restated to ensure consistency of presentation between periods.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5. Segment information

The Company operates in one business segment and one geographical segment, namely the commercialisation of biodegradable products, including nappies and wipes in Australia only. AASB 8 'Operating Segments' states that similar operating segments can be aggregated to form one reportable segment. However, none of the operating segments currently meet any of the prescribed quantitative thresholds, and as such do not have to be reported separately. The Company has therefore decided to aggregate all its reporting segments into one reportable operating segment.

The revenue and results of this segment are those of the Company as a whole and are set out in the statement of profit or loss and other comprehensive income. The segment assets and liabilities of this segment are those of the Company and set out in the statement of financial position.

	2013 $	2012 $
6. Revenue		
Sales of goods and services	33,964	160,729
7.Investment income		
Interest revenue	37,057	7,415
Rent received	-	4,000
Export market development grant	-	150,000
Other revenue	-	1,723
	37,057	163,138

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FOR THE YEAR ENDED 30 JUNE 2013

8. Loss for the year

Loss for the year has been arrived at after charging the following items of expenses:

	2013 $	2012 $
Employee benefits expenses		
Consultancy fees	-	44,827
Wages and salaries	99,886	78,871
Superannuation expenses	8,990	1,754
Leave entitlements	5,115	-
Total employee benefit expense	113,991	125,452
Share-based payment expenses/(lapsed)	69,202	(4,789)
Other expenses		
Rent	10,978	29,461
Share register fees	11,393	22,499
Director fees	96,000	199,809
Legal costs	73,865	25,547
Other administrative expenses	407,019	510,607
Total other expenses	599,255	787,923

9. Income taxes

9.1 Income tax recognised in profit or loss

Current tax	-	-
Deferred tax	-	-
	-	-

The income tax expense for the year can be reconciled to the accounting loss as follows:

Loss before income tax	(915,701)	(1,582,567)
Income tax calculated at 30%	(274,710)	(474,770)
Effect of expenses that are not deductible in determining taxable loss	153,108	44,364
Effect of unused tax losses not recognised as deferred tax assets	121,602	430,406
Income tax recognised in statement of profit or loss and other comprehensive income	-	-

The tax rate used for the 2013 and 2012 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

9.2 Income tax recognised directly in equity

Current tax		
Share issue costs	14,338	14,338
Deferred tax		
Share issue costs	29,316	43,654
	43,654	57,992
Unrecognised deferred tax assets		
Tax losses (revenue)	2,924,276	2,802,674

9. Income taxes (continued)

Tax losses

Unused tax losses for which no deferred tax asset has been recognised have not been disclosed as the future recovery of those losses is subject to the Company satisfying the requirements imposed by the regulatory taxation authorities. The benefits of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Company in realising the benefit.

	2013 $	2012 $
10. Loss per share		
Basic and diluted loss per share (cents per share)	0.19	0.81

Basic and diluted loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:

Loss for the year attributable to owners of the Company	(915,701)	(1,542,307)
	No.	**No.**
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	470,879,803	190,378,870

There was no differential dilutive effect of options outstanding at balance sheet date. For further information on options outstanding at the balance date, refer note 18.

11. Trade and other receivables

Trade debtors	-	11,000
Deposits made	14,366	-
Other receivables	18,895	12,763
	33,261	23,763

Trade receivables are non-interest bearing and are generally on 30 to 60 day terms.

At the balance date, none of the trade and other receivables were past due or impaired.

12. Investments in associates

Details of the Company's associate are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership and voting power held by the Company	
			2013	2012
Cynata Incorporated(i)	Identification of highly vasculogenic precursor stem cells for use in therapeutics	USA	27%	-

(i) In September 2012, the Company took an 11% stake in privately held US company Cynata Incorporated. In December 2012, this stake was increased to 27% for a combined outlay of US$750,000 equivalent of AU$746,313. In accordance with *AASB 128 Investments in Associates,* the carrying amount of $642,695 has been recorded after recognising the investor's share of loss of the investee. An explanation of the share of loss of the investor is provided below.

Summarised financial information in respect of the Company's associate is set out below:

	2013 $	2012 $
Total assets	22,182	-
Total liabilities	124,040	-
Net (deficiency)/assets	(101,858)	-
Company's share of net deficiency of associate	(27,502)	-
Total revenue	18,554	-
Total loss for the year before and after tax	(971,058)	-
Company's share of loss of associate (i)	(103,618)	-

(i) The Company gained significant control over Cynata Incorporated on 21 December 2012. As such, the Company's share of loss of the associate is based on the period January 2013 to June 2013. During that period, Cynata Incorporated incurred a total loss of $383,771.

13. Trade and other payables

Trade payables	13,988	16,974

14. Provisions

Accrued expenses	34,613	100,658
Provisions (i)	93,507	-
Provisions for employee entitlements	7,592	45,454
	135,712	146,112

(i) Refer to note 22 for more details.

15. Issued capital

	2013 $	2012 $
505,223,461 fully paid ordinary shares (2012: 405,223,461 shares)	12,338,120	10,913,811

The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

15.1 Fully paid ordinary shares

	2013		2012	
	No.	$	No.	$
Balance at beginning of year	405,223,461	10,913,811	125,561,612	9,484,892
Share placement issued at $0.0175 per share on 31 October 2012	100,000,000	1,750,000	-	-
Shares issued at $0.0067 to Darren Olney-Fraser on 27 March 2012 for services rendered.	-	-	11,194,029	75,000
Shares issued for cash	-	-	268,467,820	1,451,274
Share issue costs	-	(325,691)	-	(97,355)
Balance at end of year	505,223,461	12,338,120	405,223,461	10,913,811

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

15.2 Share options on issue

Share options issued by the Company carry no rights to dividends and no voting rights.

As at 30 June 2013, the Company has 300,574,487 share options on issue (2012: 253,574,487) exercisable on a 1:1 basis for 300,574,487 shares (2012: 253,574,487) at various exercise prices. During the year, 50,000,000 options were granted (2012: nil) and 3,000,000 options expired (2012: 1,000,000 options were cancelled). Further details of options granted to directors, employees and consultants are contained in note 18 to the financial statements.

16. Reserves

	2013 $	2012 $
Balance at beginning of year	1,263,570	1,268,359
Recognition of share-based payments (i)	280,482	-
Vesting conditions on 31/10/12 options not met	-	(4,789)
Balance at end of year	1,544,052	1,263,570

(i) This relates to the share options granted by the Company to its employees and external consultants. Further information about share-based payments to employees in set out in note 18 to the financial statements.

17. Financial instruments

17.1 Capital management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid, return to capital to shareholders, issue new shares or sell assets to reduce debt.

Given the nature of the business, the Company monitors capital on the basis of the current business operations and cash flow requirements. There were no changes in the Company's approach to capital management during the year.

17. Financial instruments (continued)

17.2 Categories of financial instruments

	2013 $	2012 $
Financial assets		
Cash and bank balances	1,116,587	993,076
Trade and other receivables	33,261	23,763
Financial liabilities		
Trade and other payables	13,988	16,974

The fair value of the above financial instruments approximates their carrying values.

17.3 Financial risk management objectives

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Company's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the Company where such impacts may be material. The board receives monthly financial reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

17.4 Market risk

Market risk for the Company arises from the use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk).

17.5 Foreign currency risk management

The Company had transactional foreign currency exposures. Such exposures may arise from sales, purchases or payments to consultants by the operating entity in currencies other than Australian dollars.

The Company does not currently hedge its foreign currency risk through the use of forward currency contracts as the cost to do so would out way the risk of the currency fluctuation. However, the Company will review the requirement to manage the risk as the requirement arises. The Company does not have any significant foreign currency risk at balance date.

17. Financial instruments (continued)

17.6 Interest rate risk management

The Company is exposed to interest rate risk as it invests funds in term deposits at fixed interest rates. The table below summarises the sensitivity of the Company's financial assets to interest rate risk.

Financial Assets – held at 30 June 2013		**Interest Rate Risk -1%**		**Interest Rate Risk +1%**	
	Carrying Amount $	**Net Loss $**	**Equity $**	**Net Gain $**	**Equity $**
Cash and cash equivalents	1,116,587	(11,166)	(11,166)	11,166	11,166

Financial Assets – held at 30 June 2012		**Interest Rate Risk -1%**		**Interest Rate Risk +1%**	
	Carrying Amount $	**Net Loss $**	**Equity $**	**Net Gain $**	**Equity $**
Cash and cash equivalents	993,076	(9,931)	(9,931)	9,931	9,931

17.7 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The Company measures credit risk on a fair value basis.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings.

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	2013 $	**2012 $**
Financial assets		
Cash and bank balances	1,116,587	993,076
Trade and other receivables	33,261	23,763

17.8 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

17. Financial instruments (continued)

17.8.1 Liquidity risk table

	Carrying amount	Contractual cash flows				
		Less than 1 month	1-3 months	3-12 months	1 year to 5 years	Total contractual cash flows
	$	$	$	$	$	$
2013						
Financial liabilities						
Trade and other payables	13,988	-	-	(13,988)	-	(13,988)
2012						
Financial liabilities						
Trade and other payables	16,974	-	-	(16,974)	-	(16,974)

18. Share-based payments

Options may be issued to external consultants or non-related parties without the shareholder approval, where the annual 15% capacity pursuant to ASX Listing Rule 7.1 has not been exceeded. Options cannot be offered to a director or an associate except where approval is given by shareholders at a general meeting.

During the financial year, 40,000,000 options were issued to external consultants and 10,000,000 options were offered to directors or associates. Options issued as part of remuneration to directors and key management personnel are included in the remuneration report within the Directors' Report.

Each option converts into one ordinary shares of Eco Quest Limited on exercise. No amounts are paid or payable by the recipient of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
Series 1 – Listed	290,074,487		31 Dec 2014	0.010	0.010
Series 2	500,000		31 Oct 2012	0.199	0.199
Series 3	2,500,000		15 Dec 2012	0.199	0.199
Series 4	500,000	28 Mar 2011	30 Nov 2013	0.199	0.050
Series 5 (i)	10,000,000	27 Nov 2012	9 Sept 2016	0.020	0.013

(i) Unlisted options issued to Howard Digby. In accordance with the terms of the share-based arrangement, 25% of the options vest immediately, 25% vest upon earlier of 12 months continuous employment and the VWAP of the Company's shares being at least $0.02 for 10 consecutive business days. 25% vest upon earlier of 24 months continuous employment and the VWAP of the Company's shares being at least $0.03 for 10 consecutive business days. 25% vest upon earlier of 24 months continuous employment and the VWAP of the Company's shares being at least $0.04 for 10 consecutive business days.

18. Share-based payments (continued)

Fair value of share options granted in the year

Options were priced using the Black-Scholes pricing method. Expected volatility is based on the historical share price volatility over the past 12 months.

	Series 5
Share price on grant date	$0.020
Exercise price	$0.020
Expected volatility	173%
Option life	3 years 288 days
Expected dividends	n/a
Risk-free interest rate	2.86%
Discount applied to option value	30%

Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year.

	2013		2012	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the year	253,574,487	0.010	14,500,000	-
Granted during the year	50,000,000	0.012	250,074,487	-
Cancelled during the year (i)	-	-	(1,000,000)	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(3,000,000)	0.199	(10,000,000)	-
Balance at end of the year	300,574,487	0.011	253,574,487	0.010
Exercisable at end of the year	300,574,487	0.011	253,574,487	0.010

(i) 6,000,000 options were cancelled on 29 April 2011 and 1,000,000 options were cancelled on 26 October 2011.

Share options exercised during the year
No share options were exercised during the financial year (2012: nil).

Share options outstanding at the end of the year
The share options outstanding at the end of the year had a weighted average exercise price of $0.011 and a weighted average remaining contractual life of 957 days (2012: no new options were issued).

19. Key management personnel compensation

Details of key management personnel

The directors and other members of key management personnel of the Company during the year were:
Darren Olney-Fraser (Executive Chairman), resigned 1 August 2013
Howard Digby (Executive Director)
Peter Webse (Non-Executive Director)

Further, Stewart Washer was appointed as Executive Chairman and Ross Macdonald was appointed as Managing Director/CEO on 1 August 2013.

Key management personnel compensation

The aggregate compensation made to key management personnel of the Company is set out below:

	2013 $	2012 $
Short- term employee benefits	245,136	334,962
Post-employment benefits	8,990	1,754
Share-based payments	69,202	-
	323,328	336,716

The compensation of each member of the key management personnel of the Company is set out on the below:

	Short-term employee benefits			Post-employment benefits	Equity	Total	Performance
	Salary & fees $	Bonus $	Other $	Super-annuation $	Options $	$	Related %
2013							
Directors							
D. Olney-Fraser[1]	60,000	-	-	-	-	60,000	-
H. Digby	99,886	-	-	8,990	69,202	178,078	38.9%
P. Webse[2]	36,000	-	49,250	-	-	85,250	-
S. Washer[3]	-	-	-	-	-	-	-
R. Macdonald[4]	-	-	-	-	-	-	-
	195,886	**-**	**49,250**	**8,990**	**69,202**	**323,328**	

[1] Mr Olney-Fraser's services are provided by Mariner Corporation Limited (Mariner). The amounts set out above were paid to Mariner. Mr Olney-Fraser resigned on 1 August 2013.

[2] The amount of $49,250 in 'Other' represents company secretarial fees of $4,000 per month and an amount of $1,250 for additional work performed outside the scope of the consultancy agreement with Platinum Corporate Secretariat Pty Ltd (Platinum). Mr Peter Webse is the sole director of Platinum.

[3] Dr Stewart Washer was appointed on 1 August 2013.

[4] Dr Ross Macdonald was appointed on 1 August 2013.

19. Key management personnel compensation (continued)

	Short-term employee benefits			Post-employment benefits	Equity	Total	Performance
	Salary & fees $	Bonus $	Other $	Super-annuation $	Options $	$	Related %
2012							
Directors							
D. Olney-Fraser[1]	80,565	-	75,000	-	-	155,565	-
H. Digby[2]	4,355	-	-	-	-	4,355	-
P. Webse[3]	43,855	-	-	-	-	43,855	-
S. Tulloch[4]	21,875	-	-	-	-	21,875	-
M. Greenup[5]	16,000	-	-	-	-	16,000	
G. Ferro[6]	-	-	-	-	-	-	-
K. Herbert[7]	14,441	-	-	-	-	14,441	-
Executive							
M. Hiscox[8]	78,871	-	-	1,754	-	80,625	-
	259,962	**-**	**75,000**	**1,754**	**-**	**336,716**	

[1] Appointed as Acting Managing Director on 21 October 2011 and as Executive Chairman on 18 May 2012. Mr Olney-Fraser's services are provided by Mariner Corporation Limited (Mariner). The amounts set out above were paid to Mariner. The amount in 'Other' represents a non-monetary component settled by the issue of shares.

[2] Appointed as Non-Executive Director on 18 May 2012.

[3] Appointed as Non-Executive Director on 18 May 2012 (fees paid $4,355). Resigned as Company Secretary on 11 November 2011 and re-appointed on 3 April 2012 (fees paid $39,500).

[4] Resigned as Non-Executive Chairman on 18 May 2012.

[5] Resigned as Executive Director on 22 November 2011.

[6] Resigned as Non-Executive Director on 18 May 2012.

[7] Appointed as Managing Director on 19 July 2011, resigned on 18 October 2011.

[8] Resigned on 26 October 2011.

20. Related party transactions

20.1 Other related party transactions

20.1.1 Transactions with key management personnel

i) Key management personnel compensation

Details of key management personnel compensation are disclosed in note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
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20. Related party transactions (continued)

ii) Key management personnel equity holdings

Fully paid ordinary shares of Eco Quest Limited

	Balance at 1 July No.	Acquired No.	Net other change (i) No.	Number held on resignation (ii) No.	Balance at 30 June No.
2013					
Darren Olney-Fraser	-	-	-	-	-
Howard Digby	3,750,000	-	-	-	3,750,000
Peter Webse	2,150,000	-	-	-	2,150,000
2012					
Darren Olney-Fraser	-	-	-	-	-
Howard Digby	-	-	3,750,000	-	3,750,000
Peter Webse	100,000	-	2,050,000	-	2,150,000
Sylvia Tulloch	375,000	405,000	-	(780,000)	-
Michael Greenup	731,250	400,000	-	(1,131,250)	-
Gina Ferro	-	-	-	-	-

(i) This represents amount held at time of appointment.
(ii) Number held on resignation.

Share options Eco Quest Limited

	Balance at 1 July No.	Granted as compens-ation No.	Exercised No.	Net other change No.	Balance at 30 June No.	Balance vested at 30 June No.	Exercisable No.	Options vested during year No.
2013								
Darren Olney-Fraser	-	-	-	-	-	-	-	-
Howard Digby[1]	3,750,000	-	-	10,000,000	13,750,000	2,500,000	6,250,000	2,500,000
Peter Webse	2,550,000	-	-	-	2,550,000	-	-	-
2012								
Darren Olney-Fraser	-	-	-	-	-	-	-	-
Howard Digby[2]	-	-	-	3,750,000	3,750,000	-	-	-
Peter Webse[2]	500,000	-	-	2,050,000	2,550,000	-	-	-
Sylvia Tulloch[3]	500,000	260,000	-	(760,000)	-	-	-	-
Michael Greenup[3]	1,000,000	-	-	(1,000,000)	-	-	-	-
Gina Ferro	-	-	-	-	-	-	-	-

[1]Unlisted options.
[2]Amounts in 'net other change' represent options held at time of appointment.
[3]Amounts in 'net other change' represent options held at time of resignation.

Further details of share options granted during the 2013 and 2012 financial years are contained in note 18 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013 $	2012 $

21. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

Cash and bank balances	1,116,587	993,076

21.1 Reconciliation of loss for the period to net cash flows from operating activities

Loss for the year	(915,701)	(1,542,307)
Non-cash items		
Share of loss of associate	103,618	-
Equity-settled share-based payment	69,202	75,000
Depreciation	-	5,414
Write-off deposits paid	-	421,071
	(742,881)	(1,040,822)
Movements in working capital		
(Increase)/decrease in trade and other receivables	(9,498)	37,891
Decrease in inventory	-	307,640
Decrease in other current assets	-	27,045
Decrease in payables	(6,235)	(48,527)
Decrease in provisions	(7,151)	(12,558)
Net cash used in operating activities	(765,765)	(729,331)

22. Contingent liabilities

The Company received claims from ex-directors and services providers of the Company totalling approximately $93,507 for services rendered and termination payments. This amount has been provided for in the accounts at 30 June 2013. For the year ended 30 June 2012, the claim totalling approximately $103,000 was not accrued in the accounts as the directors of the Company disputed the amounts. The whole claimed amount of $93,507 accrued in the accounts at 30 June 2013 has been settled after balance date.

23. Commitments for expenditure

(a) Operating lease commitments	**2013 $**	**2012 $**
Not longer than 1 year	3,720	-
Later than 1 year and not longer than 5 years	-	-
Later than 5 years	-	-

24. Remuneration of auditors

24.1 Auditor of the Company

Audit or review of the financial statements	20,500	17,000
Audit or review of prior year financial statements	4,366	15,000
	24,866	32,000

The auditor of Eco Quest Limited is Stantons International Audit and Consulting Pty Ltd.

25. Events after the reporting period

On 12 July 2013, the Company announced its strategy to acquire 100% of Cynata Incorporated (Cynata) following the signing by Cynata of a License Agreement with the Wisconsin Alumni Research Foundation (WARF), providing the company with a novel stem cell technology. The acquisition of Cynata will take place in two stages. The first stage was the investment of a further US$250,000 which increased the Company's stake in Cynata to a fully diluted 33%. The second stage is an option to acquire the balance of Cynata shares that the Company does not already own within 18 months. Consideration for the acquisition of all remaining shares of Cynata will be 200,000,000 fully paid ordinary Eco Quest Limited shares. Exercise of the option will be conditional on Eco Quest shareholder approval and compliance with all applicable laws and stock exchange rules.

On 1 August 2013, the Company announced that it had completed a share placement (Placement) to sophisticated investors of $300,000 at a subscription price of $0.01 per share and that it would also offer eligible shareholders the opportunity to participate in a Share Purchase Plan (SPP) to raise up to $300,000 with the right to accept over-subscriptions of a further $157,500. A maximum of 45,750,000 shares will be offered under the SPP. On 27 August 2013 the Company announced that the SPP had been closed oversubscribed on 26 August 2013, with the shares to be issued shortly and refunds despatched.

On 16 August 2013, the Company announced that it had issued 9,500,000 fully paid ordinary shares at $0.01 each following the exercise of 9,500,000 listed 31 December 204 options. On 22 August 2013, the Company announced that it had issued 16,500,000 fully paid ordinary shares at $0.01 each following the exercise of 16,500,000 listed 31 December 2014 options. On 23 August 2103, the Company announced that it had issued 14,000,000 fully paid ordinary shares at $0.01 each following the exercise of 14,000,000 listed 31 December 2014 options.

A total payment of $93,507 representing claims from ex-directors and services providers of the Company for services rendered and termination payments has been effected subsequent to balance date. This amount was provided for in the accounts at 30 June 2013.

26. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 27 August 2013.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Eco Quest Limited (the Company) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this report. Commensurate with the spirit of the ASX Guidelines, the Company has followed each Recommendation where the Board has considered the Recommendation to be appropriate. Where, after due consideration, the Company's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

The table below summarises the Company's compliance with the Corporate Governance Council's Recommendations during the reporting period.

	Recommendation	Comply Yes / No	Reference / Explanation
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	Page 47
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 53
2.1	A majority of the Board should be independent directors.	No	Pages 48,54
2.2	The chairperson should be an independent director.	No	Pages 48,54
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	No	Pages 48,54
2.4	The Board should establish a nomination committee.	No	Pages 49,54
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Page 52
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: - the practices necessary to maintain confidence in the Company's integrity; - the practices necessary to take into account legal obligations and the reasonable expectations of stakeholders; - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Page 50
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include the requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	No	Page 51,54
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	No	Pages 51,54
3.4	Disclose in each annual report the proportion of women employees of the whole organisation, women in senior executive positions and women on the Board.	Yes	Page 51
4.1	The Board should establish an audit committee.	No	Pages 49,54
4.2	The audit committee should be structure so that it: - consists only non-executive directors; - consists of a majority of independent directors; - is chaired by an independent chair, who is not chair of the Board; - has at least three members.	No	Pages 49,54
4.3	The audit committee should have a formal charter.	No	Pages 49,54
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Page 51
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	Yes	Page 52
7.1	Establish policies for the risk oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 52
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes	Page 52
7.3	Disclose whether the Board has received assurance from the CEO (or equivalent) and Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 52
8.1	The Board should establish a remuneration committee.	No	Pages 49,54
8.2	The remuneration committee should be structure so that it: - consists of a majority of independent directors; - is chaired by an independent chair; - has at least 3 members.	No	Pages 49,54
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Page 53

CORPORATE GOVERNANCE STATEMENT (continued)

The Company's corporate governance practices were in place throughout the year ended 30 June 2013 unless stated otherwise.

Further information about the Company's corporate governance practices is set out on the Company's website at www.ecoquest.com.au. In accordance with the recommendations of the ASX, information published on the Company's website includes charters (for the Board and its sub-committees, if any), codes of conduct and other policies and procedures relating to the Board and its responsibilities.

1. Board of Directors

1.1 Role of the Board and Management

The Board represents shareholders' interests in developing and then continuing a successful business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Company is managed in such a way to best achieve this desired result. Given the early development stage of this business, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Company, establishing goals for management and monitoring the achievement of these goals. The Executive Chairman is responsible to the Board for the day-to-day management of the Company.

The Board has sole responsibility for the following:

- Appointment, evaluation and, if necessary, removal of the Executive Chairman, any other executive directors, the Company Secretary and the Chief Financial Officer (if applicable) and approval of their remuneration;
- Determining, in conjunction with management, corporate strategy, objectives, operations, plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- Establishing appropriate levels of delegation to the Executive Chairman to allow the business to be managed efficiently;
- Approval of remuneration methodologies and systems;
- Monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level to understand at all times the financial and operating conditions of the Company;
- Monitoring the performance of senior management, including the implementation of strategy and ensuring appropriate resources are available;
- Overseeing the management of business risks, safety, occupational health and environmental issues;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately;
- Assuring itself that appropriate audit arrangements are in place in relation to the Company's financial affairs;
- Authorising the issue of any shares, options, equity instruments or other securities within the constraints of the Corporations Act and the ASX Listing Rules; and
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines including:
  - Directors' Code of Conduct;
  - Corporate Code of Conduct;
  - Securities Trading Policy;
  - Performance Evaluation Policy;
  - Remuneration Policy;
  - Diversity Policy;
  - Shareholder Communications Policy;
  - Continuous Disclosure Policy; and
  - Risk Management Policy.

CORPORATE GOVERNANCE STATEMENT (continued)

The Executive Chairman's responsibilities include the overall operational, business management and financial performance of the Company, whilst also managing the Company in accordance with the strategy, plans and policies approved by the Board to achieve agreed goals.

The Board's role and the Company's corporate governance practices are being continually reviewed and improved as the Company's business develops.

1.2 Composition of the Board and New Appointments

During the financial year and to the date of this report the Board was comprised of the following members:

Dr Stewart Washer	Executive Chairman (appointed 1 August 2013);
Dr Ross Macdonald	Managing Director (appointed 1 August 2013);
Mr Howard Digby	Executive Director (appointed 10 September 2012, previously Independent Non-Executive Director from 18 May 2012)
Mr Peter Webse	Non-Executive Director (appointed 18 May 2012)
Mr Darren Olney-Fraser	Executive Chairman (resigned 1 August 2013)

The Directors' determine the size of the Board, with reference to the Company's Constitution and Board Charter, which provides that the number of Directors shall not be less than three and not more than seven. There is no requirement for any share holding qualification.

Information on the skills, experience and expertise relevant to the position of each Director who is in office at the date of the Annual Report and their term of office are detailed in the Directors' Report, together with details of the number of Board meetings held during the financial year and the attendance of the Directors at those meetings.

The Company currently has no independent Directors. Dr Stewart Washer and Dr Ross Macdonald, who were appointed on 1 August 2013, are not considered to be independent by virtue of their positions as Executive Chairman and Managing Director respectively. Mr Howard Digby is not considered to be independent as he is an Executive Director of the Company. Mr Peter Webse is a Non-Executive Director. However, the Board does not consider him to be independent due to his role as managing director of Platinum Corporate Secretariat Pty Ltd, which provides consulting company secretarial services to the Company. Mr Darren Olney-Fraser was not considered to be independent as he was Executive Chairman of the Company until his resignation on 1 August 2013. However, the Directors believe that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

The Directors are satisfied that the structure of the Board is appropriate for the size of the Company, the nature of its operations and its current financial standing. The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board duties and ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. No member of the Board, other than the Managing Director, may serve for more than three years or past the third annual general meeting following their appointment, whichever is the longer, without being re-elected by the shareholders. Prior to the Board proposing re-election of Directors, their performance is evaluated by the Board to ensure that they continue to contribute effectively. Nominations for appointment to the Board are considered by the Board as a whole and with the objective to ensure that the Board comprises Directors with a mix of qualifications, experience and expertise which will assist it in fulfilling its responsibilities, as well as assisting the Company in achieving growth and delivering value to shareholders.

Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. The Managing Director may be appointed for any period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

The appointment of the Company Secretary is a matter for the Board. Information on the skills, experience and qualifications of the Company Secretary can be found in the Directors Report.

The Company's Board Charter is available on its website.

CORPORATE GOVERNANCE STATEMENT (continued)

1.3 Committees of the Board

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time including audit, remuneration or nomination committees, preferring at this stage to manage the Company through the full Board of Directors.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if appropriate.

1.4 Conflicts of Interest

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

1.5 Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Executive Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

2. Ethical Standards

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Company.

2.1 Directors' Code of Conduct

The Board has adopted a Directors' Code of Conduct to promote ethical and responsible decision-making by the Directors. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors.

The principles of the code are:

- A Director must act honestly, in good faith and in the best interests of the Company as a whole.
- A Director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- A Director must use the powers of office for a proper purpose and in the best interests of the Company as a whole.
- A Director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the Company.
- A Director must not make improper use of information acquired as a Director.
- A Director must not take improper advantage of the position of Director.
- A Director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company.
- A Director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board.
- Confidential information received by a Director in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- A Director should not engage in conduct likely to bring discredit upon the Company.
- A Director has an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.
- A Director has an obligation, at all times, to adhere to the policies of the Company.

The principles are supported by guidelines as set out by the Australian Institute of Company Directors for their interpretation. Directors are also obliged to comply with the Company's Corporate Code of Conduct, as outlined below.

The Company's Directors' Code of Conduct is available on its website.

CORPORATE GOVERNANCE STATEMENT (continued)

2.2 Corporate Code of Conduct

The Company has implemented a Corporate Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- maintain high levels of professional conduct;
- respect confidentiality and not misuse Company information, assets or facilities;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Corporate Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Corporate Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

The Company's Corporate Code of Conduct is available on its website.

2.3 Dealings in Company Securities

The Company has a Security Trading Policy regarding Directors, Officers and Key Management Personnel, trading in its securities. The purpose of the Policy is to provide a brief summary of the insider trading laws and other relevant laws, set out the restrictions on trading in securities by people who work for or who are associated with the Company and to assist in maintaining market confidence in the integrity of dealings in the Company's securities.

Wherever a Director, Officer or Key Management Personnel of the Company has inside information which may affect the value of the Company's securities, they must not:

- deal in those securities; or
- communicate the information to anyone else.

This prohibition applies regardless of how the Director, Officer or Key Management Personnel learns of the information (e.g. even if the Director, Officer or Key Management Personnel overhears it or is told in a social setting).

In broad terms, Directors, Officers or Key Management Personnel will commit insider trading if they:

- deal in the Company's securities or securities in another entity while they have insider information;
- communicate insider information to another person knowing (or where they should reasonably have known) that the other person would, or would be likely to, use that information to deal in, or procure someone else to deal in, securities.

Inside information is information that:

- is not generally available to people who commonly invest in securities; and
- if it was generally available, would or would be likely to influence experienced investors in deciding whether or not to subscribe for, purchase or sell the Company's securities

The definition of information is broad enough to include rumours, matters of supposition, intentions of a person (including the Company) and information that is not definitive enough to warrant public disclosure.

CORPORATE GOVERNANCE STATEMENT (continued)

Directors, Officers or Key Management Personnel must not, except in exceptional circumstances deal in securities of the Company during the following periods:

- in the four weeks prior to, and two business days after the release of the Company's Annual Financial Report;
- in the four weeks prior to, and two business days after the release of the Interim Financial Report of the Company;
- in the two weeks prior to, and two business days after the release of the Company's quarterly reports; and
- in the two weeks prior to, and two business days after the Annual General Meeting of the Company (together the **Block Out Period**).

Directors and Officers must not trade in the Company's securities in the periods set out above without first obtaining the prior written approval of the Executive Chairman. The Executive Chairman must not trade without the prior approval of the Board. Key Management Personnel must obtain the prior written approval of the Executive Chairman.

In addition to the above, Directors must notify the Company Secretary as soon as practicable, but not later than 2 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act and the Listing rules of the ASX, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Directors and Key Management Personnel who participate in equity based incentive schemes are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

The Company's Security Trading Policy is available on its website.

2.4 Diversity Policy

The Company has adopted a formal Diversity Policy and is committed to workplace diversity, with a particular focus on supporting the representation of women at the senior level of the Company and on the Company Board.

The Company is currently in an early stage of its development and given that it currently has a limited number of employees, the application of measurable objectives in relation to gender diversity, at various levels of the Company's business, are not considered to be appropriate nor practical.

The Board will review this position on an annual basis and will implement measurable objectives as and when they deem the Company to require them.

The Board will review this position on an annual basis and will implement measurable objectives as and when they deem the Company to require them.

There were no women employees during the reporting period and no women on the Board.

The Company's Continuous Disclosure Policy is available on its website.

3. Disclosure of Information

3.1 Continuous Disclosure to ASX

The Company's Continuous Disclosure Policy sets out the obligations under the ASX Listing Rules and the Corporations Act for all Directors and employees in relation to continuous disclosure and the type of information that requires disclosure. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements and for monitoring compliance.

In addition, the Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Executive Chairman, in conjunction with the Board, is the person primarily responsible for ensuring that the Company complies with its continuous disclosure obligations. The Company Secretary is responsible for all communications with ASX.

The Company's Continuous Disclosure Policy is available on its website.

CORPORATE GOVERNANCE STATEMENT (continued)

3.2 Communication with Shareholders

The Company has a Shareholder Communications Policy which has been designed to promote effective communication with shareholders and encourage shareholder participation at annual general meetings.

The Company's Policy requires that shareholders are informed of all major developments that impact on the Company. The Executive Chairman has primary responsibility for communication with shareholders.

Information is communicated to shareholders through:

- distribution of the half-yearly and annual reports (in hardcopy when requested) via the Company's web site;
- ASX Quarterly Cash Flow Reports which are placed on the Company's web site;
- disclosures and announcements made to the ASX, which are placed on the Company's web site;
- notices and explanatory memoranda of Annual General Meetings and General Meetings;
- presentations at the Annual General Meeting/General Meetings; and
- the Company's web site www.ecoquest.com.au.

The Company's Shareholder Communications Policy is available on its website.

4. Risk Management

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and control framework.

The Company's process of risk and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks.
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls.
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Company's Managing Director and Chief Financial Officer (or equivalent) report annually in writing to the Board that:

- the financial statements and of the Company present a true and fair view, in all material aspects, of the Company's financial condition and operating results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal control; and
- the risk management and internal control framework is operating effectively in all material respects in relation to financial reporting risks.

The Company's practice is to invite the auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Management has reported to the Board as to the Company's management of its material business risks.

A summary of the Company's policies on risk management is available on its website.

5. Remuneration and Performance

5.1 Board Performance and Remuneration

The Board conducts an annual review of the role of the Board, assessing its performance over the previous 12 months and examining ways of assisting the Board in performing its duties more effectively.

The annual review includes consideration of the following measures:

- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- reviewing the Board's interaction with management;
- reviewing the type and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and
- identifying any necessary or desirable improvements to the Board Charter.

CORPORATE GOVERNANCE STATEMENT (continued)

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Executive Chairman will have primary responsibility for conducting performance appraisals of non-executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

There was an informal performance review of the Board conducted during the financial year.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options. They do not receive any termination or retirement benefits, other than statutory superannuation.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is $300,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders.

The total fees paid to Non-Executive Directors during the reporting period were $42,900.

5.2 Executive Performance and Remuneration

The Board will annually review the performance of the Executive Chairman, the Managing Director and any other Executive Directors. At the commencement of each financial year, the Board and Executive Chairman will agree, where applicable, a set of generally Company specific performance measures to be used in the review of the forthcoming year.

These will include:

(a) financial measures of the Company's performance;
(b) the extent to which key operational goals and strategic objectives are achieved;
(c) development of management and staff;
(d) compliance with legal and Company policy requirements; and
(e) achievement of key performance indicators.

The Managing Director is responsible for assessing the performance of the senior executives, if any, within the Company which directly report to him. This is to be performed through a performance appraisal process and measured against key performance indicators (where applicable), including the business performance of the Company, and agreed at the beginning of each financial year.

There was an informal performance review of the Executive Chairman and the Executive Director conducted during the financial year.

The Company's remuneration policy is designed to promote superior performance and long term commitment to the Company. Executives and employees receive a base remuneration which is market related, and may be entitled to performance based remuneration which is determined on an annual basis.

Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive and business conditions where it is in the interests of the Company and shareholders to do so.

Executive remuneration and other terms of employment are reviewed annually by the Board having regard to the performance, relevant comparative information and expert advice.

The Board's remuneration policy reflects its obligation to align executive remuneration with shareholder interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policy are:

- remuneration reflects the competitive market in which the Company operates;
- individual remuneration should be linked to performance criteria if appropriate; and
- executives should be rewarded for both financial and non-financial performance.

CORPORATE GOVERNANCE STATEMENT (continued)

The total remuneration of executives consists of the following:

(a) salary – executives receive a fixed sum payable monthly in cash;

(b) cash at risk component – the executives are eligible to participate in a cash bonus plan if deemed appropriate;

(c) share and option at risk component – executives may participate in share and option schemes generally made in accordance with thresholds set in plans approved by shareholders if deemed appropriate. However, the Board considers it appropriate to retain flexibility to issue shares and options to executives outside of approved schemes in exceptional circumstances; and

(d) other benefits – executives may, if deemed appropriate by the Board, be provided with a fully expensed mobile phone and other forms of remuneration.

The Company's Performance and Remuneration Policies are available on its website.

Compliance with ASX Corporate Governance Recommendations

During the Company's 2013 financial year ("Reporting Period") the Company complied with the ASX Principles and Recommendations other than in relation to the matters specified below.

Principle Ref	Recom-mendation Ref	Notification of Departure	Explanation for Departure
2	2.1	None of the Board are independent Directors.	Given the present size and complexity of the Company, the composition of the Board is considered appropriate. The Board will consider the appointment of independent directors as the Company increases in size and complexity.
2	2.2	The chair is not an independent non-executive director.	Given the present size and complexity of the Company, an independent chair has not been appointed. The Board will consider the appointment of independent directors as the Company increases in size and complexity.
2	2.3	The roles of the chair and chief executive office were exercised by the same individual.	During the reporting period, due to the size and complexity of the Company, the roles of chair and chief executive officer were not separated. However, on 1 August 2013 the Board appointed a Managing Director and new Executive Chairman.
2,8	2.4, 8.1, 8.2	Nomination and Remuneration Committees have not been established.	The full Board carries out the functions associated with Nomination and Remuneration Committees. Due to the relatively small size of the Board, it considers that a separate Nomination and Remuneration Committees would not add efficiency to the process of determining the level of remuneration of Directors and key executives.
3	3.2, 3.3	The Diversity Policy does not include measurable objectives for achieving gender diversity.	The Board considers that due to the size of the Company, setting measurable diversity objectives is not appropriate. The Company has a limited number of employees and utilises external consultants and contractors as and when required.
4	4.1, 4.2, 4.3	A separate Audit Committee has not been established.	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of an audit committee. The Board as a whole considers those matters that would usually be the responsibility of an audit committee and considers that, at this stage, no efficiencies or other benefits would be gained by establishing a separate audit committee.

ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 16 SEPTEMBER 2013

Substantial Shareholders

The substantial shareholders of the Company are set out below:

Shareholder	Shares Held	% of Issued Capital
Jason Peterson	41,380,950	6.50
Denlin Nominees Pty Ltd	39,878,310	6.27
J K Nominees Pty Ltd <The JK Fund A/C>	39,878,310	6.27
Tisia Nominees Pty Ltd <Henderson Family A/C>	39,500,000	6.21

Distribution of Ordinary Shares

Category	Number of Holders	Ordinary Shares	% of Issued Capital
1 – 1,000	16	4,614	0.00
1,001 – 5,000	19	72,197	0.01
5,001 – 10,000	122	1,154,216	0.18
10,001 – 100,000	321	14,334,343	2.25
100,001 and over	395	620,407,121	97.56
	873	**635,972,491**	**100.00**

Distribution of Listed Options Shares (ECQO)

Category	Number of Holders	Ordinary Shares	% of Issued Capital
1 – 1,000	1	570	0.00
1,001 – 5,000	30	130,144	0.06
5,001 – 10,000	15	134,578	0.06
10,001 – 100,000	53	2,166,096	0.92
100,001 and over	74	232,643,099	98.96
	173	**235,074,487**	**100.00**

Restricted Securities

The Company has no restricted securities on issue.

Voting Rights

(a) at meetings of members each member entitled to vote may vote in person or by proxy or attorney;
(b) on a show of hands each person present who is a member has one vote, and on a poll each person present in person or by proxy or by attorney has one vote for each ordinary share held; and
(c) no voting rights attach to the listed and unlisted options.

Number of Holders of Unlisted Options

500,000 unlisted $0.199 Options expiring 30/11/2013 held by 1 holder [(1)];
10,000,000 unlisted $0.02 Options expiring 9/09/2016 held by 1 holder[(2)].

Unlisted Option Holders holding 20% or more:

[(1)] Mrs Kay Webse.[(2)] Mr Howard Digby.

ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 16 SEPTEMBER 2013

On-Market Buy-Back

There is no current on-market buy back

Unmarketable Parcels

The number of shareholders holding less than a marketable parcel is 219.

20 Largest Shareholders

Name	Number of Shares Held	% of Issued Capital
Celtic Capital Pte Ltd <Trading 1 A/C>	40,000,000	6.29
J K Nominees Pty Ltd <The JK Fund A/C>	39,878,310	6.27
Denlin Nominees Pty Ltd	39,878,310	6.27
Tisia Nominees Pty Ltd <Henderson Family A/C>	39,500,000	6.21
Equitas Nominees Pty Limited <Group A A/C>	29,966,752	4.71
Ardroy Securities Pty Ltd <Cameron Investment Unit A/C>	18,292,990	2.88
Intersuisse Nominees Pty Ltd <Cust A/C>	17,844,296	2.81
Mulloway PL	17,835,120	2.80
Bannaby Investments Pty Ltd <Bannaby Super Fund A/C>	15,878,310	2.50
Aviemore Capital Pty Ltd	15,000,000	2.36
Mr Peter Capp <Capp Damily A/C>	11,000,000	1.73
Mr Grant Thomas Paterson <GTP Family A/C>	8,378,310	1.32
Mr & Mrs S Johnston <Johnston Retirement A/C>	8,000,000	1.26
Cabletime Pty Ltd <Ingodwe A/C>	6,378,310	1.00
IOOF Investment Management Limited <IIML – LSF A/C>	6,060,879	0.95
Grandria Capital Pty Ltd <The Tedblahnki F/T>	6,000,000	0.94
Brijohn Nominees Pty Ltd <Nelsonio A/C>	6,000,000	0.94
Tempo Capital Pty Ltd <Tempo Growth Fund A/C>	5,529,410	0.87
Caerus (WA) Pty Ltd <Nelson Family A/C>	5,378,310	0.85
Etonwood Securities Pty Ltd <Yannopoulos Super Fund A/C>	5,000,000	0.79
	341,799,307	**53.75**

20 Largest Listed Option Holders (ASX: ECQO)

Name	Number of Options Held	% of Listed Options
Tisia Nominees Pty Ltd <Henderson Family A/C>	30,000,000	12.76
J K Nominees Pty Ltd <The JK Fund A/C>	30,000,000	12.76
Celtic Capital Pte Ltd <Trading 1 A/C>	30,000,000	12.76
Denlin Nominees Pty Ltd	28,000,000	11.91
Equitas Nominees Pty Limited <Group A A/C>	16,000,000	6.81
Stem Cell Investments Pty Ltd	11,000,000	4.68
Brijohn Nominees Pty Ltd <Nelsonio A/C>	8,444,007	3.59
Mr Grant Thomas Paterson <GTP Family A/C>	6,000,000	2.55
Intersuisse Nominees Pty Ltd <Cust A/C>	5,780,832	2.46
Harshell Investments Pty Ltd <Kaplan Family A/C>	5,000,000	2.13
Denum Enterprises Pty Ltd	4,053,180	1.72
Plane Sailing Trails Pty Ltd <PST Super A/C>	4,000,000	1.70
Mr Howard Andrew Digby	3,750,000	1.60
Celtic Capital Pty Ltd <The Celtic Capital A/C>	3,553,747	1.51
Mr Paul Craig Starkie	3,500,000	1.49
Tempo Capital Pty Ltd <Tempo Growth Fund A/C>	3,000,000	1.28
Rickenbacker Capital Investments Pty Ltd	3,000,000	1.28
Kirriemuir Investments Pty Ltd	2,563,177	1.09
Wimalex Pty Ltd <Trio S/F A/C>	2,500,000	1.06
Mr Craig William Manners	2,231,118	0.95
	202,376,061	**86.09**