

Eco Quest Limited

ACN 104 037 372

to be renamed

Cynata Therapeutics Limited



Prospectus

For an offer of 12,500,000 Shares at an issue price of \$0.40 per Share to raise up to \$5,000,000 and oversubscriptions of up to a further 2,500,000 Shares at an issue price of \$0.40 per Share to raise up to a further \$1,000,000 may be accepted (together the **Offer**).

The Offer excluding the oversubscriptions is underwritten in equal shares by Forrest Capital Pty Ltd ACN 118 115 834 and KTM Capital Pty Ltd ACN 086 281 950 (together the **Underwriters**). Refer to Section 11.5 for details regarding the terms of the Underwriting Agreement.

The Offer is being made to the Underwriters' sophisticated or professional investor nominees who give firm commitments to participate

in the minimum raising of \$5,000,000 under the Offer pursuant to this Prospectus and further investors identified by the Directors may participate in the oversubscriptions subject to the Board's discretion.

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for re-listing following a change to the nature and scale of the Company's activities.

This Prospectus also contains an offer of 10,000,001 Shares to the shareholders (Vendors) of Cynata Incorporated (Vendor Consideration Shares). Please refer to Section 5.2 for further details.

The Offer and the offer of Vendor Consideration Shares are conditional on events described in Section 2.2, including approval of certain resolutions that are being put to Shareholders at the Company's Annual General Meeting to be held on 29 October 2013, including approval to proceed with the Consolidation.

Important Information

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Shares offered by this Prospectus should be considered highly speculative.**

Underwriters

FORREST Capital
KTMCAPITAL



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Corporate Directory

Directors

Dr Stewart Washer (Executive Chairman)
Dr Ross Macdonald (Managing Director & CEO)
Mr Howard Digby (Executive Director)
Mr Peter Webse (Non-Executive Director)

Company Secretary

Mr Peter Webse

Proposed ASX Code

CYP

Underwriters

Forrest Capital Pty Ltd
Unit 8-9, 88 Forrest Street
Cottesloe WA 6011

and

KTM Capital Pty Ltd
Level 2, 16 O'Connell Street
Sydney NSW 2000

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Investigating Accountant

Stantons International Securities
Level 2
1 Walker Avenue
West Perth WA 6005

Auditor

Stantons International Securities
and Consulting Pty Ltd
Level 2
1 Walker Avenue
West Perth WA 6005

Registered Office

Suite 1, 1233 High Street
Armadale VIC 3143

Telephone: + 61 3 9824 5254

Facsimile: +61 3 9822 7735

Email: admin@ecoquest.com.au

Website: www.ecoquest.com.au

Share Registry*

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Telephone: +61 8 9315 2333

Facsimile: +61 8 9315 2233

Patent Attorney

Griffith Hack
Level 10
161 Collins Street
Melbourne VIC 3000

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

This Prospectus is dated 14 October 2013 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

2.1 Change in nature and scale and re-compliance with Chapters 1 and 2 of the ASX Listing Rules

The Company has historically conducted the business of development and licensing of biodegradable non woven hygiene products technology.

During 2012, as announced to the ASX, the Company purchased 18,750,000 shares in Cynata Incorporated (**Cynata**), for an investment of US\$750,000 (US\$0.04 per share) (**Cynata Shares**).

Cynata is a California registered biotechnology company incorporated on 18 October 2011 and that conducts a business focused around its interest as licensee in proprietary stem cell technologies. It specialises in multi-purpose stem cell technology for potential regenerative medicine.

On 12 July 2013, the Company announced it had made a further investment into Cynata under a stock purchase agreement and an Investment Deed (**Investment Deed**, as summarised in Section 11.1). This investment of US\$250,000 was made on 15 July 2013 in consideration for the issue of 6,250,000 Cynata Shares, which have been issued to the Company.

The Company consequently holds 33.2% of the issued Cynata Shares.

As announced on 12 July 2013, the Company also entered into a set of formal agreements (**Option Agreements**) under which the Company acquired the right (but not the obligation), to acquire from the Vendors all Cynata Shares that the Company does not own, in consideration for, in aggregate, 200,000,000 Shares on a pre-Consolidation basis (which equates to 10,000,001 Shares after the Consolidation described in Section 2.2). Please refer to Section 11.3 for further details of the Option Agreements.

On 24 September 2013, the Company announced the exercise of its options to acquire Cynata Shares pursuant to the Option Agreements. Completion of the Option Agreements remains subject to conditions precedent summarised in Section 11.3. Completion of the exercise of the Option Agreements will result in a significant change in the nature and scale of the Company's activities which requires approval of its Shareholders under Chapter 11 of the ASX Listing Rules. The Company has scheduled its Annual General Meeting for 29 October 2013 to seek Shareholders' approval for, amongst other approvals, the acquisition pursuant to the Option Agreements and the change in the nature and scale of the Company's activities.

The Company must comply with ASX requirements to re-list on the ASX, which include re-complying with Chapters 1 and 2 of the ASX Listing Rules. This Prospectus is issued partly to assist the Company to re-comply with these requirements. The Company's listed Shares and Options are anticipated to cease trading on ASX prior to market open on the day of the Annual General Meeting and, subject to approval of relevant resolutions summarised in Section 2.2, will remain suspended pending re-compliance with Chapters 1 and 2 of the ASX Listing Rules and subject to ASX's discretion.

2.2 Conditional Offer and Consolidation

The Offer and the offer of Vendor Consideration Shares are conditional on certain resolutions being passed by the Company's Shareholders at the Company's Annual General Meeting scheduled to be held on 29 October 2013 (being resolutions numbered 5 to 9 inclusive) relating to, among other things, the Company's proposed acquisition of all

Cynata Shares which the Company doesn't already own, in consideration for the Vendor Consideration Shares, which triggered the requirement for the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

The resolutions numbered 5 to 9 proposed at the Company's Annual General Meeting seek Shareholders' approval to:

- change the nature and scale of the Company's activities pursuant to the proposed acquisition of Cynata (resolution 5);
- issue 10,000,001 Shares on a post-Consolidation basis to the Vendors of Cynata in consideration for 50,350,000 Cynata Shares, representing the balance of Cynata Shares that the Company does not already own (resolution 6);
- issue the Shares pursuant to the Offer (resolution 7);
- proceed with the Consolidation of the issued capital of the Company (**Consolidation**) on the basis that every 20 Securities be consolidated into 1 Security (resolution 8); and
- change the Company's name to Cynata Therapeutics Limited with effect from when ASIC alters the details of the Company's registration (resolution 9).

Unless stated otherwise, all references to Securities of the Company as set out in this Prospectus are on the basis that the Consolidation has occurred.

In the event that Shareholders do not approve at the Annual General Meeting the resolutions numbered 5 to 9 inclusive as noted above, the Offer and the offer of Vendor Consideration Shares will not proceed and investors will be refunded their application monies.

The Offer and the offer of Vendor Consideration Shares are also conditional on the satisfaction of certain conditions precedent pursuant to the eleven Option Agreements, which agreements, including their conditions precedent, are summarised in Section 11.3.

2.3 Website – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at <http://www.ecoquest.com.au>. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

2.4 Website

No document or information included on our website is incorporated by reference into this Prospectus.

2.5 Forwarding-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7 of this Prospectus.

2.6 Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

This section is a summary only and not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

3.1 The Company

Our Company was incorporated on 12 March 2003 for the primary purpose of commercialising a unique biodegradable non-woven composite material with potential utility in manufacturing disposable products such as nappies (diapers). Originally quoted on the ASX under the name of SeNevens International Limited (ASX: SVN), it was subsequently renamed Eco Quest Limited (ASX: ECQ) (the **Company**) as announced by the Company to the ASX on 8 December 2008.

During the 2011-12 financial year the Company undertook a significant restructure of its biodegradable nappy business. Following a review by an independent consultant commissioned by the Board, the Directors at the time substantially reduced the Australian nappy business sales operations and become a licensor of its intellectual property in the biodegradable material technologies. The independent review concluded that the Company's input costs were too high, so it could not deliver a biodegradable nappy into the competitive Australian market at a satisfactory profit margin. Consequently, the Company focussed on an alternative strategy to better commercialise its biodegradable hygiene business (although it has no current registered protection of intellectual property for that business) and to effectively deploy its strengths. To this end, during the 2012-13 financial year, the Company signed a licence agreement with Container Board and Packaging Company Inc (**CPC**) in the Philippines in respect of the Company's biodegradable hygiene technology to manufacture, market and sell products in the Asia Pacific region for three years commencing on 7 March 2013, on a 5% net profit royalty basis (exclusive of GST). No such royalties have been received by the Company to date and it is uncertain whether any royalties will be received by the Company in future.

In parallel, the Directors sought opportunities to acquire other intellectual property assets that could serve to 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 described in Section 2.1. Assuming the full acquisition of Cynata proceeds, the Company will seek to further develop Cynata's 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 efforts 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 Securityholders 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.

3.2 Business Model

The Company has two divisions:

Biodegradable hygiene products division:

The Company seeks to license its biodegradable technologies to third parties to manufacture, market and distribute consumer products (nappies and wipes) based on this intellectual property. The first licensee is Container Board and Packaging Company Inc (CPC) in the Philippines which has a net profit royalty agreement with the Company for the Asia Pacific region. The Company is pursuing similar agreements in other markets around the world and is also considering extending the geographic jurisdiction reach of the CPC agreement. The Company does not presently own any patents for the biodegradable hygiene products division and that division is not considered to be material by the Directors, in comparison with the Company's proposed investment in Cynata.

Cynata stem cell medical product division:

As outlined in detail in this Prospectus, the Company has elected to exercise its options pursuant to the eleven Option Agreements to acquire the balance of Cynata shares it does not already own, from the eleven Vendors. Cynata aims to commercialise Cymerus™, a stem cell platform technology, originating from the University of Wisconsin-Madison, a world leader in stem cell research. The Cymerus™ technology is subject to a portfolio of patents and patent applications of which Cynata is a licensee (as described in Sections 6.3 and 8) (together with the Cymerus™ technology, the **Cynata Technology**). Although Cynata does not own the Cynata Technology, Cynata acquired its license to the Cynata Technology from the owner, Wisconsin Alumni Research Foundation (**WARF**) a non-profit Wisconsin corporation, pursuant to a License Agreement summarised in Section 11.4 (**License Agreement**). The Company owns the trade mark for 'Cymerus™' in Australia.

Subject to whether it can be commercialised, Cynata aims to develop the Cymerus™ technology into an "off-the-shelf" stem cell platform for therapeutic product use, with a pharmaceutical business model and economies of scale. If development is successful (which is uncertain and subject to various risk factors summarised in Sections 3.5 and 7) this may create a new standard in the emergent arena of stem cell therapeutics. The Company will pursue both a clinical development programme to seek to produce regenerative therapies for market while also exploiting the value of this platform by seeking to sub-license stem cell product manufacturing technologies to other companies with interests in regenerative medicine products (where permitted pursuant to the License Agreement as summarised in Section 11.4). No such sub-licensing proposals are being negotiated and none have yet been agreed.

3.3 The Company's Objectives

The Company's main objectives on completion of the Offer and the offer of the Vendor Consideration Shares are:

- to continue to seek licensees for the Company's Biodegradable hygiene products; and
- to commence a product development program for the Cymerus™ technology to ascertain whether it can be used in human therapeutic applications, by specifically (i) initiating manufacturing scale-up for pre-clinical and clinical testing of a potential Cymerus™ product, and if the development program is successful, for eventual qualification of commercial-scale product manufacture and (ii) to commence pre-clinical and eventual clinical development of specific Cymerus™ therapeutic products (which is uncertain and subject to the risk factors summarised in Sections 3.5 and 7).

3.4 Key Investment Highlights

On completion of the Offer, the Company will acquire all of the shares that it does not already own in Cynata Incorporated, which is expected to bring a range of potential benefits to the Company. A summary of the salient points is provided below:

What is the background to this Offer? The Company announced on 24 September 2013 that it had exercised the options to acquire the balance of the Cynata Shares that it does not already own. This follows the Company's announcement on 12 July 2013 that it had entered into the Option Agreements with the shareholders of Cynata (being the Vendors) to acquire their Cynata Shares. Completion of the Company's proposed acquisition of Cynata Shares pursuant to the Option Agreements is subject to various conditions described in Section 2.2 of this Prospectus, including the approval of Shareholders.

What is Cynata? Cynata was established to seek to commercialise a stem cell platform technology, comprising the Cynata Technology. Stem cells, and particularly mesenchymal stem cells (**MSCs**), are the subject of widespread research and use in clinical trials around the world. Recently two stem cell products (which Cynata and the Company have no interest in) have been approved for commercial use.

Why does the Board consider Cynata an attractive business? The potential therapeutic use of stem cells is one of the most exciting developments in medicine for many years. Stem cell based therapeutics, and especially those using MSCs, have a unique capability to alter the fundamental mechanisms of many diseases. The Company aims to develop the Cynata Technology with the objective of securing a leading commercial position in this field. The Cymerus™ technology, of which Cynata is a licensee, seeks to address a critical shortcoming in existing methods of production of MSCs; that is the objective of potentially achieving economic manufacture of a homogenous product at commercial scale (subject to the risk factors summarised in Sections 3.5 and 7). The Cymerus™ technology is aimed to facilitate the commercial-scale production of a particular type of MSC precursor cell, called a mesenchymoangioblast (**MCA**). The Cynata MCA platform provides a source of MSCs that is independent of donor-limitations and is the subject of a recently-granted U.S.A. patent of which Cynata is a licensee (refer to Sections 8 and 11.4).

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

What is the Company's business model?

Following completion of the Company's proposed acquisition of Cynata Shares pursuant to the Option Agreements and following completion of the Offer, the Company proposes to undertake a pre-clinical product development program focused on the Cymerus™ technology, leading to the conduct of a Phase 1 clinical trial. The Company's strategy for commercialising specific Cymerus™ therapeutic products and technology will be through the potential formation of development and commercialisation partnerships. In parallel with the product development and regulatory activities, the Company will continually assess the optimal approach to seeking to commercialise the Company's assets and the Cynata Technology with the goal to maximise value and return to Securityholders.

Why is this Offer being conducted? The purpose of this Offer is for the Company to seek to re-comply with Chapters 1 and 2 of the ASX Listing Rules and to provide the Company with additional funding to aim to progress the development of the Cymerus™ technology by ratifying a regulatory strategy, by undertaking pre-clinical studies, manufacturing process development and scale-up, and by potentially undertaking a Phase 1 clinical trial.

How will the funds raised by this Offer be spent?

It is intended that funds raised from this Offer together with existing cash reserves will be applied as set out in Section 3.8.

3.5 Key Risks

The business, assets and operations of our Company, including after completion of the Option Agreements, are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of our Company.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which the Board can effectively manage them is limited.

Set out below are specific risks that the Company is exposed to. Further risks associated with an investment in the Company are outlined in Section 7.

Key Cynata Technology Risks

The Cynata Technology must still undergo further pre-clinical testing and human clinical trials and those tests and trials may show that it does not work in a safe and effective manner.

The Company intends to conduct clinical trials of the Cynata Technology in the future, but there can be no guarantee that relevant regulatory agencies such as the FDA (Food and Drug Administration

in the U.S.A.) or the TGA (Therapeutic Goods Administration in Australia) or other regulatory agencies will allow the Company to undertake such trials and/or the development and approval process may take longer, cost more than expected and may result in the Cynata Technology not producing a viable therapeutic product.

The process of manufacturing stem cell products based on the Cynata Technology has only been conducted at laboratory scale and there are risks inherent in scale-up to a commercial manufacturing environment, including that it is not economically feasible.

The possible future commercial success of the Cynata Technology relies on the ability to obtain and maintain patent protection and there is no guarantee that the claims and applications in respect of the Cynata Technology will be found to be valid and enforceable or that all of the patent applications will be granted. The defence and prosecution of intellectual property rights are costly and time consuming and their outcome is uncertain. Further, Cynata does not own the Cynata Technology, but rather has limited contractual rights as licensee (refer to the summary of the License Agreement in Section 11.4). Under that License Agreement there are further risks arising from Cynata's license to the Cynata Technology being subject to third party interests, including the government of the United States of America as described in Section 11.4.

The commercial strategy for products which may be derived from the Cynata Technology potentially includes forming partnerships with other companies that have the ability to effectively commercialise cell therapy products in key economic markets and there is no assurance that suitable partnerships will be secured or that products can be commercialised.

The pharmaceutical and biomedical products industry is highly competitive and other corporations may commercialise products that may compete with the Cynata Technology or which may reach the market before any products derived from the Cynata Technology are launched.

The Company and Cynata outsource to consultants for expert advice and contract organisations for research, clinical and manufacturing services and there is no guarantee that such experts or organisations will be available as required or will meet expectations.

Further funding may be needed to undertake further trials of the Cynata Technology and there is no guarantee that the Company will be able to generate sufficient revenue or raise additional capital to fund ongoing development.

Risks associated with the Company's biodegradable hygiene products division

The Directors anticipate that the Company's existing biodegradable hygiene products business will comprise an immaterial non-core division of the Company's business in the event the Offer and Option Agreements are completed. The Company has no registered protection of intellectual property for its biodegradable hygiene products business and it is uncertain as to whether any value will be derived from that business for Securityholders and potentially no such value will ever be derived. Further, the Company is exposed to counterparty risks and other risks relevant to such a business, including as licensor to CPC.

Limited history

No assurance can be given that the Company will achieve commercial viability through the Cynata Technology or otherwise. Until the Company is able to realise value from its activities or proposed activities, which may never occur, it is likely to incur ongoing operating losses.

Neither the Company nor Cynata has a history of submitting therapeutic products for marketing approval by regulatory authorities. The Company continues to incur research and development and general and administrative expenses related to Cynata's or its operations. The Company's and Cynata's ability to operate profitably in the future will depend in part on whether they are able to develop the Cynata Technology and commercialise products on appropriate terms. This will depend on the ultimate demand for potential products by consumers which cannot be guaranteed. There is no certainty, therefore, that the Company or Cynata can successfully commercialise projects (if they are ever developed, which remains uncertain).

If any potential products based on the Cynata Technology fail pre-clinical or clinical trials or do not gain regulatory approval, suffer significant delay in development or if market acceptance is not achieved and commercialisation not successful, the Company may never become profitable and may need to cease operations.

Other factors that will determine the Company's profitability are its ability to manage its costs, to execute its development and growth strategies, economic conditions in the markets in which it operates, competitive factors and regulatory developments. Accordingly, the extent of future profits, if any, and the time required to achieve a sustained profitability is uncertain and may never eventuate. Moreover, the level of such profitability cannot be predicted and the Company may never be profitable.

Dilution Risk

The Company currently has 648,131,633 Shares on issue (on a pre-Consolidation basis). These Shares in the Company are proposed to be consolidated on a twenty (20) for one (1) basis (such that there will be approximately 32,406,582 Shares on issue post Consolidation). If resolutions numbered 5 to 9 the subject of the Company's Notice of Annual General Meeting to be held on 29 October 2013 are approved, the Company proposes to issue up to a further 25,000,001 of Shares (on a post-Consolidation basis) pursuant to this Prospectus. The issue of the Shares will dilute existing Shareholders from 100% ownership in the Company to approximately 56.45% ownership. The Options on issue in the Company would also be subject to that Consolidation.

There is a risk that Shareholders will be further diluted as a result of future capital raisings that may be required in order to fund the Company's activities.

Contractual Risk

The Company relies on continuation of the License Agreement between WARF and Cynata for access to the Cynata Technology. This agreement includes certain obligations on Cynata, including achieving certain development milestones and there is no guarantee that such obligations will be met and that Cynata's license to Cynata Technology might not be terminated by WARF. Moreover, the Company expects to enter into a range of service and related contracts with providers of key development services (see Section 6.4), such as product manufacture, regulatory advice, pre-clinical and clinical studies and there is no guarantee that the obligations of any contracting party will be met.

Re-Quotation of Shares on ASX

The acquisition of Cynata constitutes a change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the Official List of the ASX.

Shareholder approval for the change in the nature and scale of the Company's activities is being sought, among other approvals, at the Annual General Meeting of the Company to be held on 29 October 2013. The Company's Shares and listed Options will be suspended from Official Quotation on the ASX from the date of the Annual General Meeting until ASX approves the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotations of its Shares and listed Options on the ASX. Should this occur, the Shares and listed Options will not be able to trade on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares and listed Options, for example should the Company not be reinstated to Official Quotation. There is a

risk that the Company may not be reinstated to Official Quotation if it does not proceed with the proposed acquisition of Cynata Shares pursuant to the Option Agreements after the Company's listed Securities are suspended.

Shareholder Approval

The Offer and the issue by the Company of Vendor Consideration Shares to acquire Cynata are subject to approval by Shareholders at an Annual General Meeting to be held on 29 October 2013. There can be no guarantee that Shareholders will vote in favour of resolutions numbered 5 to 9 at the Annual General Meeting which relate to the proposed acquisition of Cynata Shares by the Company, among other things (please refer to Section 2.2 for further information). If these resolutions are not approved by Shareholders, the Offer and the acquisition of Cynata may not proceed.

Market for Shares

The Company is anticipated to be suspended from trading on the ASX from 29 October 2013. There can be no guarantee that an active market in the Company's Shares or listed Options will develop upon completion of the proposed acquisition of Cynata Shares pursuant to the Option Agreements, if the Company is then reinstated to quotation after re-complying with Chapters 1 and 2 of the ASX Listing Rules.

Dilution risk and ability to affect the Company's direction

New investors who subscribe under the Offer may own a relatively small ownership of the Company, as described in Section 3.9 below. These new investors will be unlikely to be able to significantly affect the Company's direction by exercising their voting rights in the usual manner. There are also Options on issue in the Company as further described in Section 3.9. If these Options are converted into Shares there will be a dilution of the Company's existing Shareholders. However, each Option has an exercise price which means that the Company will receive additional funds if they are exercised (which may or may not occur).

Conditions of the Offer and issue of Vendor Consideration Shares

The Offer and issue of Vendor Consideration Shares are subject to the conditions referred to in Section 2.2 which must be satisfied prior to issue of Shares pursuant to the Offer and completion of the Option Agreements by issue of the Vendor Consideration Shares. If the applicable conditions are not satisfied, the Offer and completion of the Option Agreements may not proceed.

Underwriting risk

The Underwriters' right to nominate sophisticated and professional investors to participate in the minimum raising of \$5,000,000 under the Offer

is discretionary at the option of the Underwriters pursuant to the underwriting summarised agreement in Section 11.5. There can be no guarantee that the Underwriters will nominate sufficient investors to subscribe for the full minimum raising. The Underwriters agreement to underwrite the minimum raising under the Offer may also be terminated due to various termination events, including as summarised in Section 11.5 in addition to customary termination events. In the event the underwriting agreement with the Underwriters is terminated, the Company may not be able to raise sufficient funds pursuant to the Offer to reach the minimum subscription of \$5,000,000, which may prevent the Company from re-complying with Chapters 1 and 2 of the ASX Listing Rules and becoming reinstated to quotation by the ASX.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by our Company and you should refer to the additional risk factors in Section 7 of this Prospectus before deciding whether to apply for Shares pursuant to this Prospectus.

3.6 The Offer

The Company invites applications for 12,500,000 Shares at an issue price of \$0.40 per Share to raise \$5,000,000, with oversubscriptions of up to 2,500,000 Shares at an issue price of \$0.40 per Share to raise up to a further \$1,000,000. The Offer is being made in the first instance to the Underwriters' sophisticated or professional investor nominees who give firm commitments to participate in the minimum raising of \$5,000,000 under the Offer pursuant to this Prospectus and further investors identified by the Directors to potentially participate in the oversubscriptions. The key information relating to the Offer and references to further details are set out below.

Indicative timetable*

Lodgement of Prospectus with the ASIC	14 October 2013
Opening Date	14 October 2013
Closing Date	6 November 2013
Estimated date for issues of Shares under the Offer and Vendor Consideration Shares upon Completion of the Option Agreements	14 November 2013
Estimated reinstatement of the Company's Shares and Listed Options to quotation by ASX (subject to ASX's discretion)	Late November 2013

* The above dates are indicative only and may change without notice. The Offer and offer of Vendor Consideration Shares pursuant to this Prospectus are subject to the conditions referred to in Section 2.2. The Company reserves the right to extend the Closing Date or close the Offer early without notice.

3.7 Purpose of the Offer

The purpose of the Offer is to position the Company to seek to achieve the objectives set out above in Section 3.3 and to meet the requirements of the ASX and satisfy Chapters 1 and 2 of the ASX Listing Rules. This is sought for the purpose of seeking ASX's approval for reinstatement of the Company's Securities to quotation following the continuing suspension if resolutions numbered 5 to 9 are passed at the Company's Annual General Meeting on 29 October 2013. The purpose of the Offer is also to provide sufficient working capital to meet the Company's anticipated overhead and administration expenses over the next twenty four months.

On completion of the minimum raising of \$5,000,000 under the Offer, the Board believes our Company will have sufficient working capital to achieve these objectives under the minimum subscription alone (or if both the minimum subscription and full oversubscriptions are raised).

The purpose of the issue of Vendor Consideration Shares is to provide consideration to the Vendors pursuant to the Options Agreements in exchange for the Company's proposed acquisition of their Cynata Shares, subject to the conditions referred to in Section 2.2.

3.8 Use of Funds

The Company intends to apply funds raised from the Offer, together with existing cash reserves, over the first two years following reinstatement of the Company to quotation on the official list of ASX after completion of the Option Agreements and re-compliance with Chapters 1 and 2 of the ASX Listing Rules as follows:

Funds available	Minimum Subscription (\$5,000,000)	Percentage of Funds (%)	Minimum Subscription plus Over-subscriptions (\$6,000,000)	Percentage of Funds (%)
Existing cash reserves ¹	1,700,000	25.37	1,700,000	22.08
Funds raised from the Offer	5,000,000	74.63	6,000,000	77.92
Total	6,700,000	100.00	7,700,000	100.00
Allocation of funds				
Expenses of the Offer and associated matters ²	512,635	7.65	574,580	7.46
Development of the Company's existing biodegradable hygiene assets	200,000	2.99	200,000	2.60
Development of regulatory strategy	300,000	4.48	125,000	1.62
Pilot scale product manufacture	200,000	2.99	200,000	2.60
Manufacturing process development	1,500,000	22.38	1,500,000	19.48
Pre-clinical development	1,650,000	24.62	1,650,000	21.43
Clinical trial preparation	600,000	8.96	600,000	7.80
Clinical trial	–	–	1,010,000	13.11
Contingency	400,000	5.97	454,000	5.90
Working capital and corporate administration	1,337,365	19.96	1,386,420	18.00
Total	6,700,000	100.00	7,700,000	100.00

¹ Refer to the Investigating Accountant's Report set out in Section 9 of this Prospectus for further details.

² Refer to Section 12.7 of this Prospectus for further details.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

3.9 Capital Structure

The capital structure of the Company following completion of the Offer (assuming the minimum subscription plus maximum oversubscriptions are raised) and the offer of Vendor Consideration Shares is summarised below¹:

Shares²

	Number
Shares currently on issue	648,131,633
Approximate Shares on issue post-Consolidation on a 20:1 basis	32,406,582
Issue of Vendor Consideration Shares	10,000,001
Maximum Shares issued under Offer ³	15,000,000
Total Shares estimated on completion of the Consolidation, Offer and the Option Agreements, on a post-Consolidation basis	57,406,583

Options⁴

	Number
Options currently on issue:	
Listed Options exercisable at \$0.01 each on or before 31 December 2014	223,293,655
Unlisted Options exercisable at \$0.199 each on or before 30 November 2013	500,000
Unlisted Options exercisable at \$0.02 each on or before 9 September 2016	10,000,000
Unlisted Options exercisable at \$0.02 each on or before 27 September 2018	100,000,000
Total Options prior to the Consolidation on 20:1 basis	333,793,655
Estimated Options on issue post-Consolidation:	
Listed Options exercisable at \$0.20 each on or before 31 December 2014	11,164,683
Unlisted Options exercisable at \$3.98 each on or before 30 November 2013	25,000
Unlisted Options exercisable at \$0.40 each on or before 9 September 2016	500,000
Unlisted Options exercisable at \$0.40 each on or before 27 September 2018	5,000,000
Total Options estimated on completion of the Consolidation, Offer and the Option Agreements, on a post-Consolidation basis	16,689,683

1 Refer to the Investigating Accountant's Report set out in Section 9 of this Prospectus for further details.

2 Assumes no further Securities are issued (for example by exercise of Options) prior to completion of the Option Agreements, Consolidation and the Offer, other than as set out in the table. The post-Consolidation issued capital of the Company is only an estimate and is subject to variation, for example arising from rounding of individual Security holdings. The rights attaching to the Shares are summarised in Section 12.1 of this Prospectus.

3 Assumes the minimum subscription under the Offer is fully subscribed in addition to the full oversubscriptions, to in aggregate 15,000,000 Shares. If a lesser raising is achieved under the Offer, the total number of Shares estimated would be a lesser amount. For example if the minimum raising of 12,500,000 Shares is issued under the Offer the total estimated Shares on completion of the Option Agreements, Consolidation and the Offer, would be approximately 54,906,583 Shares on a post-Consolidation basis.

4 Assumes no Options are exercised prior to completion of the Option Agreements, Consolidation and the Offer. Summaries of the terms of the Options issued in the Company are set out at Section 12.3.

The post-Consolidation issued capital of the Company is only an estimate and is subject to variation, for example arising from rounding of individual Security holdings.

3.10 Substantial Shareholders

Those Shareholders holding substantial holdings in 5% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offer (assuming the minimum raising is raised under the Offer and assuming they do not participate in the Offer) are set out in the respective tables below.

As at the date of the Prospectus (on a pre-Consolidation basis)

Shareholder	Shares	Options	% (undiluted)	% (fully diluted)
Mr Jason Peterson	40,000,000	32,000,000	6.17%	7.33%
JK Nominees Pty Ltd <The JK Fund A/C>	39,878,310	30,000,000	6.15%	7.12%
Denlin Nominees Pty Ltd	39,878,310	28,000,000	6.15%	6.91%
Tisia Nominees Pty Ltd <Henderson Family A/C>	39,500,000	30,000,000	6.09%	7.08%

On completion of the minimum subscription raising under the Offer and issue of the Vendor Consideration Shares (on a post-Consolidation basis).

On completion of the raising of the minimum subscription of \$5,000,000 under the Offer (assuming Underwriters don't participate), issue of the Vendor Consideration Shares and completion of the Consolidation, assuming no existing substantial Shareholder subscribes for and receives additional Shares pursuant to the Offer, the substantial Shareholders above will each be diluted to below a 5% holding of the issued Shares (on a diluted and undiluted basis).

Further investors pursuant to the Offer as nominated by the Underwriters or the Board may acquire substantial holdings in the Company's Shares, but such potential holdings have not been determined at the date of this Prospectus.

The Underwriters are not related parties of each other or of the Company and the Underwriters'

underwriting agreement requires the Underwriters to ensure that no person will acquire, through providing a firm commitment to subscribe for the minimum Offer of \$5,000,000, a holding of Shares of, or increase their holding, to an amount in excess of 19.9% of all the Shares on issue on completion of the Offer.

It is proposed for the minimum Offer to be taken up by nominees of the Underwriters, but in the unlikely case that the Underwriters are required to subscribe for all 12,500,000 Shares under the minimum Offer (in equal shares) pursuant to the underwriting agreement summarised in Section 11.5, the maximum substantial shareholdings in the Company of the Underwriters and other substantial Shareholders after completion of the Offer and issue of the Vendor Consideration Shares (on a post-Consolidation basis) are set out below, assuming those parties don't participate in any oversubscriptions. As disclosed in Section 12.5, the Shares in one of the Underwriters, Forrest Capital, are owned by two substantial Shareholders of the Company, Tisia Nominees Pty Ltd and JK Nominees Pty Ltd.

Shareholder	Shares	Options	% (undiluted)	% (fully diluted)
KTM Capital Pty Ltd	6,250,000	Nil	11.38%	8.73%
Forrest Capital Pty Ltd	6,250,000	Nil	11.38%	8.73%
JK Nominees Pty Ltd <The JK Fund A/C>	8,243,916 ¹	1,500,000	15.01%	13.61%
Tisia Nominees Pty Ltd <Henderson Family A/C>	8,225,000 ¹	1,500,000	14.98%	13.58%

¹ Includes the 6,250,000 Shares in Forrest Capital Pty Ltd's row above.

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Offer and the Option Agreements) and top-20 listed Optionholders prior to the Shares being reinstated to trading on ASX.

3.11 Restricted Securities

Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules, certain Securities on issue prior to the Offer will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

It is estimated that 10,000,001 Shares will be subject to escrow for 12 months commencing on the date of their issue as Vendor Consideration Shares pursuant to the proposed Cynata acquisition by the Company. There is a possibility of variation to this estimated escrow period or of further Securities being subject to escrow pursuant to the ASX Listing Rules.

Our Company will announce to the ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Company's listed securities being reinstated to trading on ASX (which reinstatement is subject to ASX's discretion and approval).

3.12 Financial Information

The Company's entire financial history can be found on the ASX's website www.asx.com.au and its more recent financial information is summarised in the Investigating Accountant's Report in Section 9 of this Prospectus.

3.13 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

3.14 Dividend Policy

The Company anticipates that significant expenditure will be directed towards the evaluation and development of the Company's and Cynata's businesses as proposed in Section 3.8. These activities, together with the possible acquisition of interests in other projects, are expected to dominate the two year period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

3.15 Directors and Key Personnel

The Directors of the Company are:

Dr Stewart Washer

Executive Chairman

PhD (Molecular Biology), FAICD

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 Ltd. 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 and also served on the Murdoch University senate. He is currently the Chairman of Minomic International Ltd, Firefly Health Pty Ltd and was a member of the Australian Federal Government Advisory Council on Intellectual Property.

Dr Ross Macdonald

Managing Director & CEO

PhD (Biochemistry), Grad Dip in Bus Admin

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 GlaxoSmithKline 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
Executive Director
B.Eng (Hons)

Mr Digby has a career of over 23 years in management in Australia and the Asia Pacific region, mostly in the information technology industry. He started out his career working for IBM in Perth and Sydney before joining Adobe (NSDQ: ADBE) and then Gartner (NYSE: IT). Prior to moving back to Australia from Hong Kong he was a regional managing director for the Economist Group, the publisher of The Economist newspaper. He has served as an Executive Editor of WA Business News and as Chairman of the Business Software Alliance, an industry lobby group. He is currently Non-Executive Chairman of Sun Biomedical Limited.

Mr Peter Webse
Non-Executive Director/Company Secretary
B.Bus, FCSA, FCIS, FCPA, MAICD

Mr Webse 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. He is a Non-Executive Director of Sun Biomedical Limited and Blina Minerals NL.

It is intended that each Director will remain on the Board of the Company following completion of the proposed acquisition of Cynata Shares pursuant to the Option Agreements and the Offer.

3.16 Corporate Governance

To the extent applicable, in light of the Company's size and nature, the Company has adopted *The Corporate Governance Principles and Recommendations (2nd Edition)* as published by the ASX Corporate Governance Council (**Recommendations**).

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined in Section 10.3 of this Prospectus and the Company's compliance and departures from the Recommendations are set out in Section 10.4 of this Prospectus.

In addition, the Company's full Corporate Governance Plan is available from the Company's website (<http://www.ecoquest.com.au>).

The Company plans to appoint a Vice President, Product Development as soon as practicable following completion of the Offer and a search is presently underway to identify a suitable individual.

3.17 Disclosure of Interests

The Company has paid remuneration to its Board prior to the date of this Prospectus in accordance with their contractual entitlements summarised in Sections 11.6 and 11.7.

For each of the Directors, the annual remuneration for the financial years ending 30 June 2012 to 30 June 2014 together with the relevant interest of each of the Directors in the Securities of the Company's Securities on a pre-Consolidation basis as at the date of this Prospectus is set out in the table below.

Director	Remuneration	Remuneration	Proposed	Shares	Options ⁵
	– financial year ended 30 June 2012	– financial year ended 30 June 2013	Remuneration – financial year ended 30 June 2014		
Stewart Washer ¹	Nil	Nil	\$115,752	Nil	50,000,000
Ross Macdonald ²	Nil	Nil	\$211,053	Nil	50,000,000
Howard Digby ³	\$4,355	\$178,078 ⁶	\$85,000	3,750,000	13,750,000
Peter Webse ⁴	\$43,855	\$85,250	\$99,000	2,150,000	2,550,000

1 Dr Washer's interest in 50,000,000 Options is held through his nominee, Mal Washer Nominees Pty Ltd <Mal Washer Family Trust>, and they are exercisable at \$0.02 each on or before 27 September 2018 on a pre-Consolidation basis. If the Consolidation occurs, those Options will be reconstructed to 2,500,000 Options exercisable at \$0.40 each on or before 27 September 2018. Please refer to Section 11.6(b) for information concerning vesting hurdles for those Options.

2 Dr Macdonald's interest in 50,000,000 Options is held through his wife (Sharon Anne Macdonald) and they are exercisable at \$0.02 each on or before 27 September 2018 on a pre-Consolidation basis. If the Consolidation occurs, those Options will be reconstructed to 2,500,000 Options exercisable at \$0.40 each on or before 27 September 2018. Please refer to Section 11.6(a) for information concerning vesting hurdles for those Options.

3 Mr Digby's interest in 3,750,000 Shares and 13,750,000 Options are held in his own name. Of the Options, 10,000,000 are exercisable at \$0.02 each and expire on 9 September 2016 (refer to Section 11.6(c) for vesting information) and 3,750,000 are listed Options exercisable at \$0.01 each and expiring on 31 December 2014. If the Consolidation occurs, the Shares will be reconstructed to 187,500 Shares, the 10,000,000 Options will be reconstructed to 500,000 Options exercisable at \$0.40 each on or before 9 September 2016 and the 3,750,000 Options will be reconstructed to 187,500 Options exercisable at \$0.20 each on or before 31 December 2014.

4 Mr Webse's interest in 2,150,000 Shares and 2,050,000 listed Options exercisable at \$0.01 each and expiring on 31 December 2014 are held in his own name. Mr Webse's interest in the remaining 500,000 unlisted Options exercisable at \$0.199 each and expiring on 30 November 2013 are held through his wife (Kay Joan Webse). If the Consolidation occurs, the Shares will be reconstructed to 107,500 Shares, the 2,050,000 Options will be reconstructed to 102,500 Options exercisable at \$0.20 each on or before 31 December 2014 and the 500,000 Options will be reconstructed to 25,000 Options exercisable at \$3.98 each on or before 30 November 2013.

5 Summaries of the terms of the Options issued in the Company are set out at Section 12.3.

6 The value of Mr Digby's remuneration includes the issue of Options valued at \$69,202.

3.18 Agreements with Directors or Related Parties

Our Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

Services agreements with Directors and officers of the Company

Please refer to Sections 11.6 to 11.8 for summaries of material services contracts the Company has entered into for each Director and the Company Secretary of the Company.

Deeds of indemnity, insurance and access

Our Company has entered into a deed of indemnity, insurance and access with each of its Directors. Under these deeds, our Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company or a related body corporate (subject to customary exceptions). Our Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers and other documents provided to the Board in certain circumstances.

04

Chairman's Letter

Dear Investor,

On behalf of the Directors of Eco Quest Limited (to be renamed Cynata Therapeutics Limited) (**Company**), I am delighted to invite you to participate in an issue of Shares to raise a minimum amount of \$5,000,000.

The Company is seeking to raise a minimum of \$5,000,000 through an issue of 12,500,000 Shares at a price of \$0.40 per Share. Oversubscriptions of up to a further 2,500,000 Shares at an issue price of \$0.40 per Share to raise up to a further \$1,000,000 may be accepted. This Offer is being made to provide additional funds to advance the development of an exciting new technology in the field of stem cells.

On 24 September 2013 the Company exercised its options to acquire from the Vendors all the remaining shares in Cynata Incorporated that it does not already own. This follows the Company's announcement on 12 July 2013 that it had entered into the Option Agreements with the Vendors, being shareholders of Cynata, to acquire their shares in that company. Completion of the Company's proposed acquisition of Cynata Shares pursuant to the Option Agreements is subject to various conditions described more fully in Section 11.3 of this Prospectus, including Shareholders' approval.

The proposed acquisition of Cynata Shares described further in this Prospectus signifies an important transforming event that will see the Company focus its business activities on the development of a stem cell technology deriving from the University of Wisconsin – Madison, one of the world's leading centres for regenerative medicine and stem cell research. The potential therapeutic use of stem cells is one of the most exciting recent developments in medicine with a unique capability to alter the fundamental mechanisms of many diseases. The Company aims to develop the technology with the objective of securing a leading commercial position in this exciting field (subject to the risk factors summarised in Sections 3.5 and 7).

In development work undertaken so far, the inventors of the Cynata Technology have successfully identified and characterised a unique precursor stem cell, called a mesenchymoangioblast (MCA). This important discovery, which is the subject of patents and patent applications, forms the cornerstone of Cynata's interest as licensee in the intellectual property comprising the Cynata Technology. Importantly, that intellectual property (which is described in Section 8) includes methods of manufacture of stem cell products that are believed to provide key advantages over existing methods for manufacturing therapeutic stem cell products. Cynata has already conducted an experimental study in which the technology has demonstrated exciting potential.

Using the funds obtained through the Offer, the Company proposes to move to a clinical trial to seek to validate the technology.

Although an investment in the Company involves a number of risks and must be considered speculative, I believe the Offer represents an excellent opportunity to participate in the development of a new era in medicine based on stem cell technologies. I encourage you to read the Prospectus carefully and seek professional advice if required before making an investment decision.

On behalf of the Board, I commend the Offer to you and look forward to welcoming you as a Shareholder.

Yours sincerely



Dr Stewart Washer
Executive Chairman

05

Details of the Offer

5.1 The Offer

Pursuant to this Prospectus, the Company invites applications from the Underwriters' sophisticated or professional investor nominees who give firm commitments to participate in the Offer for a minimum 12,500,000 Shares at an issue price of \$0.40 per Share to raise \$5,000,000.

The Company may accept oversubscriptions from further investors identified by the Directors at their discretion of up to a further \$1,000,000 through the issue of up to 2,500,000 Shares at an issue price of \$0.40 each under the Offer. The maximum amount which may be raised under this Prospectus is therefore \$6,000,000.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

5.2 Offer to the Vendors of Cynata

This Prospectus also includes an offer of in aggregate 10,000,001 Shares (the Vendor Consideration Shares) proposed to be issued on a post-Consolidation basis to the Vendors of Cynata (or their nominees) pursuant to resolution 6 proposed at the Company's Annual General Meeting scheduled for 29 October 2013, in consideration for the acquisition by the Company of all the Cynata Shares which the Company does not already own. Please refer to Section 2.2 for a summary of the relevant resolutions proposed at the Annual General Meeting and the conditions of the Offer and the offer of Vendor Consideration Shares pursuant to this Prospectus.

The Vendor Consideration Shares will be issued on a post-Consolidation basis to the Vendors (or their nominees), who are not related parties of the Company, in consideration for their respective Cynata Shares, in the following numbers, if resolutions 5-9 at the Annual General Meeting are approved by Shareholders and if the conditions precedent to the Option Agreements are satisfied (refer to Section 11.3) and the Company acquires all the Cynata Shares.

Vendors	Number of Shares
Allen Bollands	1,787,488
Alexander Gosling and Wirat Sukprem as trustees for the Presling Super Fund (AB Gosling Pension 1)	99,305
Guy John Humble	39,722
Ian Edward Dixon	2,383,317
Igor Slukvin	2,383,317
Roger Aston	1,787,488
Technology Farmers Pty Ltd	19,861
Geoffrey Tymms	248,262
Maksym Vodyanik	1,191,658
Reece Walcott Walker	39,722
Wiedman Investments Pty Ltd	19,861
Total	10,000,001

5.3 Minimum subscription

If the minimum subscription to the Offer of \$5,000,000 has not been raised within four months after the date of this Prospectus (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

5.4 Applications

Applications for Shares under the Offer must be made using the Application Form.

Applications for Shares must be for a minimum of 5,000 Shares and thereafter in multiples of 2,500 Shares and payment for the Shares must be made in full at the issue price of \$0.40 per Share.

Completed Application Forms and accompanying cheques, made payable to "Eco Quest Limited" and crossed "Not Negotiable", must be mailed or delivered to the address set out on the Application Form by no later than 5.00 pm (WST) on the Closing Date.

The Offer is being made to the Underwriters' sophisticated or professional investor nominees who give firm commitments to participate in the minimum raising of \$5,000,000 under the Offer pursuant to this Prospectus and further investors identified by the Directors may participate in the oversubscriptions subject to the Board's discretion. The Company reserves the right to close the Offer early or late.

5.5 ASX listing

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

5.6 Issue

Subject to the minimum subscription to the Offer being reached, the conditions referred to in Section 2.2 having been satisfied and ASX granting conditional approval for the Company to be reinstated to the Official List on terms acceptable to the Company and the Underwriters, the issue of the Shares offered by this Prospectus will take place as soon as practicable after the Closing Date.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant for Shares waives the right to claim interest.

The Underwriters will determine the recipients of the issued Shares pursuant to the minimum raising of \$5,000,000 under the Offer in their sole discretion. Directors will determine the recipients of the issued Shares for the oversubscriptions of up to \$1,000,000 under the Offer in their sole discretion. The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

5.7 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

5.8 Underwriting

The minimum raising under the Offer of \$5,000,000 has been underwritten, with \$2,500,000 to be underwritten by Forrest Capital Pty Ltd (**Forrest Capital**) and \$2,500,000 to be underwritten by KTM Capital Pty Ltd (together the **Underwriters**).

The Underwriters are entitled to obtain firm commitments from third parties to take up part or all of their respective Shares underwritten pursuant to the Offer for the \$5,000,000 minimum subscription. Consequently, those third parties will receive priority entitlement to participate in the minimum raising pursuant to the Offer. Please refer to Section 11.5 of this Prospectus for a summary of the underwriting agreement between the Company and the Underwriters, including the fees payable by the Company.

Mr Howard Digby, a Director of the Company, was nominated to that position by Forrest Capital and joined the Board on 18 May 2012. However Forrest Capital is not a related party of the Company and although Mr Digby previously performed consulting work for Forrest Capital in 2011, he has no personal interest in or formal association with Forrest Capital and he is not a related party of Forrest Capital.

5.9 Commissions payable

The Company reserves the right to pay a commission of 6% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee. If the Underwriters exercise their rights to nominate sophisticated investors or professional investors to take up the minimum raising under the Offer (as they are entitled pursuant to the underwriting agreement), the Company will not pay further amounts to the Underwriters in addition to the fees summarised in Section 11.5.

06

Company and Project Overview

6.1 Background

(a) Biodegradable hygiene products

The Company seeks to license its biodegradable technologies to third parties to manufacture, market and distribute consumer products (nappies and wipes) based on this unregistered intellectual property. The first licensee is Container Board and Packaging Company Inc (CPC) in the Philippines which has a net profit royalty agreement with the Company for the Asia pacific region. The Company is pursuing similar agreements in other markets around the world and is also considering extending the geographic jurisdiction reach of the CPC agreement. The Company does not presently own any patents for the biodegradable hygiene products division and that division is not considered to be material by the Directors, in comparison with the Company's proposed investment in Cynata.

(b) Cynata

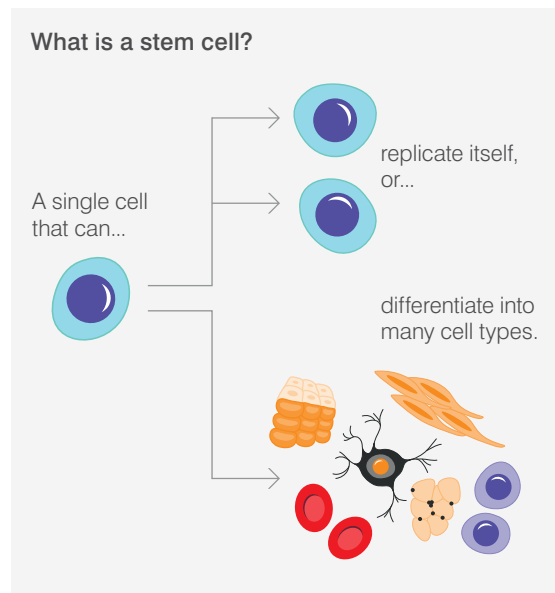
Cynata was established in 2011 with the aim of further developing and seeking to commercialise a stem cell platform technology (being the Cynata Technology), originating from the University of Wisconsin-Madison, a world leader in stem cell research. Cynata specialises in multi-purpose stem cell technology, incorporating its interest as a licensee of the intellectual property comprising the Cynata Technology, for potential regenerative medicine. Stem cells, and particularly mesenchymal stem cells (MSCs, also known as mesenchymal stromal cells), are the subject of widespread research and use in clinical trials around the world. Recently two stem cell products (which Cynata and the Company have no interest in) have been approved for commercial use.

(c) Stem Cells

The human body contains approximately 210 types of cells, each of which performs a specific function, depending upon its location. For example, red blood cells carry oxygen and neurons transmit nerve impulses.

Stem cells are the primitive precursors to these more mature cells and have the potential to:

- reproduce themselves; and
- differentiate into tissue-specific cells, such as the types described above.



There are many different types of stem cell, and they vary in their abilities to reproduce themselves and differentiate. However, they can be broadly categorised into two major groupings being pluripotent and adult stem cells.

The characteristics of these two groups of stem cells are described further below:

(i) Pluripotent Stem Cells:

Pluripotent stem cells are the most versatile cells of all, having the ability to reproduce themselves indefinitely, and also differentiate into any other type of cell in the body. There are two main types of pluripotent stem cell, being embryonic stem cells (**ESC**), and induced pluripotent stem cells (**iPSC**).

ESCs are derived from five to seven day-old embryos donated with consent by patients who have completed *in vitro* fertilisation therapy, and who have surplus embryos. The first human ESCs were isolated by Professor James Thomson at the University of Wisconsin-Madison in 1998. Professor Thomson and Professor Igor Slukvin (one of the founders of Cynata) are two of the inventors of the Cynata Technology.

iPSCs are typically derived from fully differentiated cells, isolated for example from skin, that have been reprogrammed back to a pluripotent state, using a cocktail of reprogramming factors. This ability to reprogram cells into a pluripotent-like embryonic state has been met with great excitement with the relevant technology having significantly advanced the potential for regenerative therapy. iPSCs have most of the benefits of ESCs, without the ethical issues. Notwithstanding the advantages of iPSCs over ESCs, challenges, such as premature cell death and safety risks, have been encountered in developing iPSCs for use in therapeutic applications. Advances in reprogramming methods appear to have addressed many of these challenges resulting in the successful generation of iPSCs for eventual therapeutic uses. Recent approval in Japan of a study involving iPSC-derived retinal pigment epithelium cells in patients with eye disease demonstrates a preparedness of regulatory agencies to accept preclinical safety testing and approve clinical studies of iPSC-derived cells. Product safety is, and always will remain an important risk factor (see the risk factors summarised in Sections 3.5 and 7).

(ii) Adult Stem Cells:

Apart from embryonic and re-programmed sources described above, stem cells can also be isolated from adult tissue (and also from tissues in infants and children). Such stem cells are typically called “adult stem cells”; “somatically derived MSCs” or “adult MSCs” are examples of adult stem cells. Adult MSCs can be found in a wide range of human tissues, including bone marrow, cord blood, adipose tissue and dental pulp and participate in a range of biological processes to maintain the integrity

of these tissues. Although adult stem cells are proving to be an important source material for the development of therapeutic products, there are a number of factors (described in more detail below) that may impact their eventual commercial utility.

(d) Mesenchymal Stem Cells and Mesenchymoangioblasts

Mesenchymoangioblasts (MCAs) are a newly-identified and extremely important class of early clonal mesoendodermal precursor cells, meaning that they are the common precursor for both MSCs (which, in nature, go on to form tissues such as bones and cartilage), and endothelial cells (an important component of blood vessels). It has also been shown that MCAs have potential to differentiate into pericytes and smooth muscle cells.

MCAs were first identified by Professor Igor Slukvin and his team, working at the University of Wisconsin-Madison. The commercial potential of the cells was identified by Cynata, following a process which sought to identify the ideal “next generation” stem cell technology. Through the Cymerus™ technology, Cynata seeks to address the limitations inherent in current adult stem cell technologies, specifically:

- donor dependence and variability;
- contamination with non-target cells; and
- limited scalability

Cynata's Cymerus™ technology which incorporates MCA-derived MSCs has the potential to address these issues, and in addition, has the possibility of being able to derive multiple cell therapeutics platforms.

The means of producing MCAs from pluripotent precursors, and the defining pattern of MCA cell surface markers, are the subjects of issued US patent 7,615,374, and a number of other patent applications in process around the world, licensed to Cynata (see Section 8).

The capacity for these MCA cells to develop into multiple tissue cell types means that they are ideally suited for the development of therapeutic cell platforms such as Cymerus™. In the first instance, the Company plans to develop therapeutic MSC products based upon the Cymerus™ platform, after the Option Agreements and the Offer are completed.

(e) Potential Clinical Utility of MSCs

Whilst the number of investigations into the clinical utility of stem cells has grown considerably in recent years, it is notable that stem cells have actually been in therapeutic use for over 40 years, namely in the form of bone marrow transplants. Indeed the first successful bone marrow transplant in humans was performed in 1956. By 2011, 206 separate MSC-related clinical trials were underway.

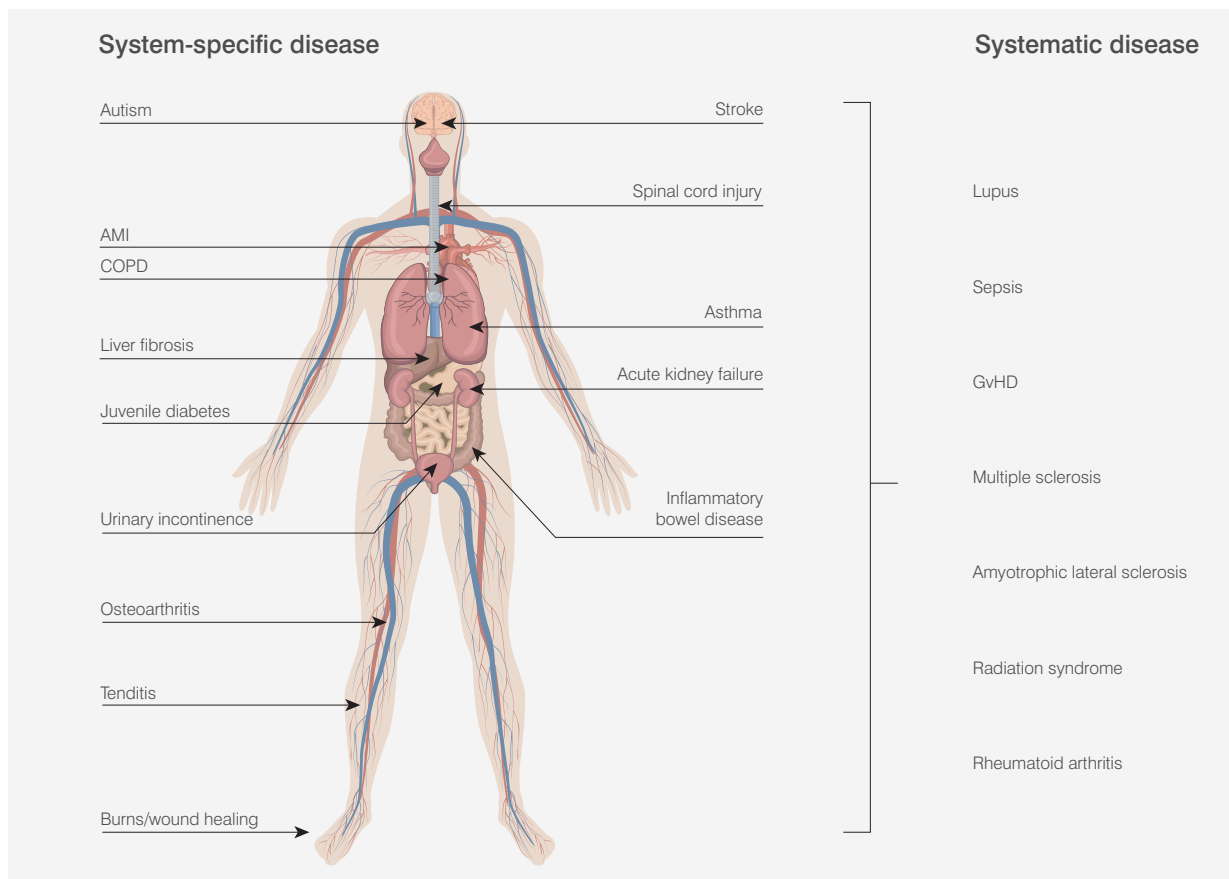


Figure 1: Range of potential clinical uses for MSCs.

The range of diseases in which stem cells are being studied is illustrated in Figure 1.

MSC are widely believed to be “immune privileged”, meaning that MSC’s from genetically unrelated individuals may be used therapeutically without triggering an immune response in the recipient. Such MSCs are called allogeneic MSCs, while those derived from, and used in, the same individual are called autologous MSCs. When used therapeutically, the effects of MSCs can be characterised as being either immunomodulatory, or regenerative.

MSCs have the ability to modulate a recipient’s immune response, probably doing so by secreting bioactive molecules that regulate the local immune response. Consequently, they have been tested as therapies for diseases where an ability to temper an inappropriate immune response might be helpful. Two examples are Graft versus Host Disease (GvHD) and Crohn’s Disease (CD):

(i) Graft versus Host Disease

This is a condition of variable clinical severity that often follows a bone marrow transplant procedure. GvHD occurs when the immune cells (white blood cells) in the donor material (the graft) attack the recipient’s tissues (the host) as “foreign”. GvHD is usually treated with steroids; however, when steroid medication

fails – which happens in up to 50% of patients – the outcome is usually fatal.

Administration of allogeneic MSCs may blunt the aggressive immune response mounted by the donor cells, an observation that has led to a number of clinical trials being conducted, some with positive results.

US company Osiris (NASDAQ: OSIR) has received marketing approval for a stem cell product (based upon bone marrow derived MSCs) in New Zealand and Canada, for use in paediatric GvHD. As described further in Section 6.6, the Company is presently investigating whether GvHD might be a relevant and appropriate target indication for a Phase 1 study of the Cymerus™ technology.

(ii) Crohn’s Disease

CD is an immune-related disease, where the body’s immune system mounts an inappropriate attack against the gastrointestinal tract, resulting in chronic inflammation.

The cause of CD is unknown. It is usually treated with anti-inflammatory agents, such as mesalazine, and steroids. However, notwithstanding these treatments, many patients go on to require surgery, where an inflamed portion of the gastrointestinal tract is removed.

Administration of MSCs to CD patients in early phase clinical studies has been shown to attenuate the chronic inflammatory response and improve clinical symptoms. A number of different mechanisms are thought to be involved, including both secretion of immunosuppressive cytokines, and direct interaction between recipient cells and infused MSCs.

Aside from their immunomodulatory properties, MSCs also have a “trophic” or regenerative function. These effects involve molecules which are secreted by the MSCs and which have a number of important biological properties, specifically being inhibition of apoptosis (programmed cell death – particularly that which is caused by ischemia) scar formation; angiogenesis (the stimulation of new blood vessel formation) and stimulation of tissue resident progenitor cells to divide and differentiate. These important biological effects have provided impetus for clinical trials for MSCs in a number of medically and commercially important areas, such as:

(i) Congestive heart failure (CHF)

CHF occurs when the heart muscle becomes weakened (such as after a heart attack), and is consequently unable to pump sufficient blood to maintain good health. Symptoms can include shortness of breath, exercise intolerance and swollen lower limbs. In the earliest stages of the disease, treatment involves a variety of drugs (including ACE inhibitors and diuretics) and lifestyle modification. More serious cases are treated with ventricular assist devices. In the most serious cases, a heart transplant may be the only viable option.

A number of early-phase clinical trials have demonstrated the therapeutic potential of MSCs in CHF through the inhibition of inflammatory processes, the inhibition of cardiac cell death and activation of local cardiac stem cells to regenerate damaged cardiac tissue.

(ii) Critical limb ischemia (CLI)

One characteristic of prolonged diabetes is the formation of atherosclerotic plaques in the principal arteries. These plaques result in restricted flow of blood to the limbs, a chronic lack of tissue oxygenation and then ischemia. Critical limb ischemia (CLI) is where the arterial occlusion and resulting anoxia is severe, resulting in resting pain, non-healing ulcers and gangrene.

Current treatment options for CLI are principally surgical in nature. Angioplasty (the re-opening of occluded vessels, for example by balloon catheter) and stent placement are commonly used, particularly for short, proximal lesions. However, they are unlikely to be successful,

in isolation, for more serious multi-layered occlusion. Serious CLI unamenable to revascularisation can lead to extensive necrosis and tissue ulceration.

Autologous stem cell treatments for CLI have been the subject of successful early-phase clinical studies. Aastrom (NASDAQ: ASTM), in a Phase 2 study of “no option” CLI patients (i.e. patients for whom no existing treatment modality was considered suitable), demonstrated safety and a measure of efficacy for their autologous product Ixmyelocel-T. At 12 months follow up, there was a 62% relative risk reduction in the active versus the placebo group, and a substantial, though not statistically significant diminution in the number of amputations.

As described further in Section 6.4(a) of this Prospectus, Cynata has successfully tested Cymerus™ MSCs in a mouse model of CLI.

(f) Isolation and Manufacture of MSCs

As noted above, MSCs may be derived from ESCs, from iPSCs or from adult tissues. Whilst ESCs are an extremely useful research tool, they may be considered ethically controversial because of their source. As such, the use of ESCs for developing potential therapeutic agents may be limited. Adult tissues represent a useful alternative source, but there are also significant limitations in using these cells for potential therapeutic products. In particular it is known that as a stem cell matures, it gradually loses its versatility. The range of tissues into which it can differentiate becomes restricted (i.e. it becomes multipotent, rather than pluripotent), and its expansion capability is diminished. For example, after a certain number of cell divisions, MSCs enter senescence, which is characterised by large and irregular cell shapes, and a loss of further proliferative capacity. Compared with embryonic stem cells, adult stem cells have a more limited capacity to give rise to various cells of the body.

Typically, adult MSCs are isolated from bone marrow using a biopsy procedure. However, taking bone marrow is invasive, with risk and discomfort to the donor, making it a less than ideal source of MSCs. The adult MSCs within other tissue such as fat, placenta or the dermis (skin) are isolated from a mixture of cells present in the tissue matrix using either the innate property of MSCs to adhere to plastic, or via specific cell surface markers. However, both methods have limitations in respect of producing pure cell populations. Adherent cell populations are known to be heterogeneous, and the absence of an MSC-specific cell surface marker set means that inevitably a heterogeneous mixture of cell types will be captured using marker methods.

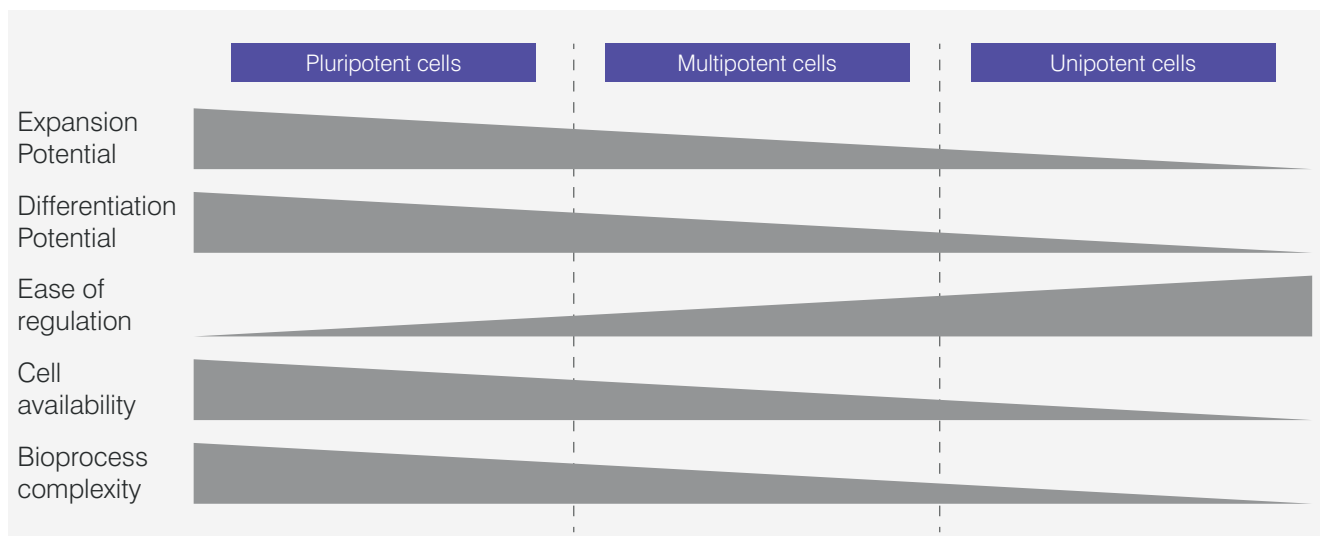


Figure 2: Characteristics of stem cells relative to their sources

The numbers of adult stem cells in the tissue sources commonly used are very small. For example in one study, only 0.001-0.01% of cells isolated from bone marrow were MSCs. Similarly, from 1g of adipose tissue, only 5×10^3 MSCs can be isolated. Moreover, a significant challenge to commercial development of adult stem cell-based therapies is the limited expandability in culture of such cells. Thus, it has been suggested that attempts to maximise the number of potential treatment “doses” from a donor through expansion in culture could compromise the quality of the product and the clinical outcome. This is one of the major reasons why doses per donor in many clinical studies are limited to the range of about 5-10 and why recommendations are often to undertake only limited expansion prior to clinical use.

The relative scarcity and limited expandability presents difficulties for the industrialisation of adult MSC technology. In particular, it requires a large number of qualified donors, which raises the issue of equivalence between material sourced from different donors. If MSCs harvested from different individuals cannot be considered equivalent to each other, then the safety and efficacy of therapeutic cells derived from every source may need to be separately verified – potentially an extremely costly and time-consuming process.

As noted above, limitations in using adult-derived MSCs include the dependence upon donors, the variability between donors, the relative scarcity of MSCs in adult tissue, and the low proliferative capacity of adult stem cells compared to pluripotent precursors. The Directors believe that the Cynata Technology may address all of these issues and the Company’s proposed activities in relation to the Cynata Technology are aimed at demonstrating that.

The Company intends to engage third parties to manufacture its MCAs from iPSCs. Since iPSCs can proliferate indefinitely, and MCAs themselves can expand into extremely large quantities of MSCs Cynata should be able to manufacture all of the MCAs that it will ever need from a single Master Cell Bank of iPSCs – derived from a single donor. The means of producing MCAs from pluripotent precursors, and the defining pattern of MCA cell surface markers, are the subjects of US patent 7,615,374, and a number of other patent applications in process around the world, licensed to Cynata. Please refer to Section 8 for the details of patents and patent applications comprising the Cynata Technology for which Cynata is the exclusive or non-exclusive licensee. Also refer to Section 11.4 for a summary of the License Agreement between Cynata and WARF, detailing the extent and key terms of Cynata’s licensed interests in that Cynata Technology.

The schematic below (Figure 3) compares the manufacturing strategies required for developing adult-derived MSC products with sourcing MSCs using the Cymerus™ technology. The Company believes considerable opportunity lies in sub-licensing the Cymerus™ technology to parties wishing to access a potential means of developing a consistent MSC product with potentially commercial-scale manufacture.

Professor Igor Slukvin, one of the inventors of the Cynata Technology, and a co-founder of Cynata has clearly demonstrated the expansion capacity of MCAs in the laboratory. The Company is in dialogue with a potential manufacturing partner, who has provided a detailed plan for developing a code of Good Manufacturing Practice (GMP) process development and initial scale-up.

6.2 Group Structure

After completion of the acquisition of Cynata, Eco Quest Limited will own 100% of Cynata Incorporated which entity in turn owns 100% of Cynata Australia Pty Ltd, the operating entity of Cynata Incorporated.

6.3 Key assets of Cynata

The key assets of Cynata are:

- Certain exclusive or non-exclusive rights as licensee of the Cynata Technology from WARF pursuant to the License Agreement in relation to patents and patent applications (as described in Sections 8 and 11.4).
- Research & Development Rebate in the name of Cynata Australia Pty Ltd of \$159,165 for the financial year 2012 – 2013.

6.4 Cynata Business

The Company plans to undertake the development and eventual commercialisation of the Cymerus™ technology. In the period encompassing the current development plan, a portion of the funds raised under the Offer will be used to progress the preclinical and associated development activities of the Cymerus™ technology, specifically with a view to taking a product into a Phase 1 clinical trial. The selection of the target indication for Phase 1 will have a bearing on the nature of the preclinical development plan.

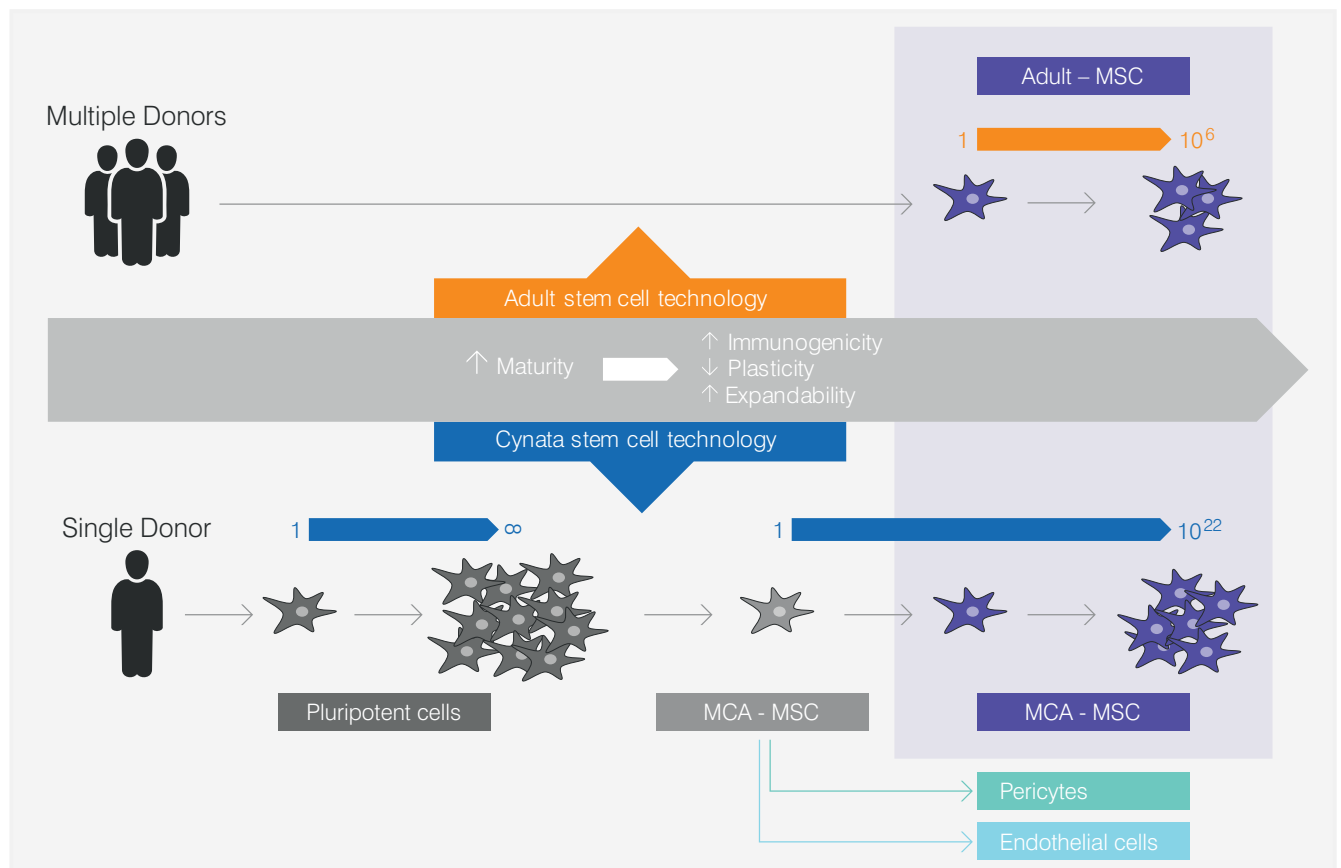


Figure 3: Comparison of Adult MSC technology with Cynata Technology

(a) Activities Conducted to Date

Product development work undertaken in Professor Slukvin’s laboratory at the University of Wisconsin – Madison leading up to the Company’s proposed acquisition of all Cynata Shares has encompassed:

- (i) identification and characterisation of the MCA and MSC cells derived using the Cymerus™ technology using measures such as cell morphology, physiologic activity and gene expression;
- (ii) initial manufacturing process development; and
- (iii) intellectual property protection leading to the patents and patent applications comprising the Cynata Technology, which are more fully described in Section 8.

The manufacturing process development activities have established laboratory-scale procedures for manufacture of Cymerus™ MCAs and MSCs. These manufacturing procedures are suitable to provide study product for early stage testing, such as was used in the CLI mouse study described below and will also be suitable for many of the further studies contemplated in this Prospectus. A program to scale-up the manufacturing process is described further below.

Cynata has also conducted a pilot study at the medical school of the University of Wisconsin-Madison, to test Cymerus™ MSCs in an experimental animal model which attempts to mimic the pathology of CLI in humans.

CLI is most usually seen in patients with advanced diabetes, a consequence of which is the deposition of fatty deposits known as atheroma in the arteries. This reduces blood flow to more peripheral parts of the body, with dangerous consequences. At its worst, blood flow can be reduced to a level where tissues become starved of oxygen and begin to die. This causes the formation of large ulcers which frequently become gangrenous. At this stage, the condition, usually seen in the legs and feet, is known as critical limb ischemia, and the prognosis is very poor.

In the Cynata study, twenty experimental mice had a major artery perfusing a single hind limb surgically removed to produce a marked ischemia in the relevant limb. Half of these mice were injected with Cymerus™-MSCs, and the remainder with simple saline. Over a four week follow-up period, the return of blood flow to the lower limb was measured, using a laser Doppler flow technique.

As the chart below (Figure 4) shows, in animals treated with Cymerus™-MSCs (Treated group), blood flow in the injured limb is significantly higher at every time point than in animals treated with saline (P < 0.05) (Control group). Moreover, blood flow recovery is faster in the treated animals (P < 0.001).

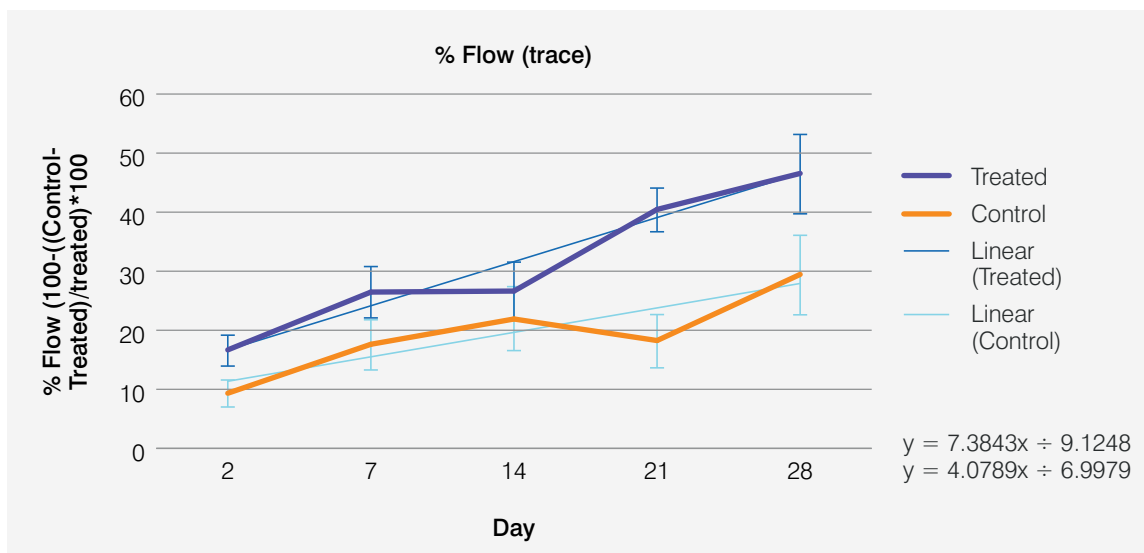


Figure 4: Comparison of MCA-MSCs and saline in blood flow recovery

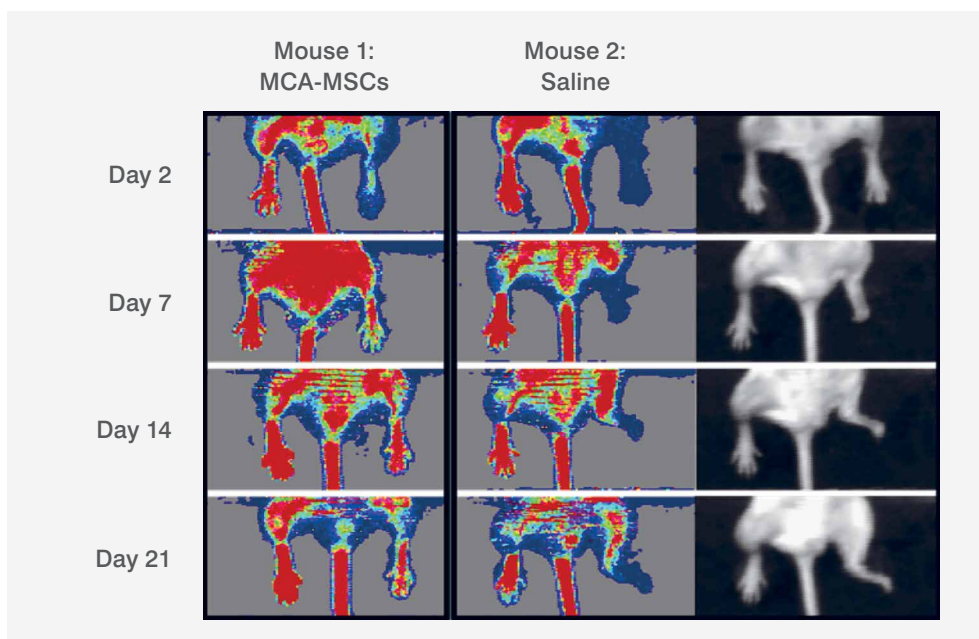


Figure 5: Laser Doppler flow comparison in Cymerus™ MSC and saline treated mice

This can be seen more graphically in Figure 5, in the series of images of two individual mice. Mouse 1 on the left was treated with Cymerus™-MSCs, and as can be seen, blood flow (as depicted by a red colour) gradually returns to the injured right hind limb. In contrast, Mouse 2 on the right was treated with saline. The affected limb remains blue (indicating low blood flow), and by day 7 the mouse eventually loses the foot. This can be better seen by the black and white photographs on the far right.

Cymerus™-MSC treatment also resulted in a trend towards a heavier gastrocnemius muscle at the end of the study, although the results in this case did not quite reach statistical significance.

(b) Proposed Development Plan

The key activities for the proposed development of a Cymerus™ product can be summarised into the four critical areas described in more detail below.

The Company will seek, wherever possible, to secure further intellectual property protection over any developments made in the course of conducting the development plan.

(i) Assessment of Regulatory Strategy

Stem cell-based products in the United States of America are regulated by the Code of Federal Regulations for Food and Drugs and administered by the FDA. Similar guidelines exist in other major global jurisdictions, including Australia, where the TGA is responsible for regulatory oversight. The Company's product development plan will be conducted in compliance with relevant regulatory guidelines, with the Company undertaking activities to demonstrate the cardinal characteristics for the Cymerus™-based therapeutics, being: sterility, purity, potency,

identity, stability, safety and efficacy. Accordingly, an important early step in the Company's product development plan will be to develop a regulatory strategy to assist in navigating the regulatory path for the potential Cymerus™ products (subject to the risk factors summarised in Sections 3.5 and 7).

Australia's regulatory framework is well-suited to an expedited pathway into clinical trials with cell-based therapeutic products. The Company has engaged regulatory experts to assist in defining a regulatory strategy and negotiating the complicated regulatory path for allogeneic cell-based therapeutic products.

The key deliverable of the assessment of regulatory strategy is the design of an expedited pathway into a Phase 1 clinical trial with a Cymerus™ product.

(ii) Product Manufacture, Manufacturing Process and Controls

The Company will undertake activities to up-scale the existing Cymerus™ manufacturing procedures and to aim to demonstrate that one or more potential products meet current Good Manufacturing Practice (GMP) guidelines prior to first-in-man clinical studies. This means the completion of manufacturing process development, with detailed and controlled documentation, describing all aspects of the product's manufacture, resulting in the potential to repeatedly manufacture product to target specifications.

GMP manufacture of a potential Cymerus™ product involves four intersecting elements. Briefly, these manufacture-related elements are described below.

(A) The manufacturing Standard Operating Protocol (SOP):

The manufacturing SOP for Cymerus™ product needs to define the validated processes, equipment and reagents to deliver quality cells with repeatable and well-defined potency, purity and sterility. The Cymerus™ SOP development takes the processes defined in the licensed patent and present lab-scale methods and develops those into industrial-grade protocols. SOP development is an important deliverable for the Company in relation to the Cynata Technology and is an essential step towards the clinical use of Cymerus™ products and to demonstrating the commercial scalability of the manufacturing process.

(B) Potency assays:

Potency assays are developed in parallel with the manufacturing SOPs, and enable the acceptance-testing of cell products at both intermediate steps and final release qualification. Potency assays allow review of manufacturing runs and provide an objective measure of product quality and consistency. Potency assays are typically developed for a particular indication. Normally, two distinct potency assays are required.

(C) Product GMP status:

Cells for use in humans for a first-in-man study can typically be GMP-like, whereas final product cells (for sale) need to be fully-GMP compliant. Pre-clinical testing can commence with non-GMP cells, but later testing needs to be conducted with GMP-like cells, so that test results reflect the types of cells to be used clinically.

(D) Induced pluripotent stem cell (iPSC):

Cymerus™ cells are derived from human pluripotent stem cells. The Company has opted to use induced pluripotent stem cells (iPSCs) for this purpose. The starting iPSC must be selected according to a range of factors, including;

- (i) fully-consented cells suitable for commercial and GMP use;
- (ii) genetically stable cells; and
- (iii) availability under commercially reasonable terms.

Cynata has already engaged in incomplete negotiations with a suitable manufacturing contractor with the required experience and resources to translate the established laboratory scale manufacturing methods (from the University of Wisconsin – Madison) to an up-scaled, GMP process. This includes sourcing appropriate iPSCs.

The Company will also procure Cynata to undertake lab-scale manufacture of Cymerus™ product for use in certain elements of the pre-clinical development program. The Company has prior experience in contracting with the University of Wisconsin – Madison and will seek to continue this relationship for the manufacture of Cymerus™ product to conduct this component of the product development program.

(iii) Pre-clinical Testing:

Before use in human subjects, a potential Cymerus™ product must be tested to the satisfaction of the oversight authorities. The nature of the tests will vary, depending upon the choice of indication, availability of suitable test methods and the relevant regulations. Ultimately the goal of the pre-clinical program is to demonstrate in the Cymerus™ product sterility, purity, potency, stability, safety and indicative efficacy.

Regulators generally seek clear signals of efficacy in recognised and validated animal models of human disease, such as the CLI model described above. Such pre-clinical efficacy studies will also investigate dose response, particularly in relation to the related toxicity profile, and alternative routes of administration.

The Food and Drug Administration (FDA) and other regulatory authorities provide guidance on the requirements for pre-clinical assessment of investigational cellular therapy products. Briefly, these preclinical-related elements relevant to Cynata Technology are described below.

(A) The iPSCs

Key data about the iPSCs must be provided by pre-clinical testing:

- (i) that there no persistent genetic-modifications to the iPSCs;
- (ii) the iPSCs utilised are relatively stable; and
- (iii) the iPSCs utilised are without viral or other contamination (e.g. xenogeneic contamination).

(B) the Cymerus™ cells themselves

Key data about the Cymerus™ product must be provided by preclinical testing. These are expected to include;

- (i) that there is no unacceptable level of persistence of pluripotent stem cells in the product to be administered;
- (ii) the cells to be administered are genetically stable and of the MSC-phenotype;
- (iii) what plasticity the cells show in vivo;

- (iv) the cells to be administered are without bacterial, fungal, viral or other contamination; and
- (v) that the product shows safety, for example by demonstrating:
 - an absence of teratoma formation in animal study;
 - an absence of organ damage resulting from dosing in animal study;
 - classical toxicology testing of the product (including two species testing and maximum tolerated dose);
 - tracking studies, showing the distribution of the cells upon administration and likely kinetics and dynamics of the cell fate;
 - the likely safe and useful doses in humans; and
 - that the product shows a dose-dependent efficacy in an established animal model of the human indication.

The above-mentioned activities address the key development requirements of a cell therapy, and target the Company towards a clinical trial of a Cymerus™ product within a well-defined budget and seeking to address key risk and regulatory issues. As noted above, the Company is presently in dialogue with consultant regulatory experts to determine the most appropriate pre-clinical program. The precise nature of that pre-clinical programme, including overall size, selection of appropriate animal models and specific experimental requirements will then be the subject of discussion with the appropriate authorities.

(iv) Clinical safety and efficacy:

It will be necessary to demonstrate both safety and efficacy of Cynata's potential products before approval for commercial sale may be sought. This will involve the conduct of a series of clinical tests (clinical trials). Typically, there are three broad categories of clinical trials, being Phase 1, Phase 2 and Phase 3. The Company plans to undertake preparatory activities to conduct a Phase 1 clinical study and if the minimum subscription plus oversubscriptions are raised pursuant to the Offer under this Prospectus, it will undertake a Phase 1 clinical

study. As one of several possible indications, the Company is presently investigating the potential of conducting a Phase 1 clinical trial in GvHD as the first-in-man indication for a potential Cymerus™ product. The final choice of indication for the proposed Phase 1 clinical study will be made following completion of the regulatory review described above. It should be noted that further funds will be required to complete a full clinical development program.

The nature of a clinical development program for a typical pharmaceutical product is described below.

(A) Phase 1 Studies:

Phase 1 studies have relatively few participants, and are primarily designed to assess the safety of the test medication, often in a range of possible doses. The test subjects are often healthy volunteers, although for more serious diseases, actual patients are typically used and in such cases efficacy might be investigated as a secondary endpoint.

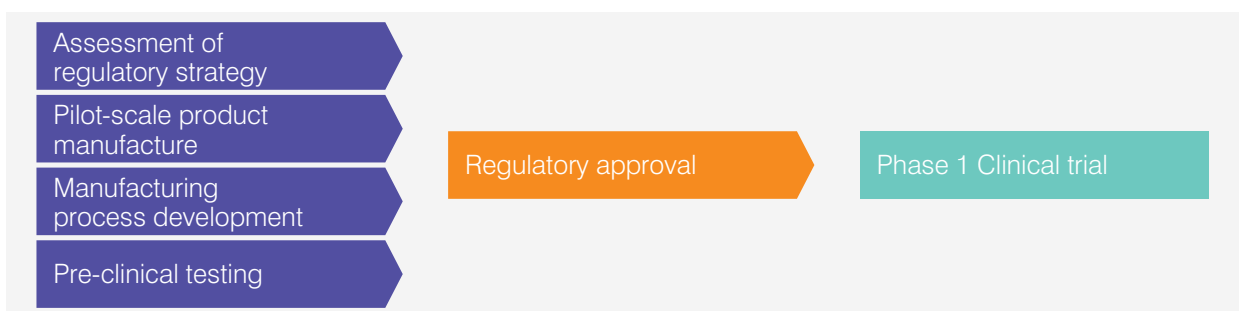
(B) Phase 2 Studies:

Phase 2 studies are larger, and are the first clinical studies where efficacy is studied intensively in patients. These studies often compare the test medication to a placebo or to current management strategies.

(C) Phase 3 Studies:

The principal purpose of a Phase 3 clinical trial is to unequivocally demonstrate whether or not a test medicine is efficacious and safe in those patients for whom it is intended. Phase 3 studies are usually randomised, double-blind and placebo-controlled and typically have larger subject numbers than Phase 1 or Phase 2 studies. This gives confidence that observed effects – positive or negative – are caused by the test medication.

The proposed product development program may be represented schematically as follows, with potential value uplifts achieved through demonstration of commercial scalability through manufacturing process development and demonstration of clinical relevance of the Cymerus™ technology.



6.5 Board and Management of Cynata

The Directors of Cynata are:

- (a) Professor Igor Slukvin – Founder, Inventor and scientific expert;
- (b) Ian Dixon – Founder, Regenerative medicine industry and technology expert;
- (c) Dr Stewart Washer – Appointed August 2013 – Representing the Company; and
- (d) Dr Ross Macdonald – Appointed August 2013 – Representing the Company.

Since its formation, Cynata has conducted the following activities:

- (a) successfully conducted an animal study of CLI using Cynata's MSC product (as described in Section 6.4(a));
- (b) executed the technology License Agreement with WARF summarised in Section 11.4;
- (c) developed a plan for GMP manufacturing process development, including potency assay development, proposed to be executed with a service provider subject to ongoing incomplete negotiations; and
- (d) reviewed potential contract service providers to assist in:
 - (i) undertaking in vitro and in vivo testing activities;
 - (ii) developing an appropriate regulatory strategy; and
 - (iii) conducting clinical trial(s).

A total of around \$1 million has been spent to date by Cynata on the above activities.

6.6 Commercialisation Strategy

Until recently, the idea of using stem cells to “repair” the human body and modulate inflammatory processes seemed to be an optimistic expectation. However, the recent market approval of two stem cell based products (in which Cynata and the Company have no interest) and a range of stem cell products in mid and late-stage clinical testing, has confirmed that regenerative medicine is becoming a reality. A number of important clinical successes, together with some inevitable disappointments, have helped further define and understand the parameters of stem cell therapy to ensure that it will become a new paradigm in human health. The potential impact is shown in the observation that, in the US, around \$300 billion is spent annually on drugs that generally only treat the symptoms of disease or injury, while regenerative therapies could actually cure the condition. A further analysis of the commercial potential of stem cells provides an estimate of the value of the stem cells market to reach US\$119 billion in 2018.

The Company proposes to address two target markets for the Cymerus™ technology:

- (a) development of specific therapeutic products that incorporate the Cymerus™ technology; and
- (b) sub-licensing enabling technology to other parties

The Company is presently considering several target indications for a proposed first-in-man (Phase 1) clinical study of a potential therapeutic product incorporating the Cymerus™ technology and the Company expects to select in early calendar 2014, if not before, a target indication for a Phase 1 clinical study.

Whilst the ultimate commercial potential of any Cymerus™ therapeutic product is a key driver, it is important also to consider, for a Phase 1 study, other factors such as the potential clinical outcomes of the target indication, current standard-of-care therapies, incidence, the likely duration of the study and recruitment potential. Thus, the Company may choose a target indication for a Phase 1 study that has a modest commercial potential but which also provides clear and speedy endpoints and thereby facilitates a shorter path to potentially more commercially attractive indications. Graft-versus-host disease (GvHD) is one such potential target indication which is often clinically devastating but also relatively uncommon. In addition to several other indications, the Company is presently investigating the potential of conducting a Phase 1 clinical trial in GvHD as the first-in-man indication for a potential Cymerus™ product; further details of this condition are provided in this in Section 6.1. The funds raised under this Prospectus will be used, among other things, to prepare for a Phase 1 clinical trial (as summarised in Section 3.8). If the oversubscriptions of \$1,000,000 under the Offer are raised in addition to the minimum raising of \$5,000,000 under the Offer, it is intended, based on current expectations, to complete such a trial under the current budget. Conduct of further clinical trials will require additional capital and there is no assurance that such capital will be available.

The Company's strategy of aiming to commercialise potential specific Cymerus™ therapeutic products will be through the formation of development and commercialisation partnerships. In parallel with the product development and regulatory activities, the Company will continually assess the optimal approach to commercialising specific therapeutic products with the goal to maximise value and potential return to Securityholders. This will involve ongoing evaluation and assessment of strategic issues, such as the costs and risks associated with development of Cymerus™ products, at what development stage partnering might occur, the resources and market access capabilities provided by potential partners and in which markets partnering could be appropriate.

To that end, the Company will, at the appropriate time(s), seek to engage with potential commercial partners (no such negotiations are currently on foot). Partnering business strategies are widely deployed by many innovation-based life sciences companies as a successful means to maximise value and reduce risk. Some recent examples of partnering transactions in the stem cell and regenerative medicine sector are provided below and demonstrate a robust and vibrant partnering and mergers and acquisitions environment for stem cell and regenerative medicine assets.

- (a) September 2013: Novartis and Regenerex announced a license agreement and research collaboration providing Novartis with access to stem cell technology in the organ transplant field.
- (b) November 2012: Smith & Nephew PLC acquired Healthpoint Biotherapeutics for US\$782 million.
- (c) February 2012: Cytomedix Inc acquired Aldagen Inc in a deal valued at US\$40 million.
- (d) June 2011: Shire PLC acquired Advanced BioHealing Inc for US\$750 million.
- (e) November 2012: Wright Medical Group Inc and BioMimetic Therapeutics announced a merger deal with a total potential value of around US\$380 million.
- (f) August 2013: Thermo Genesis Corp and TotipotentRx Corp announced a merger with a deal value of US\$18.6 million.
- (g) April 2012: Shire PLC announced that it has signed an agreement to acquire substantially all the assets of Pervasis Therapeutics for US\$200 million.
- (h) December 2010: Cephalon Inc and Mesoblast Ltd announced a strategic alliance involving a US\$220 million investment in Mesoblast, US\$130 million upfront payment and up to \$1.7 billion in milestone payments.
- (i) September 2010: Athersys Inc announced a license transaction with RTI Biologics Inc valued at up to US\$37.5 million.
- (j) December 2009: Pfizer Inc announced that it had in-licensed certain stem cell technologies from Athersys Inc for an upfront payment of US\$6 million and milestone payment of up to US\$107 million.
- (k) November 2008: Genzyme Corp agreed to commercialise certain Osiris Therapeutics products in a deal involving an upfront payment of US\$130 million and potential milestone payments of US\$1.25 billion.

The fact that the above transactions occurred does not mean that the Company will be able to achieve a similar transaction and in this regard you are referred to the risk factors in Sections 3.5 and 7.

As noted elsewhere in this Prospectus, the clinical use of MSCs is being met with both excitement and promise. However, there are cases of inconsistent results from clinical studies that have led to careful scrutiny of MSC product variables. In particular, it has now become increasingly clear that such parameters as donor variability and cell expansion in culture (the process by which sufficient doses of MSCs may be produced from the donor material) may have an important impact on clinical outcomes of trials of MSCs. As the clinical use of MSCs grows through an increasing number of clinical studies and eventual further product approvals, there is a pressing need to generate sufficient quantities of MSCs. The present practice of expanding in culture adult stem cells (and their progenitors) for this purpose has been questioned based on the equivocal and inconsistent results described above. This has created doubt about the ability to achieve economic and practical manufacture at commercial scale, as well as to achieve consistent potency and efficacy in commercial products.

The Cymerus™ technology is believed by the Board, subject to the risks referred to in Sections 3.5 and 7, to provide potential capacity for commercial scale production and thus to address the shortcomings posed by donor variability and limitations of expansion capacity of adult stem cells. The schematic at Figure 3 above sets out in summary form the key differences between the typical practices for generating adult stem cells and the Cymerus™ technology for obtaining MCA-derived MSCs from a single donor pluripotent cell (ES cell or IPS cell). With such a unique enabling technology in Cymerus™ the Board believes, subject again to the risks referred to in Sections 3.5 and 7, that considerable commercial potential lies in sub-licensing the Cymerus™ technology to parties wishing to access a potential means of developing a consistent stem cell product with commercial-scale manufacture. As such, this opportunity represents the second potential revenue stream which the Company aims to derive from potential commercialisation Cynata Technology, although there is no certainty that commercialisation or any such revenue stream will eventuate and no sub-licensing arrangements have yet been agreed by the Company or Cynata for the Cynata Technology.

As with the commercial strategy described above for specific therapeutic products, the Company proposes, at the appropriate time(s), to seek to engage with potential commercial partners.

07

Risk Factors

7.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in our Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to our business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares (and the Company's listed Options).

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

The risk factors summarised below apply to the Company and Cynata as well as the Company's biodegradable hygiene products division. As the biodegradable hygiene products division is not considered by the Board to comprise any material assets of the Company in comparison with Cynata, the Company's main focus upon reinstatement to official quotation on the ASX (which is subject to ASX approval) is proposed to comprise its investment in Cynata.

7.2 Key Risks

The Key Risks are outlined in Section 3.5 of this Prospectus.

7.3 Company specific risks

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

(a) Product Development

The Cynata Technology and any potential products derived from it, including Cymerus™ must still undergo a range of pre-clinical tests as well as

clinical trials and these tests and trials may show that the potential product does not work in a safe and effective manner and so cannot proceed further.

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

The Company expects to undertake clinical trials in Australia as well as in other jurisdictions such as the U.S.A. and there is no assurance that any regulatory or review body will allow the Company or Cynata to undertake such trials or that approvals to conduct such trials will be granted in a timely manner. Any delays in securing relevant approvals from regulatory or review bodies may result in substantial delays and/or increases in costs.

The potential safety risks involved in MSC-based therapeutics are not fully understood and so safety concerns represent a significant barrier to the successful translation of MSCs into an acceptable clinical therapeutic. This particularly applies to iPSC-derived MSCs given the potential for genetic and epigenetic abnormalities, tumorigenicity, and immunogenicity of transplanted cells. These constitute serious safety-related concerns for iPSC-based cell therapy.

Before obtaining regulatory approval for a product for a target indication, substantial evidence must be gathered in controlled clinical trials and, with respect to approval in the U.S.A., to the satisfaction of the FDA that the product candidate is safe and effective for use for that target indication. Similar satisfaction must be achieved from specific regulatory authorities in every other country in which the product may be made available. The Company cannot guarantee that the development work proposed to be undertaken will result in the development of any products, or even if they do, that the products will be approved by regulatory agencies. Similarly there is no assurance that any approved products will be marketed or be commercially successful.

Even if regulatory approval is obtained to market a product based on the Cynata Technology, potentially costly follow-up or post-marketing clinical trials may be required as a condition of approval to further substantiate safety or efficacy. Any such marketed product based on the Cynata Technology will also be subject to ongoing regulatory requirements governing the labelling, packaging, storage, advertising, promotion, recordkeeping and submission of safety and other post-market information.

Further, there are risks of Cynata and the Company being liable in the event that death, injury or damage to property are caused due to the sale, marketing, use or manufacture of products, licensed materials or any derivative materials or developments (including the Cynata Technology). Cynata has indemnified WARF, the University of Wisconsin-Madison and their various associated parties against such liabilities and other matters pursuant to the License Agreement as summarised in Section 11.4.

There is currently no iPSC-cell based therapeutic product approved for commercial use. As there is no established precedent for a product of this type, the process of seeking clinical trial approval and eventual registration may take longer than anticipated and may delay or prevent full commercialisation of any product based on the Cynata Technology.

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

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

(b) Product Commercialisation

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

Research and development of products in the stem cell therapeutics field is very active with many companies seeking to commercialise products. The Company's current and potential future competitors include companies that have significantly greater resources than the Company. There is no assurance that such competitors will not succeed in developing alternative products

that are more effective, easier to use, or more economical than those which might be developed by the Company or Cynata.

Given the emerging nature of stem cell based therapeutics considerable marketing resources may need to be dedicated to inform the medical community about any potential merits and to establish product performance and/or pricing superiority of any product based on the Cynata Technology over possible competing products. The cost of allocating such resources might severely impact the potential for profitability of any relevant product.

If the market for stem cell based therapeutics grows it is possible that there may be negative news reports or controversies in relation to the use of stem cells that may impact the market acceptance of any product based on the Cynata Technology.

(c) Intellectual Property

Cynata's interest as licensee of the Cynata Technology is reliant on the License Agreement with WARF. There is no guarantee that other companies will not legally challenge the Cynata Technology or the License Agreement or that WARF will comply with the License Agreement.

Further there is a risk that parties might knowingly or unknowingly infringe Cynata's interests as licensee to the Cynata Technology. There is also a risk that the Company or Cynata infringes the rights of third parties. Any such action as described in the foregoing may adversely affect the business, operating results and financial condition of the Company and Cynata. Moreover there is no guarantee that WARF's patent claims or applications will be found to be valid and enforceable or that it will be granted all of its patent applications.

Cynata and the Company rely on protecting trade secrets and the protective measures employed may not always be sufficient. Any failure in the measures implemented to protect intellectual property may result in an erosion of any potential competitive position.

(d) Additional requirements for capital

The funds raised under the minimum raising for the Offer are considered sufficient to meet the immediate objectives of the Company. However, additional expenditure may need to be incurred that has not been taken into account in the estimates summarised in Section 3.8. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company. Additional funding may be required in the event costs exceed the Company's estimates and to effectively implement its business and operations plans in the future,

(including in relation to Cynata) to take advantage of business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur. If such events occur, additional financing will be required.

The Company may seek to raise further funds through equity or debt financing, joint ventures, collaborations with other life science companies, licensing arrangements, production sharing arrangements or other means. The Company's capital requirements depend on numerous factors and, having regard to the early stage of development of the Cynata Technology, the Company is currently unable to precisely predict if, and what amount of, additional funds may be required. In addition to any funds raised pursuant to this Offer, funds may be required to conduct additional research and trials, obtain additional regulatory approvals or to commercially launch any future product. Failure to obtain sufficient financing for the Company's and Cynata's activities and future projects may result in delay and indefinite postponement of their activities and potential research and development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company or Cynata and might involve substantial dilution to Shareholders. Factors which may influence the Company's possible need for further capital include such matters as:

- the nature, scale, results, rate of progress, timing and costs of preclinical studies and clinical trials and other development activities;
- the costs and timing of seeking and obtaining regulatory approvals;
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- the effects of competing product, clinical, technological and market developments; and
- the terms, timing and consideration, if any, of collaborative arrangements or licensing of products.

Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back development and research programmes as the case may be, including those of Cynata. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

7.4 Industry specific

(a) Competition

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

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

(b) Regulatory Approvals

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

(c) Product Liability and Uninsured Risks

Through their intended business, the Company and Cynata are exposed to potential product liability risks which are inherent in the research and development, manufacturing marketing and use of any products which may arise from the Cynata Technology (and any other product in which they may have an interest), which products may never be developed. It will be necessary to secure insurance to help manage such risks. The Company and Cynata may not be able to maintain insurance for product or service liability on reasonable terms in the future and, in addition, the Company's and Cynata's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims.

Although the Company endeavors to work to rigorous standards there is still the potential for the Cynata Technology and any potential products derived from it (which products do not yet exist and may never exist) to contain defects which may result in system failures. These defects or problems could result in the loss of or delay in potential opportunities for generating revenue, loss of market share, failure to achieve market acceptance, diversion of

development resources, injury to the Company's and Cynata's reputation or increased insurance or litigation costs.

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

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

(d) Protection of Technology Rights

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

The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop competing technologies that circumvent such patents. The Company's and Cynata's success depends, in part, on their ability to obtain interests in patents (for example Cynata being licensee of the Cynata Technology under the License Agreement), maintain trade secret protection and operate without infringing the proprietary rights of third parties. Because the patent position of biotechnology companies can be highly uncertain and frequently involve complex legal and scientific evaluation, neither the breadth of claims allowed in biotechnology patents nor their enforceability can be predicted. There can be no assurance that any patents the Company or Cynata may have an interest in now or in the future will afford the Company or Cynata commercially significant protection of technologies, or that any of the projects that may arise from technologies will have commercial applications.

Certain of the non-core intellectual property forming part of the Cynata Technology encompassed under the License Agreement is licensed to Cynata on a non-exclusive basis. Although the Company is not otherwise aware of any third party interests in relation to the Cynata Technology, other than as described in Section 11.4, and has taken steps to protect and confirm its potential interest in these rights held by Cynata through the License Agreement, there is always a risk of third parties

claiming involvement in technological and medical discoveries, and if any disputes arise, they could adversely affect the Company and Cynata.

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

The Company does not currently have any registered IP protection of its biodegradable hygiene division, which the Board considers to be immaterial to the Company's proposed business to be conducted following the Offer and completion of the Option Agreements.

7.5 General risks

(a) Economic

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's and Cynata's business activities and potential research and development programmes, as well as on their ability to fund those activities.

(b) Dependence on Outside Parties

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

(c) Litigation Risks

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

(d) Insurance Risks

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

(e) Force Majeure

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

(f) Market conditions

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

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

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

(g) Reliance on key personnel

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

(h) Regulatory Risks

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

(i) Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or Cynata or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.



08

Intellectual Property Report



Mr Ross Macdonald
Eco Quest Limited
Level 4 Podium
120 Collins Street
Melbourne VIC 3000

BY EMAIL ONLY

26 August 2013

Dear Ross

**Status Report for Patents and Patent Applications Licensed by WARF to Cynata Inc.
Our Ref: SJB/MAL:LLR:G101623**

Further to previous correspondence, we enclose status reports for all granted patents and patent applications listed in Appendices B-1, B-2 and B-3 of the License Agreement between Wisconsin Alumni Research Foundation (WARF) and Cynata Incorporated (WARF Agreement No. 12-00158) and the additional patent applications added since execution of the License Agreement and pursuant to WARF's letter to Cynata Inc of 23 July 2013.

The status reports rely on information disclosed in national patent office databases. Where assignment details were not available in a database, we have referred to the published patent documents. These materials were all consulted on 20 August 2013. We have also relied on information provided to us by Cynata Inc on 23 August 2013.

All patents are currently in force, all applications are currently pending, and all patents and applications are in the name of Wisconsin Alumni Research Foundation with the exceptions that International application no. PCT/US2011/028700 has expired at the end of its life, as expected, and we understand that United States provisional patent application no. US 61/779564 is in the inventors' names, as expected.

In general, provided that all maintenance fees are paid, a patent will expire 20 years from the filing date of the application on which the patent was granted. However, this will depend on whether the patent or patent application is a divisional patent or patent application (or a continuing patent or patent application in the United States), whether the patent is subject to a pharmaceutical patent term extension, and in the United States can further vary due to patent term adjustment compensating for delays in examination at the USPTO, and terminal disclaimers.

The accuracy of the Status Reports is dependent upon the accuracy of the sources upon which we have relied, which we cannot guarantee. Where a patent is listed as granted in the status reports, this does not guarantee that the patent is valid and enforceable. Where a patent application is pending, this does not guarantee that a patent will grant on the

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Melbourne Sydney Perth Brisbane

Level 10 161 Collins Street Melbourne VIC 3000 Australia
GPO Box 1285 Melbourne VIC 3001 Australia

T +61 3 9243 8300 F +61 3 9243 8333 griffithhack.com.au

ABN: 35 026 846 389 Associated with CPA Global Limited. Affiliated with Griffith Hack Lawyers.

GRIFFITH HACK

PATENTS, TRADE MARKS, IP LAW

Eco Quest Limited

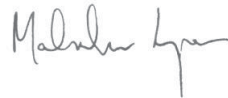
26 August 2013

application, and where a patent is granted on the application, there is no guarantee that the scope of the claims granted on the application will be of similar scope to the claims of the application as filed. No assurance can be given that the proposed commercial activities of Cynata Inc fall within the scope of any of the patents or patent applications, nor that the commercial activities of Cynata Inc do not infringe patents owned by third parties.

Best regards



Dr Stuart Boyer
Principal
stuart.boyer@griffithhack.com.au



Dr Malcolm Lyons
Associate
malcolm.lyons@griffithhack.com.au

Enc



Status Report for Licensed Patents of Appendix B-1 of Licence Agreement

Title: Primate embryonic stem cells
 Patentee: Wisconsin Alumni Research Foundation
 Inventors: James A Thomson

Jurisdiction	Official No.	Filing Date	Expiry Date	Status
United States	7029913	18 October 2001	20 January 2015	Granted continuation patent, in force
United States	7582479	14 January 2005	20 January 2015	Granted continuation patent, in force
United States	5843780	18 January 1996	20 January 2015	Granted continuation patent, in force
United States	6200806	26 June 1998	20 January 2015	Granted continuation patent, in force

Notes: Title of US 7582479 is Primate embryonic stem cell line. Granted patents are subject to maintenance fees.

Title: Serum free cultivation of primate embryonic stem cells
 Patentee: Wisconsin Alumni Research Foundation
 Inventors: James A Thomson *et al.*

Jurisdiction	Official No.	Filing Date	Expiry Date	Status
United States	7005252	9 March 2000	9 March 2020	Granted patent, in force
United States	7217569	6 May 2003	9 March 2020	Granted continuation patent, in force
Australia	2007200575	9 February 2007	2 March 2021	Granted divisional patent, in force

Notes: Title of US 7217569 is Clonal cultures of primate embryonic stem cells. Granted patents are subject to maintenance fees.

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Melbourne Sydney Perth Brisbane
 Level 10 161 Collins Street Melbourne VIC 3000 Australia
 GPO Box 1285 Melbourne VIC 3001 Australia
 T +61 3 9243 8300 F +61 3 9243 8333 griffithhack.com.au
 ABN: 35 026 846 389 Associated with CPA Global Limited. Affiliated with Griffith Hack Lawyers.

Status Report for Licensed Patents and Patent Applications of Appendix B-2 of Licence Agreement

Title: Generation of clonal mesenchymal progenitors and mesenchymal stem cell lines under serum-free conditions
 Applicant/ Patentee: Wisconsin Alumni Research Foundation
 Inventors: Maksym A. Vodyanyk *et al.*

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

Notes: Title of US 12/726814 is Multipotent cells having mesenchymal and endothelial lineage potential. The maximum expiration dates of these patents will depend on factors including: terminal disclaimers; patent term adjustments; and patent term extensions. Granted patents and patent applications are subject to maintenance fees.

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Melbourne Sydney Perth Brisbane

Level 10 161 Collins Street Melbourne VIC 3000 Australia
 GPO Box 1285 Melbourne VIC 3001 Australia

T +61 3 9243 8300 F +61 3 9243 8333 griffithhack.com.au

ABN: 35 026 846 399 Associated with CPA Global Limited. Affiliated with Griffith Hack Lawyers.



Status Report for Licensed Patent Application of Appendix B-3 of License Agreement

Title: Methods and materials for differentiating pluripotent stem cells
Inventors: Igor Slukvin *et al.*

Jurisdiction	Official No.	Filing Date	Status
United States	61/779564	13 March 2013	Provisional application, filed

Notes: The details of application no. US 61/779564 are unpublished. Based on the filing date 13 March 2013, this provisional application will be pending for 12 months, within which period a non-provisional application (e.g. a PCT application) will need to be filed if the priority date 13 March 2013 is to be claimed in respect of an invention disclosed in the provisional application

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Melbourne Sydney Perth Brisbane

Level 10 161 Collins Street Melbourne VIC 3000 Australia
GPO Box 1285 Melbourne VIC 3001 Australia

T +61 3 9243 8300 F +61 3 9243 8333 griffithhack.com.au

ABN: 35 026 846 389 Associated with CPA Global Limited. Affiliated with Griffith Hack Lawyers.

09

Investigating Accountant's Report

8 October 2013

The Directors
Eco Quest Limited
(To be renamed Cynata Therapeutics Limited)
Suite 1
1233 High Sreet
ARMADALE VIC AUSTRALIA, 3143

Dear Sirs

RE: INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

This report has been prepared at the request of the Directors of Eco Quest Limited ("Eco Quest" or "the Company") (to be renamed Cynata Therapeutics Limited) for inclusion in a Prospectus to be dated on or around 14 October 2013 ("the Prospectus") relating to the proposed issue by Eco Quest of up to 15,000,000 post consolidated shares to be issued at a price of 40 cents per post consolidated share to raise up to a gross \$6,000,000. The minimum subscription pursuant to the Prospects will be \$5,000,000 (12,500,000 post consolidated shares at 40 cents each).

2. Basis of Preparation

This report has been prepared to provide investors with information on the audited historical results, the audited condensed statement of financial position (balance sheet) of Eco Quest and the unaudited pro-forma statement of financial position of Eco Quest as noted in Appendix 2. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports in accordance with the Corporation Act 2001. This report does not address the rights attaching to the securities to be issued in accordance with the Prospectus, nor the risks associated with the investment. Stantons International Securities has not been requested to consider the prospects for Eco Quest, the securities on offer and related pricing issues, nor the merits and risks associated with becoming a shareholder and accordingly, has not done so, nor purports to do so. Stantons International Securities accordingly takes no responsibility for those matters or for any matter or omission in the Prospectus, other than responsibility for this report. Risk factors are set out in Sections 3.5 and 7 of the Prospectus.

3. Background

Eco Quest was admitted to the Official List of the Australian Securities Exchange ("ASX") on 20 December 2007. The Company has been involved in the business mainly relating to producing and selling biodegradable hygiene products, including nappies and wipes. In 2012 the Company began to implement its new strategy for the business. Following a review by an independent consultant commissioned by the board in the year ended 30 June 2012, 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 Container Board and Packaging Company Inc. ("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. During the financial year ended 30 June 2013, the Company issued 100,000,000 ordinary shares at 1.75 cents per pre-consolidated share to fund its existing business, to fund further development opportunities (including potential acquisition opportunities) and for ongoing working capital requirements.

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In September 2012, the Company took an 11% stake in privately held US company, Cynata Incorporated (“Cynata”), which is developing a therapeutic stem cell technology platform at a cost of US\$250,000. 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 US4.0 cents per share, amounting to US\$500,000. Following the signing by Cynata of its Foundation Licence Agreement for its stem cell technology with the Wisconsin Alumni Research Foundation, the Board of Eco Quest put a strategy in place to acquire 100% of Cynata. The increased acquisition is to be undertaken in two phases. Stage 1 is the investment of US\$250,000 in Cynata to take Eco Quest’s shareholding in Cynata to 33%. This amount was paid in July 2013. The Stage 2 phase was options to acquire the balance of Cynata shares that it does not already own within 18 months. Consideration for the acquisition for all of the remaining shares of Cynata is 200,000,000 pre-consolidated shares (to be 10,000,001 post consolidated shares following the 1 for 20 consolidation of capital noted below) in Eco Quest. Completion of the acquisition of the balance of Cynata shares following exercise of the options will be conditional on Eco Quest shareholder approval and compliance with regulatory requirements and stock exchange rules, among other conditions summarised in section 12.3 of the Prospectus. The options were exercised on 24 September 2013. Further details on Cynata and its interest as licensee of technology pursuant to a Licence Agreement are referred to in various sections of the Prospectus. Simultaneous with the execution of the July 2013 Investment Deed, Stem Cell Investments Pty Ltd, which was the company which sourced the opportunity for the Company to enter into the Agreement, assigned all of its rights under the Investment Deed to the Company in exchange for \$50,000 (exclusive of GST), which was subsequently paid by the Company.

On 7 August 2013, the Company issued 30,000,000 pre-consolidated shares at 1.0 cent each to raise a gross \$300,000. In August 2013, a total of 55,000,000 listed share options were exercised by various Listed option Holders at 1 cent each to raise a gross \$550,000. In August 2013, the Company completed a Share Purchase Plan and issued 45,749,030 pre-consolidated shares at 1 cent each to raise a gross \$457,490 and the shares were allotted on 2 September 2013.

On 27 September 2013, the Company’s shareholders approved the issue of 50,000,000 pre-consolidated share options (“Related Party Options”) to each of Dr Stewart Washer and Dr Ross Macdonald (Directors of Eco Quest and described as Related Parties), exercisable at 2 cents each (a total of 100,000,000 Related Party Options). 50,000,000 of such Related Party Options vested immediately, 30,000,000 of the Related Party Options may only be exercised when the volume weighted average share price (“VWAP”) is at least 4 cents (pre-consolidated) for a period of 10 consecutive trading days prior to the expiry date of 27 September 2018 and 20,000,000 of the Related party Options may only be exercised when the VWAP is at least 6 cents (pre-consolidated) for a period of 10 consecutive trading days prior to the expiry date of 27 September 2018. In the event that prior to the end of the 12 month period after 31 July 2013 a Related Party is no longer on the Company’s Board and his employment has been terminated under specific clauses of his Service Agreement, all outstanding vested and unvested Related Party Options will immediately lapse and expire. The accounting cost of such Related Party Options is a non cash amount estimated at \$1,082,140.

Following the 2 October 2013 exercise of 11,780,832 share options that were exercised at 1.0 cent each (\$117,808 raised) and a further 378,310 shares under the Share Purchase Plan that were issued at 1 cent each to raise a gross \$3,783 as at 2 October 2013 there are 648,131,633 pre consolidated shares on issue. The Company’s shareholders on 29 October 2013 amongst other resolutions are to approve a consolidation of capital on a 1 for 20 basis. As a result, the approximate number of post consolidated shares on issue post the 1 for 20 consolidation of capital will be 32,406,582. The existing post consolidated Listed Share Options outstanding will total approximately 11,164,683 and will be exercisable at 20 cents each, on or before 31 December 2014. The number of Related Party Options reduces to 5,000,000 (exercisable at 40 cents each subject to vesting terms). 10,000,000 pre-consolidated unlisted options were issued to Howard Digby in November 2012 (will be 500,000 post consolidated share options, exercisable at 40 cents each). In accordance with the terms of the share-based arrangement, 25% of the options vested immediately; 25% vested upon 12 months continuous employment as an executive or non-executive director of the Company ; 25% vest upon earlier of 24 months continuous employment as an executive or non-executive director of the Company and the VWAP of the Company’s shares being at least 3.0 cents (will be 60 cents on a post consolidated basis) for 10 consecutive business days and 25% vest upon earlier of 24 months continuous employment as an executive or non-executive director of the Company and the VWAP of the Company’s shares being at least 4.0 cents (will be 80 cents on a post consolidated basis) for 10 consecutive business days. In addition, post-consolidation there are a further 25,000 unlisted share options, exercisable at \$3.98 each, on or before 30 November 2013. These are expected to expire unexercised.

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The Company's shareholders at a shareholders meeting to be held on 29 October 2013 are being asked to approve, inter-alia the following transactions:

1. Change the nature and scale of activities;
2. To issue 10,000,001 post consolidated shares following the exercise of the options to acquire the remaining shares not owned by Eco Quest in Cynata.
3. Approve the placement of up to 15,000,000 post consolidated shares at 40 cents each to raise up to a gross \$6,000,000 (the minimum issue will be 12,500,000 post consolidated shares at 40 cents each to raise a gross \$5,000,000);
4. Undertake a consolidation of capital on a 1 for 20 basis;
5. Change the name of the Company to Cynata Therapeutics Limited.

Dr Stewart Washer commenced as Executive Chairman on 1 August 2013 for a 24 month period expiring 31 July 2015. His initial salary was \$48,000 per annum which increased to \$96,000 per annum upon achievement of \$1,000,000 from equity raisings and increases to \$150,000 per annum upon settlement of the Company achieving a 100% equity holding in Cynata and reinstatement to trading after re-compliance with Chapters 1 and 2 of the ASX Listing Rules. The Company is required to give six months notice, in writing, to terminate the Washer Services Agreement.

Dr Ross Macdonald commenced as Managing Director/ Chief Executive Officer on 1 August 2013 for a 24 month period expiring 31 July 2015. His initial salary was \$60,000 per annum which increased to \$120,000 per annum upon achievement of \$1,000,000 from equity raisings and increases to \$300,000 per annum upon settlement of the Company achieving a 100% equity holding in Cynata and reinstatement to trading after re-compliance with Chapters 1 and 2 of the ASX Listing Rules. The Company is required to give six months notice, in writing, to terminate the Macdonald Services Agreement.

Mr Howard Digby commenced as an Executive Director on 6 September 2012 for an initial 6 month period that has been extended until both parties agree on a termination date. His initial salary is \$10,000 per month inclusive of superannuation. The Company is required to give one months notice, in writing, to terminate the Digby Services Agreement due to redundancy.

The Company has a Corporate Services Agreement with Platinum Corporate Secretariat Pty Ltd ("PCS") relating to the provision of Company Secretary services of Peter Webse, a non-executive director of Eco Quest and the Company Secretary of Eco Quest from 3 April 2012 at a cost of \$4,400 per month (inclusive of GST) plus \$250 per hour for additional services. The Company is required to give two months notice, in writing, to terminate the Corporate Services Agreement. Peter Webse is also paid a non executive directors fee of \$3,300 (inclusive of GST) per month.

Potential investors should read the Prospectus in full that includes an Intellectual Property Report (Section 8). We make no comments as to ownership or values of the existing or proposed technology interests of Eco Quest and Cynata. Further details on all significant contracts entered into by the Company are referred to in the Material Contracts Section 11 of the Prospectus.

4. Scope of Examination

You have requested Stantons International Securities to prepare an Investigating Accountant's Report on:

- a) The consolidated results (statement of comprehensive income) of Eco Quest for the years ended 30 June 2012 and 30 June 2013
- b) The statement of financial position of Eco Quest as at 30 June 2013; and
- c) The pro-forma statement of financial position of Eco Quest at 30 June 2013 adjusted to include funds to be raised by the Prospectus and the completion of transactions referred to in note 2 of Appendix 3.

All of the pro-forma financial information referred to above has not been audited (except that the statement of profit or loss and other comprehensive income to 30 June 2012 and 30 June 2013 in a condensed form and the statement of financial position as at 30 June 2013 but in a condensed form have been audited) however has been subject to audit review. The directors of Eco Quest are responsible for the preparation and presentation of the historical and pro-forma financial information, including the determination of the pro-forma transactions. We have however examined the financial statements and other relevant information and made

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such enquiries, as we considered necessary for the purposes of this report. The scope of our examination was substantially less than an audit examination conducted in accordance with Australian Auditing Standards and accordingly, we do not express such an opinion. Our examination included:

- a) discussions with directors and other key management of Eco Quest;
- b) review of contractual arrangements;
- c) a review of publicly available information; and
- d) a review of work papers, accounting records and other documents.

5. Opinion

In our opinion, the pro-forma consolidated statement of financial position as set out in Appendix 2 presents fairly, the pro-forma consolidated statement of financial position of Eco Quest as at 30 June 2013 in accordance with the accounting methodologies required by Australian Accounting Standards on the basis of assumptions and transactions set out in Appendix 3. No opinion is expressed on the historical results and statements of financial position, as shown in Appendix 1, except to state that nothing has come to our attention which would require any further modification to the financial information in order for it to present fairly, the statement of financial position as at 30 June 2013 and the results of the periods identified.

To the best of our knowledge and belief, there have been no other material items, transactions or events subsequent to 30 June 2013 that have come to our attention during the course of our review which would cause the information included in this report to be misleading.

6. Other Matters

At the date of this report, Stantons International Audit and Consulting Pty Ltd (trading as Stantons International Securities”) does not have any material interest in Eco Quest either directly or indirectly, or in the outcome of the offer. Stantons International Audit and Consulting Pty Ltd (trading as Stantons International) are the auditors of Eco Quest. Stantons International Securities were not involved in the preparation of any other part of the Prospectus, and accordingly, make no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Prospectus. Stantons International Securities consents to the inclusion of this report (including Appendices 1 to 3) in the Prospectus in the form and content in which it is included. At the date of this report, this consent has not been withdrawn.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International Securities)



J P Van Dieren – FCA
Director

INVESTIGATING ACCOUNTANT'S REPORT

APPENDIX 1 – CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Eco Quest Year ended 30 June 2012	Eco Quest Year ended 30 June 2013
	\$	\$
Revenue	160,729	33,964
Cost of sales	<u>(521,475)</u>	<u>(8,689)</u>
	(360,746)	25,275
Investment income	163,138	37,057
Share of losses of associate (Cynata)	-	(103,618)
Product development costs	(61,071)	(90,986)
Employee benefits expense	(125,452)	(113,991)
Depreciation and amortisation	(413,392)	-
Share based payments (expensed)/lapsed	4,789	(69,202)
Borrowing costs	(1,910)	(981)
Other expenses	<u>(787,923)</u>	<u>(599,255)</u>
Net (loss) before tax	(1,582,567)	(915,701)
Income tax expense attributable to net loss	-	-
R & D offset	<u>40,260</u>	<u>-</u>
Net (loss) after tax	(1,542,307)	(915,701)
Other Comprehensive Income	-	-
Total Comprehensive (Loss) for the period	<u><u>(1,542,307)</u></u>	<u><u>(915,701)</u></u>

APPENDIX 2 – CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	Eco Quest 30 June 2013	Pro-forma Unaudited Eco Quest 30 June 2013
		\$	\$
Current Assets			
Cash assets	3	1,116,587	7,094,110
Receivables and prepayments	4	<u>33,261</u>	<u>35,677</u>
Total Current Assets		<u>1,149,848</u>	<u>7,129,787</u>
Non Current Assets			
Plant and equipment		-	892
Investment in associates	5	642,695	-
Investment in subsidiary	5	-	-
Technology intangibles	6	<u>-</u>	<u>4,805,566</u>
Total Non Current Assets		<u>642,695</u>	<u>4,806,458</u>
Total Assets		<u>1,792,543</u>	<u>11,936,245</u>
Current Liabilities			
Trade and other payables	7	13,988	-
Provisions	8	<u>135,712</u>	<u>7,592</u>
Total Current Liabilities		<u>149,700</u>	<u>7,592</u>
Total Liabilities		<u>149,700</u>	<u>7,592</u>
Net Assets		<u>1,642,843</u>	<u>11,928,653</u>
Equity			
Issued capital	9	12,338,120	23,106,877
Share based payments reserve	10	1,544,052	2,626,192
Accumulated losses	11	<u>(12,239,329)</u>	<u>(13,804,416)</u>
Total Equity		<u>1,642,843</u>	<u>11,928,653</u>

Notes to and forming part of the above condensed statements of financial position are attached.

INVESTIGATING ACCOUNTANT'S REPORT

APPENDIX 3

CONDENSED NOTES TO THE CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND CONDENSED STATEMENTS OF FINANCIAL POSITION

1. Statement of Significant Accounting Policies

- (a) **Basis of Accounting**
The condensed Statement of Comprehensive Income and Statement of Financial Position and unaudited condensed pro-forma Statements of Financial Position have been prepared in accordance with applicable accounting standards, the Corporations Act 2001 and mandatory professional reporting requirements in Australia (including the Australian equivalents of International Financial Reporting Standards) and we have made such disclosures as considered necessary. They have also been prepared on the basis of historical cost and do not take into account changing money values. The accounting policies have been consistently applied, unless otherwise stated. They have been prepared on a going concern basis that is dependent on future capital raisings.
- (b) **Income Tax**
The charge for current income tax expense is based on the profit for the year adjusted for any non assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted as at balance date. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxation profit or loss. Deferred income tax assets are recognised to the extent that it is probable that the future tax profits will be available against which deductible temporary differences will be utilised. The amount of the benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in the income taxation legislation and the anticipation that the economic unit will derive sufficient future assessable income to enable the benefits to be realised and comply with the conditions of deductibility imposed by law.
- (c) **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.

(d) Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value, less where applicable, any accumulated depreciation and impairment losses. The carrying amount of the plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employed and their subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. The asset's residual value and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An assets' carrying value is written down immediately to its recoverable amount if the asset's carrying value is greater than the estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(e) Trade and other accounts payable

Trade and other accounts payable represent the principal amounts outstanding at balance date, plus, where applicable, any accrued interest.

(f) Recoverable Amount of Non Current Assets

The carrying amounts of non-current assets are reviewed annually by directors to ensure they are not in excess of the recoverable amounts from those assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employed and subsequent disposal. The expected net cash flows have been or will be discounted to present values in determining recoverable amounts.

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(g) Operating Revenue

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.

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.

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.

(h) Issued Capital

Ordinary Shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(i) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

(j) Share Based Payments

The Group provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes or Binomial option pricing models.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(k) Critical accounting estimates and judgements

In preparing Financial Reports, the Company has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

Significant accounting judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period include impairment of capitalised technology costs and investments in associates.

(l) Basis of consolidation

The consolidated financial statements comprise the financial statements of Eco Quest Limited and its subsidiaries.

Subsidiaries are all those entities over which the Company has control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

In preparing the consolidated financial statements all intercompany balances and transactions, income, expenses and profit and loss resulting from intergroup transactions have been eliminated in full.

Minority interests not held by the Company are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the statement of financial position, separately from parent shareholders' equity.

(m) Investment in associates and jointly controlled entities (equity accounted investees)

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

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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.

(n) 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.

(o) Borrowing 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.

(p) 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. 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.

(q) Financial instruments

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

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.

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.

AFS financial assets

Listed shares 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.

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.

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.

2 Actual and Proposed Transactions to Arrive at Pro-forma Unaudited Statement of Financial Position

Stantons International Securities

Actual and proposed transactions adjusting the audited condensed 30 June 2013 Statement of Financial Position of Eco Quest in the unaudited pro-forma Unaudited Statement of Financial Position of Eco Quest are as follows:

- (a) The issue of 30,000,000 pre-consolidated shares at 1 cent each to raise a gross \$300,000;
- (b) The issue of 45,749,030 shares under a share purchase plan to raise a gross \$457,490 in September 2013 and the issue in October 2013 of a further 378,310 shares to raise a gross \$3,783;
- (c) The exercise of 55,000,000 Listed Options at 1 cent each to raise a gross \$550,000 and the exercise of further 11,780,832 listed share options in October 2013 to raise a gross \$117,808;
- (d) The incurring of capital raising costs in relation to the above share issues estimated at \$85,744;
- (e) The payment in July 2013 of US\$250,000 (\$271,303) to increase the investment in Cynata to 33%;
- (f) The settlement of a dispute totalling \$93,507 and included in provisions as at 30 June 2013 and the payment of other accrued provisions of \$34,613;
- (g) Undertaking a 1 for 20 consolidation of capital;
- (h) Assuming further administration and corporate costs between 1 July 2013 and 31 October 2013 of say \$385,000 (includes the payment of a referral fee of \$50,000 relating to Cynata);
- (i) Accounting for share of losses of associated (Cynata) estimated at \$97,947 (partly 27% and partly 33%) to 30 September 2013 (losses estimated at \$315,960 for three months to 30 September 2013);
- (j) The exercise of the options to increase Eco Quest's shareholding in Cynata to 100% by way of the issue of 10,000,001 post consolidated shares at 40 cents each (cost of \$4,000,000) and accounting for technology interests on consolidation (refer note 14);
- (k) The issue of 15,000,000 post consolidated shares at 40 cents each to raise a gross \$6,000,000 pursuant to the Prospectus;
- (l) The payment of 30 June 2013 accounts payable of \$13,988;
- (m) The payment of cash expenses of the Prospectus issue and associated matters totalling an estimated \$574,580 and the expensing of such costs against share equity; and
- (n) The issue of 100,000,000 pre consolidated Related Party Options (will become 5,000,000 post consolidated Related Party Options) with some vesting conditions with a deemed fair value of approximately \$1,082,140 and such costs expensed.

	Note 2	Audited Eco Quest 30 June 2013	Unaudited Eco Quest Consolidated Pro-forma 30 June 2013
		\$	\$
3. Cash Assets			
The movements in cash assets are as follows:			
Audited 30 June 2013		1,116,587	1,116,587
Issue of shares on exercise of listed options	(a)	-	300,000
Issue of shares under the Share Purchase Plan	(b)	-	461,273
Exercise of share options	(c)	-	667,808
Payment of capital raising costs	(d)	-	(85,744)
Increase investment in Cynata to 33%	(e)	-	(271,303)
Settlement of dispute and other provisions	(f)	-	(128,120)
Corporate and administration costs	(h)	-	(385,000)
Shares issued pursuant to the Prospectus	(k)	-	6,000,000
Payment of creditors	(l)	-	(13,988)
New capital raising costs	(m)	-	(574,580)
Cash acquired on consolidation of Cynata		-	7,177
		<u>1,116,587</u>	<u>7,094,110</u>
4. Receivables			
Balance 30 June 2013		33,261	33,261
Receivables – Cynata (refer to note 14)		-	2,416
		<u>33,261</u>	<u>35,677</u>

Stantons International Securities

	Note 2	Audited Eco Quest 30 June 2013 \$	Unaudited Eco Quest Consolidated Pro-forma 30 June 2013 \$
5. Investment in Associate (Cynata) and Subsidiary			
Cost of acquisition (27%)		746,313	746,313
Less Share of losses of associated under equity accounting to 30 June 2013		(103,618)	(103,618)
Further acquisition costs (to 33%) (US\$250,000)	(e)	-	271,303
Share of losses of associated under equity accounting to 30 September 2013		-	(97,947)
Equity accounted value as at 30 September 2013		642,695	816,051
Exercise of options to increase investment in Cynata to 100% (and Cynata becoming a wholly owned subsidiary)		-	4,000,000
Less: Elimination on consolidation		-	(4,816,051)
		642,695	-
6. Technology Interests			
Balance at 30 June 2013		-	-
Acquired on consolidation of Cynata (see note 14)	(j)	-	4,805,566
		-	4,805,566
7. Trade and other payables			
Balance at 30 June 2013		13,988	13,988
Less: Repayment of creditors	(l)	-	(13,988)
		13,988	-
8. Provisions (including annual leave)			
Balance at 30 June 2013		135,712	135,712
Less: Part Repayment (exclude annual leave)	(f)	-	(128,120)
		135,712	7,592
9. Issued Capital			
Fully Paid			
505,223,461 ordinary shares as at 30 June 2013		12,338,120	12,338,120
30,000,000 shares at 1 cent each	(a)	-	300,000
46,127,340 shares at 1 cent each	(b)	-	461,273
66,780,832 shares at 1 cent each on exercise of Listed Options	(c)	-	667,808
1 for 20 consolidation of capital so that there are 32,406,582 post consolidated shares on issue	(g)	-	-
10,000,001 post consolidated shares issued to acquire 100% of Cynata	(j)	-	4,000,000
15,000,000 post consolidated shares relating to the Prospectus	(k)	-	6,000,000
		12,338,120	23,767,201
Less: estimated share issue costs	(d)(m)	-	(660,324)
Pro-forma (57,406,583 ordinary fully paid shares)		12,338,120	23,106,877

Stantons International Securities

In the event that the Company raised the minimum subscription of \$5,000,000 only 12,500,000 post consolidated shares would be issued so that the number of ordinary shares on issue decreases to 54,906,583 and the cash at bank and issued capital decreases by \$938,055 to \$6,156,055 and \$22,168,822 respectively after allowing for reduced capital raising costs of \$598,379 (reduced by \$61,945).

	Note 2	Audited Eco Quest 30 June 2013	Unaudited Eco Quest Consolidated Pro-forma 30 June 2013
		\$	\$
10. Share Based payment Reserve			
	Note 2		
Balance as at 30 June 2013		1,544,052	1,544,052
Issue of 100,000,000 pre consolidated Related Party Options	(n)	-	1,082,140
		<u>1,544,052</u>	<u>2,626,192</u>

For details on share options outstanding as at 2 October 2013, refer the Background section 3 of this Investigating Accountant's Report. A market based discount of 70% was applied to 30,000,000 pre-consolidated Related Party Options and a market based discount of 90% was applied to 20,000,000 pre-consolidated Related Party Options. 50,000,000 of the pre-consolidated Related Party Options vest on date of grant. The 100,000,000 pre-consolidated share options will become a total of 5,000,000 post consolidated Related Party Options.

11. Accumulated Losses

	Note 2		
Balance as at 30 June 2013		12,239,329	12,239,329
Further administration and corporate costs	(h)	-	385,000
Share of losses of associate	(i)	-	97,947
Issue of Related Party Options expensed	(n)	-	1,082,140
		<u>12,239,329</u>	<u>13,804,416</u>

12. Contingent Liabilities and Commitments

Based on discussions with the Directors, to our knowledge, the Company has no material commitment or contingent liabilities not otherwise disclosed in this Investigating Accountant's Report (refer Background section 3) and in the Prospectus. Investors should read the Intellectual Property Report (Section 8) and the Material Contracts summary in Section 11 for further possible contingencies and commitments. For details on proposed commitments pertaining to Cynata, refer to the Investment Overview (Use of Funds) Section 3.8 of the Prospectus.

13. Employment and Consultancy Contacts

Refer Background section 3 of this report for the details on fees payable for management and financial services with Messrs Webse (via a company), Washer, Macdonald and Digby.

14. Summary of Cynata Statement of Financial Position (estimated at Completion)

	Note	Unaudited Cynata 30 June 2013 \$	Unaudited Pro-forma Cynata 30 June 2013 \$
Cash at bank	(a)	18,874	7,177
Receivables		2,416	2,416
Plant and equipment		892	892
Total assets		22,182	10,485
Creditors and accruals	(a)	(124,040)	-
Total liabilities		-	-
Net Assets/(Liabilities)		(101,858)	10,485
	Note 2	Audited Eco Quest 30 June 2013 \$	Unaudited Eco Quest Consolidated Pro-forma 30 June 2013 \$
The costs of the Acquisition is as follows:			
Shares issued (10,000,001 post-consolidated shares)			4,000,000
Carrying value of investment as an associate (refer note 5)			816,051
Total Acquisition costs			4,816,051
Excess of cost of Acquisition over net assets acquired representing the additional fair value of the Technology interests of Cynata – see note (b)			4,805,566

- (a) Cash as at 30 June 2013 was increased by US\$250,000 (\$271,303) relating to the share issue to Eco Quest, increased by \$157,000 from the receipt of a Research and Development Grant and reduced by the payment of 30 June 2013 creditors of \$124,040 and the incurring of further costs estimated at \$315,960 to 30 September 2013, so estimated cash is \$7,177.
- (b) The excess of the cost of acquisition over the net assets acquired is estimated at \$4,805,566 and this has been attributable by the Directors of Eco Quest as relating to the fair value of the Technology Interests of Cynata as at the date that Cynata becomes a fully owned subsidiary of Eco Quest.

Recoverability of the investment in the subsidiary (Cynata) and recoverability of the Technology interests on consolidation is dependent on the successful commercialisation of the technology and research and development of which Cynata is a licensee or sale of the interests (shares and/or licensed technology interests) at amounts at least equal to book values. The Company will need to fund the research and development costs, corporate, administration and any commercialisation costs of Cynata subsequent to Cynata becoming a subsidiary of Eco Quest.

10

Board, Management and Corporate Governance

10.1 Directors and key personnel

Disclosure of the Directors and their backgrounds are contained in the Investment Overview Section of this Prospectus.

10.2 Management and Consultants

Our Company is aware of the need to have sufficient management to properly supervise its development and research programmes and the Board will continually monitor the management roles in the Company. As our business requires an increased level of involvement the Board will look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company's businesses.

10.3 ASX Corporate Governance Council Principles and Recommendations

Our Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, our Company has other than as described in Section 10.4, adopted the *Corporate Governance Principles and Recommendations (2nd Edition)* as published by the ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. If the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company's website (<http://www.ecoquest.com.au>).

Board of Directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting.

However, subject thereto, the Company is committed to the following principles:

- (a) the Board is to comprise persons with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (b) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the

Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

Independent professional advice

Subject to the Executive Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

Remuneration arrangements

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$300,000 per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

Trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing director).

The policy generally provides that the written acknowledgement of the Chair (or the Board in the case of the Chairman) must be obtained prior to trading.

External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Audit committee

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and if the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

Diversity Policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

The Company is currently in an early stage of its development and given that the Company currently has only three 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 and have consequently not been formulated.

The Board will review this position on an annual basis and will consider implementing such measurable objectives as and when the Directors deem the Company to require them.

10.4 Departures from Recommendations

As it is listed on the ASX, the Company is required to report any departures from the Recommendations in its annual financial report.

The Company's compliance and departures from the Recommendations as at the date of this Prospectus are set out on the following pages.

Principles and Recommendations	Comment
1. Lay solid foundations for management and oversight	
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	<p>The Company's Corporate Governance Policies include a Board Charter, which discloses the specific responsibilities of the Board and those delegated to senior executives.</p> <p>The Board will delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director.</p>
1.2 Companies should disclose the process for evaluating the performance of senior executives.	<p>The Board annually reviews the performance of the Managing Director and other Executive Directors. At the commencement of each financial year, the Board and Managing Director will agree a set of generally Company specific performance measures to be used in the review of the forthcoming year.</p> <p>The Managing Director is responsible for assessing the performance of the senior executives within the Company which directly report to him. This is to be performed through a formal performance appraisal process and measured against key performance indicators, including the business performance of the Company, and agreed at the beginning of each financial year.</p>
1.3 Companies should provide the information indicated in the <i>Guide to reporting on Principle 1</i> .	<p>Explanation of departures from Recommendations 1.1, 1.2 and 1.3 (if any) are set out above. The Company will provide an explanation of any departures from Recommendations 1.1, 1.2 and 1.3 (if any) and other information required by Recommendation 1.3 in its future annual reports.</p> <p>The Corporate Governance Policies, which includes the Board Charter, are posted on the Company's website.</p>
2. Structure the board to add value	
2.1 A majority of the board should be independent directors.	<p>An independent director is one who is independent from management and free from any business or other relationship that could, or could reasonably be perceived to materially interfere with the exercise of independent judgement.</p> <p>None of the Board members 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.</p>
2.2 The chair should be an independent director.	<p>The Chair of the Board 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.</p>
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	<p>Due to the size and complexity of the Company, the roles of chair and chief executive officer were not previously separated until on 1 August 2013, the Board appointed a Managing Director who also acts as the Company's Chief Executive Officer (Dr Ross Macdonald) and a new Executive Chairman (Dr Stewart Washer).</p>
2.4 The board should establish a nomination committee.	<p>The Company does not have a nomination committee. The full Board carries out the functions associated with a nomination committee. Due to the relatively small size of the Board, it considers that a separate nomination committee is not appropriate.</p>

Principles and Recommendations	Comment
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	<p>The Company's Corporate Governance Policies published on its website include a section on Performance Evaluation Practices adopted by the Company. The performance of the Board and individual directors are evaluated in accordance with the Performance Evaluation Practices. 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.</p> <p>The Company has established firm guidelines to identify the measurable and qualitative indicators of the director's performance.</p>
2.6 Companies should provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	<p>The Company has provided details of each director, such as their skills, experience and expertise relevant to their position in this Prospectus and will also provide these details along with all other information in Recommendation 2.6 in future annual reports. The Directors determine the size of the Company's Board with reference to the Board Charter and subject to the Constitution.</p> <p>Explanation of departures from Principles and Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 and 2.6 (if any) are set out above. The Company will provide an explanation of any departures from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 and 2.6 (if any) in its future annual reports.</p> <p>The Company's Corporate Governance Policies, which includes the Performance Evaluation Practices, are posted on the Company's website.</p>
3. Promote ethical and responsible decision-making	
<p>3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	<p>The Company's Corporate Governance Policies include a formal Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment.</p> <p>The Company is committed to integrity and ethical standards in all business practices.</p> <p>The Company's Corporate Governance Policies, which include the Code of Conduct, are posted on the Company's website.</p>
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include 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.	<p>The Company's Corporate Governance Policies include a Diversity Policy. The Diversity Policy notes that the Company recognises the benefits arising from employee and board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.</p> <p>The Company is currently in an early stage of its development and given that the Company currently has only three 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 and have consequently not been formulated.</p> <p>The Board will review this position on an annual basis and will consider implementing such measurable objectives as and when the Directors deem the Company to require them.</p> <p>The Company's Corporate Governance Policies, which include the Diversity Policy, are posted on the Company's website.</p>

Principles and Recommendations	Comment
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.	The Board considers that due to the size of the Company, setting measurable diversity objectives is not appropriate at this stage of the Company's development.
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	The Company does not currently have any female employees, female senior executives or female board members and will continue to disclose the information required by Recommendation 3.4 in the Company's annual reports.
3.5 Companies should provide the information indicated in the <i>Guide to reporting on Principle 3</i> .	The Company will provide an explanation of any departures from Recommendations 3.1, 3.2, 3.3, 3.4 and 3.5 (if any) in its future annual reports. The Company's Corporate Governance Policies, which includes the Code of Conduct and Diversity Policy, are posted on the Company's website.
4. Safeguard integrity in financial reporting	
4.1 The board should establish an audit committee.	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.
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> • consists only of 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. 	Whilst there is currently no formal audit committee, the Board is of the view that the experience and professionalism of the persons on the Board is sufficient to ensure that all significant matters are appropriately addressed and actioned. Further, the Board does not consider that the Company is of sufficient size to justify the appointment of additional directors for the sole purpose of satisfying this recommendation as it would be cost prohibitive and counterproductive. As the operations of the Company continue the Board will reassess the formation of the audit committee.
4.3 The audit committee should have a formal charter.	The Company does not have a formal audit committee for the reasons described above.
4.4 Companies should provide the information indicated in the <i>Guide to reporting on Principle 4</i> .	The Company does not have an audit committee. The Board carries out the duties of the audit committee. Subject to compliance with applicable laws the Board ensures the appointment of the Company's external auditor, and is mindful of the need for compliance with legal requirements for rotation of external audit engagement partners. The Company will explain any departures from the Corporate Governance Recommendations 4.1, 4.2, 4.3 and 4.4 (if any) in its future annual reports.

Principles and Recommendations	Comment
5. Make timely and balanced disclosure	
5.1 Companies should 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.	<p>The Company's Corporate Governance Policies include a Continuous Disclosure Policy (posted on the Company's website), which is designed to ensure the compliance with the disclosure obligations under the Corporations Act and the ASX Listing Rules and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.</p> <p>The Managing Director, 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 the ASX.</p>
5.2 Companies should provide the information indicated in the <i>Guide to Reporting on Principle 5</i> .	<p>The Company will provide an explanation of any departures from Principle and Recommendations 5.1 and 5.2 (if any) in its future annual reports.</p> <p>The Corporate Governance Policies, which includes a Continuous Disclosure Policy, are posted on the Company's website.</p>
6. Respect the rights of shareholders	
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	<p>The Company's Corporate Governance Policies include a Shareholders Communication Policy (which is posted on the Company's website), which aims to ensure that Shareholders are informed of all major developments affecting the Company's state of affairs.</p> <p>Information is communicated to Shareholders through:</p> <ul style="list-style-type: none"> • distribution of half-yearly and annual reports (in hard copy when requested) via the Company's website; • ASX quarterly cashflow reports, which are placed on the Company's website; • disclosures and announcements made to the ASX, which are placed on the Company's website; • notices and explanatory memoranda of annual general meetings and general meetings; • presentations at the annual general meetings and general meetings; and • the Company's website www.ecoquest.com.au.
6.2 Companies should provide the information indicated in the <i>Guide to reporting on Principle 6</i> .	<p>The Company will provide an explanation of any departures from Recommendations 6.1 and 6.2 (if any) in its future annual reports.</p> <p>The Corporate Governance Policies, which includes a Shareholders Communication Policy, are posted on the Company's website.</p>
7. Recognise and manage risk	
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	<p>The Company's Corporate Governance Policies include a Risk Management Policy (which is posted on the Company's website).</p> <p>The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for risk management and control 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.</p>

Principles and Recommendations	Comment
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.	The Company's Corporate Governance Policies include a Risk Management Policy. Management is required to design and implement the risk management and internal control system to manage the Company's material business risks and report to the Board, at least quarterly, on whether those risks are being managed effectively. Management has reported to the Board as to the Company's management of its material business risks.
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the 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.	The Company's Managing Director and Chief Financial Officer (or equivalent) report annually in writing to the Board in relation to the declaration provided in accordance with Section 295A of the Corporations Act being 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. The Board will disclose whether it has received such reports in relevant financial statements.
7.4 Companies should provide the information indicated in the <i>Guide to Reporting on Principle 7</i> .	The Company will provide an explanation of any departures from Recommendation 7.1, 7.2, 7.3 and 7.4 (if any) in its future annual reports. The Corporate Governance Policies, which includes a Risk Management Policy, are posted on the Company's website.
8. Remunerate fairly and responsibly	
8.1 The board should establish a remuneration committee.	The Company does not have a remuneration committee. The full Board carries out the functions associated with a remuneration committee. Due to the relatively small size of the Board, it considers that a separate remuneration committee would not add efficiency to the process of determining the level of remuneration of Directors and key executives. The Board will establish a remuneration and nomination committee in the event the size and composition of the Board and the Company warrant it.
8.2 The remuneration committee should be structured so that it: <ul style="list-style-type: none"> • consists of a majority of independent directors • is chaired by an independent director • has at least three members 	The Company does not have a remuneration committee. The full Board carries out the functions associated with a remuneration committee. Due to the relatively small size of the Board, it considers that a separate remuneration committee would not add efficiency to the process of determining the level of remuneration of Directors and key executives. The Board will establish a remuneration and nomination committee in the event the size and composition of the Board and the Company warrant it.

Principles and Recommendations	Comment
8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Company has adopted a Remuneration Policy which distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives.
8.4 Companies should provide the information indicated in the <i>Guide to reporting on Principle 8</i> .	<p>The Company will provide an explanation of any departures from Recommendation 8.1, 8.2, 8.3 and 8.4 (if any) in its future annual reports.</p> <p>The Corporate Governance Policies, which includes a Remuneration Policy, are posted on the Company's website.</p> <p>The Company has not adopted a formal scheme for equity based remuneration.</p> <p>The Company has a policy which prohibits entering into any transaction which 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.</p>

11

Material Contracts

11.1 Investment Deed and Stock Purchase Agreement

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

On 12 July 2013, the Company made a further investment into Cynata under a Stock Purchase Agreement and the revised Investment Deed. This investment of US\$250,000 was made on 15 July 2013 in consideration for the issue of 6,250,000 Cynata Shares (at US\$0.04 per Cynata Share). Those Cynata Shares have been issued to the Company.

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

Cynata Shares are currently held as follows:

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

Cynata has no options or other additional classes of securities on issue.

11.2 Assignment of Investment Deed

Simultaneous with the execution of the July 2013 Investment Deed, Stem Cell Investments Pty Ltd, which was the company which sourced the opportunity for the Company to enter into the Option Agreements, assigned all of its rights to acquire Cynata Shares under the Investment Deed to the Company in exchange for \$50,000 (exclusive of GST), which was subsequently paid by the Company.

11.3 Option Agreements

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

One Option Agreement was agreed between the Company and each separate Vendor (i.e. all Cynata shareholders other than the Company), being eleven Option Agreements in total. Under the Option Agreements, the Company obtained the option to acquire all Cynata Shares that it does not own on terms summarised below. As announced by the Company on 24 September 2013 the Company has exercised all the Option Agreements and completion of the Company's acquisition of the Cynata Shares it does not own is subject to the conditions precedent summarised below, which include Shareholders approving resolutions 5 to 9 at the Company's Annual General Meeting scheduled for 29 October 2013 (as summarised in Section 2.2 of this Prospectus).

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

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

- (a) **Option:** The Vendors have separately granted the Company options to acquire their respective Cynata Shares, each exercisable for 18 Months after 11 July 2013 (**Option Period**) which options have all been exercised by the Company as announced to the ASX on 24 September 2013.

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

- (i) each Option Agreement not having not been terminated;
- (ii) the Company obtaining all Shareholder and regulatory approvals required to give effect to completion (other than re-compliance with Chapters 1 and 2 of the ASX Listing Rules) including the approvals being sought at the 29 October 2013 Annual General Meeting;
- (iii) the Company receiving in principle approval from ASX for the readmission of its Securities to the official list of ASX on conditions reasonably acceptable to the Company; and
- (iv) the Company having cash at bank equal to at least \$1,500,000 (less any amounts loaned or transferred to Cynata during the Option Period).

(c) Completion: Subject to the satisfaction of the conditions precedent, at completion of the Option Agreements the Vendors will be deemed to sell, and the Company deemed to purchase the Vendors' Cynata Shares. Unless otherwise agreed between the parties, Completion must occur within 45 days of the expiry of the Option Period. Completion of each option pursuant to the Option Agreements is interdependent, on the basis that Completion of the Company's acquisition of the Cynata Shares pursuant to all the Option Agreements must occur simultaneously.

(d) Consideration: In consideration for acquiring the Cynata Shares, the Company must issue the Vendors (or their nominees) the Vendor Consideration Shares, comprising a total of 200,000,000 Shares on a pre-Consolidation basis (being the 10,000,001 post-Consolidation Shares proposed to be issued pursuant to resolution 6 at the Company's Annual General Meeting scheduled for 29 October 2013), issued on a pro-rata basis in relation to the number of Cynata Shares each Vendor holds.

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

Shareholder(s)	Number of Cynata Shares	Percentage of Cynata Shares held
Company	75,350,000	100.0
Total	75,350,000	100.0

11.4 License Agreement with WARF

Cynata entered into a License Agreement with WARF, effective on 26 March 2013, that provides certain rights in relation to certain patents and patent applications comprising the Cynata Technology as summarised in Sections 6 and 8, pertaining to stem cells, particularly MCAs and methods to produce them.

The License Agreement grants Cynata world-wide exclusive rights to certain patented (one granted patent and certain patent applications) IP forming part of the Cynata Technology comprised in Appendix B-2 of the License Agreement as described in Section 8 in relation to making, using, selling, importing, and offering for sale certain products for certain therapeutic and diagnostic uses (excluding in the case of therapeutic and diagnostic products neural cells, cardiomyocytes, or pancreatic islet cells, or their precursors, developed from and/or incorporating the IP in Appendix B-1 of the License Agreement as described in Section 8). These exclusive licensed entitlements include:

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

The exclusive license is granted only over those countries or regions for which Cynata has paid to WARF certain required patent fees and costs.

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

- the licensed patents and patent applications in Appendices B-1, B-2 and B-3 of the License Agreement as described in Section 8 for making, using and receiving certain licensed stem cell materials for use in internal research;
- the licensed patent and patent applications in Appendix B-2 of the License Agreement as described in Section 8 for making, using, selling, importing, and offering for sale certain products for research uses (excluding in the case of therapeutic and diagnostic products neural cells, cardiomyocytes, or pancreatic islet cells, or their precursors, developed from and/or incorporating the IP in Appendix B-1 of the License Agreement as described in Section 8);
- the licensed patent and patent applications in Appendix B-2 of the License Agreement as described in Section 8 for making, using, selling, importing, and offering for sale certain products for certain therapeutic, research and diagnostic uses (excluding in the case of therapeutic and diagnostic products neural cells, cardiomyocytes, or pancreatic islet cells, or their precursors, developed from and/or incorporating the IP in Appendix B-1 of the License Agreement as described in Section 8);

These non-exclusive licensed entitlements include:

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

All the exclusive and non-exclusive licensed rights pursuant to the License Agreement are subject to:

- WARF's grant to a third party, Geron Corporation, of an exclusive license under the licensed patents in Appendix B-1 to the License Agreement as described in Section 8 in certain fields covering therapeutic products and diagnostic products, as well as a non-exclusive license for research products, which may prohibit WARF from granting Cynata any rights outside of those granted in the License Agreement;
- WARF's right to grant non-profit research institutions and governmental agencies non-exclusive licenses to practice and use the inventions of the Cynata Technology for non-commercial research purposes;
- The Government of the United States of America being entitled to a nonexclusive, non-transferable, irrevocable, paid-up license to practice or have practiced the inventions of the licensed patents and patent applications for governmental purposes as a legal right but only to the extent it has funded research, during the course of or under which any of the inventions of the licensed patents and patent applications in Section 8 (being the Cynata Technology) and patents and patent application derived from or continued from them were conceived.

General rights and obligations

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

- to sub-license the Cynata Technology;
- to further develop the Cynata Technology; and
- to make sales of products incorporating Cynata Technology.

Under the License Agreement, Cynata is required to (as further summarised below):

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

With respect to Cynata's sub-licensing rights under the License Agreement, Cynata may grant to third parties written sub-licenses, without the right to further sub-license, for certain licensed patents as outlined in the License Agreement, to make, use, sell, import and offer for sale therapeutic products or diagnostic products in a defined licensed field, in those countries or regions for which Cynata has paid to WARF the required patent fees and costs. Cynata may grant such a sub-licensee a separate, written, non-exclusive sub-license.

Cynata also granted to WARF a world-wide, nonexclusive, royalty-free, irrevocable, paid-up license, with the right to grant sub-licenses to the University of Wisconsin-Madison, the WiCell Research Institute and the Morgridge Institute for use of materials derived from the Cynata Technology for non-commercial research purposes.

Consideration and Payments

Cynata is obligated to pay to WARF a license fee of US\$170,000, in three separate instalments, as follows:

- (a) US\$50,000 within 30 days of 26 March 2013 (which has been paid);
- (b) US\$60,000 within one year of 26 March 2013; and
- (c) US\$60,000 within two years of 26 March 2013.

In addition to this, Cynata agreed to pay to WARF a royalty based on the selling price of the products the subject of the licenses. Starting in calendar year 2014, Cynata must pay to WARF a minimum annual royalty against which any earned royalty paid for the same calendar year will be credited. The percentage of the royalty is doubled in certain circumstances where Cynata or any sub-licensees contest the validity of the Cynata Technology IP). Further, Cynata has agreed to reimburse WARF towards the costs incurred by WARF in filing, prosecuting and maintaining some of the licensed patents and patent applications outlined in the License Agreement.

If the Company exercises its rights to sub-license certain rights under the License Agreement, it must pay US\$10,000 to WARF and also 30% of any fees received by Cynata from such sub-licensees.

Milestones

Cynata agreed and warranted that it would meet certain milestones under the License Agreement. The outstanding milestones are that Cynata:

- (a) file a company sponsored Investigational New Drug application (or an equivalent) with the US Food and Drug Administration (or an equivalent foreign agency) on or before the fourth anniversary of 26 March 2013 for a therapeutic product. For each therapeutic product that meets this milestone, Cynata will make a payment to WARF on standard commercial terms within 120 days of the achievement;

- (b) file a Biologics License Application (or an equivalent) with the US Food and Drug Administration (or an equivalent foreign agency) on or before the eighth anniversary of 26 March 2013 for a therapeutic product. For each therapeutic product that meets this milestone, Cynata will make a payment to WARF on standard commercial terms within 120 days of the achievement; and
- (c) receive FDA approval (or an equivalent from a foreign agency) on or before the eleventh anniversary of the 26 March 2013 for a therapeutic product. For each therapeutic product that meets this milestone, Cynata will make a payment to WARF on standard commercial terms within 120 days of the achievement.

Warranties and Indemnities

Under the License Agreement, Cynata provided various warranties and representations typical of such contracts.

Cynata and any potential sub-licensee must further indemnify WARF, the University of Wisconsin-Madison and their various associated parties in relation to the death or injury or damage to property due to the sale, marketing, use or manufacture of products, licensed materials or any derivative materials or developments pursuant to the License Agreement. Cynata also warrants that it will maintain reasonably appropriate liability insurance coverage.

Assignment

The acquisition of Cynata by the Company does not trigger any further payments by Cynata, which is permitted to assign the License Agreement to the Company without the consent of WARF. Otherwise, Cynata cannot generally transfer or assign its rights and obligations under the License Agreement unless WARF gives prior written consent (not to be unreasonably withheld).

Termination

There are termination clauses within the License Agreement, which otherwise continues in force until expiration of the last to expire of the licensed patents and patent applications comprising the Cynata Technology. For example, Cynata may terminate the License Agreement upon 90 days' written notice. WARF may also terminate the Agreement in various situations such as for breaches by Cynata, defaults in payment, if the payment of earned royalties, once begun, ceases for more than four calendar quarters or if Cynata fails to meet any of the milestones summarised above or becomes insolvent.

11.5 Underwriting Agreement

The minimum raising of \$5,000,000 under the Offer has been underwritten to \$5,000,000 by the Underwriters who, pursuant to an underwriting agreement dated 23 September 2013, have each committed to subscribe for half of the shortfall of the \$5,000,000 minimum raising, or may in priority nominate parties giving firm commitments to subscribe for up to the entire minimum raising.

The underwriting agreement was subject to conditions precedent, being the Underwriters' satisfaction with due diligence, procuring any firm commitments to subscribe for the minimum raising under the Offer which the Underwriters deem necessary, the Underwriters consenting to be named in this Prospectus and the Prospectus being lodged with ASIC by 14 October 2013.

As all conditions precedent to the underwriting agreement have been satisfied as at the date of this Prospectus, the underwriting agreement is now unconditional and binding on the Underwriters.

In addition to their underwriting commitment, the underwriting agreement permits the Underwriters at any time in their absolute discretion to obtain firm commitments from other parties to subscribe for the minimum raising of \$5,000,000 pursuant to the Offer. The Directors have consequently structured the Offer to the effect that the minimum subscription will be allocated in priority to the Underwriters' sophisticated or professional investor nominees who give firm commitments to participate in the minimum raising. Further investors identified by the Directors may participate in the oversubscriptions subject to the Board's discretion.

The underwriting of the minimum raising under the Offer is subject to, among other things:

- Completion of the Option Agreements;
- the Company complying with its obligations to the Underwriters under the underwriting agreement;
- the Company obtaining Shareholders' approvals the subject of resolutions at the Company's Annual General Meeting to be held on 29 October 2013 (summarised in Section 2.2); and
- ASX giving conditional consent to the reinstatement of the Company's securities to official quotation on ASX after their suspension pending re-compliance with Chapters 1 and 2 of the ASX Listing Rules. That consent must be only conditional on matters acceptable to the Company and the Underwriters (acting reasonably).

The underwriting agreement also contains indemnities given by the Company in favour of the Underwriters and is subject to various restrictions on the Company's activities as is typical of such agreements and customary warranties and termination events, by which the underwriting proposals may not eventuate.

For example, among other termination rights, the Underwriters may terminate the underwriting agreement for delay in the Offer timetable, if this Prospectus does not comply with regulatory requirements, if the Company materially breaches the underwriting agreement or its constitution or relevant laws, if certain prescribed events or material adverse or significant changes occur to the Company or if certain regulatory interventions occur. The Underwriters termination right also triggers if the S&P ASX 200 Index or S&P ASX Healthcare Index drops by 10% or more below their respective levels as at the close of business on 20 September 2013. The Underwriters may also terminate the underwriting agreement in the event the Company's Shares finish trading on the ASX on any three consecutive days with a closing price that is less than \$0.02 (on a pre-Consolidation basis) prior to the suspension of the Company's Shares on the date of the Meeting.

In consideration for the underwriting commitment the Company must pay to each Underwriter an underwriting fee of \$150,000 (being in aggregate 6% of the underwritten minimum subscription of the Offer). In addition, the Company must pay to each Underwriter a fee equal to 3% of any amount raised pursuant to the Offer above the minimum subscription (being the oversubscriptions pursuant to the Offer of up to \$1,000,000) being up to \$30,000 to each Underwriter. These fees are payable even if the Underwriters underwriting obligations are not called upon (i.e. where there is no Offer shortfall). The Company will pay and will indemnify and keep indemnified the Underwriters against and in relation to, their reasonable costs and expenses of and incidental to the Offer.

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

Please refer to Section 12.5 for further information concerning Forrest Capital's interests in the Company, beyond its status as an Underwriter of the Offer.

11.6 Executive Services Agreements

The Company has entered into Executive Service Agreements with its Managing Director and CEO, Dr Ross Macdonald, its Executive Chairman, Dr Stewart Washer and Executive Director Mr Howard Digby on normal commercial terms and as summarised below.

(a) Dr Ross Macdonald – Dr Macdonald's engagement commenced on 1 August 2013 (**Commencement Date**) and will be ongoing for an initial period of twenty four months, which may

be extended if the Company and Dr Macdonald agree. Dr Macdonald's engagement may be terminated by either party giving six months written notice (although less than six months' notice is required in certain circumstances such as Dr Macdonald's illness, absence, material breaches or gross misconduct, or if the Company breaches the agreement in certain circumstances). In the event that the Company elects to make payment in lieu of notice, the Company must pay Dr Macdonald a payment equal to his salary for the remainder of the notice period.

Dr Macdonald's executive remuneration package comprises of the following:

- (i) A current salary \$120,000 per annum of employment (inclusive of mandatory superannuation) which was recently increased from \$60,000 triggered by the Company having raised over \$1,000,000 by issues of Shares via a private placement, Share Purchase Plan offer and exercise of Options, all of which were announced to the ASX. Dr Macdonald's salary will be increased to \$300,000 per annum of employment (inclusive of mandatory superannuation) if completion of the Option Agreements occurs and the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules and is reinstated to quotation by ASX.
- (ii) As approved by Shareholders at the Company's General Meeting on 27 September 2013, the Company issued on that day to Dr Macdonald's nominee (his wife, Sharon Anne Macdonald) 50,000,000 unlisted Options, each exercisable into one Share for \$0.02 and expiring on 27 September 2018 as part consideration for Dr Macdonald's services and which Options vest and are exercisable on the following basis:
 - (A) 25,000,000 on their date of issue;
 - (B) 15,000,000 subject to the volume weighted average price of Shares on the ASX being at least \$0.04 for 10 consecutive trading days; and
 - (C) 10,000,000 subject to the volume weighted average price of Shares on the ASX being at least \$0.06 for 10 consecutive trading days,

which terms will be amended in the event the Consolidation becomes effective, so that the exercise price and the vesting volume weighted average price thresholds are multiplied by twenty and the numbers of Options are divided by twenty. If Dr Macdonald is terminated in certain circumstances (including, among other customary events,

due to Dr Macdonald's absence, illness, material breaches or gross misconduct or if Dr Macdonald resigns upon six months' notice) prior to the end of the twelve months after the Commencement and he is no longer a Director, all outstanding vested and unvested Options will immediately lapse and expire.

For other events of termination where Dr Macdonald has also ceased to be a Director, the Options lapse on the earlier of six months thereafter or expiry of the Options' term (27 September 2018).

In addition to this, Dr Macdonald is reimbursed for all reasonable out of pocket expenses incurred in the performance of his duties and may be paid performance bonuses at the discretion of the Company.

Dr Macdonald's executive remuneration package will be subject to an annual review by the Board.

- (b) **Dr Stewart Washer** – Dr Washer's engagement commenced on 1 August 2013 (**Commencement Date**) and will be ongoing for an initial period of twenty four months, which may be extended if the Company and Dr Washer agree. Dr Washer's engagement may be terminated by either party giving 6 months written notice (although less than six months' notice is required in certain circumstances such as Dr Washer's absence, illness, material breaches or gross misconduct, or if the Company breaches the agreement in certain circumstances). In the event that the Company elects to make payment in lieu of notice, the Company must pay Dr Washer a payment equal to his salary for the remainder of the notice period.

Dr Washer's executive remuneration package comprises of the following:

- (i) A current salary \$96,000 per annum of employment (inclusive of mandatory superannuation) which was recently increased from \$48,000 triggered by the Company having raised over \$1,000,000 by issues of Shares via a private placement, Share Purchase Plan offer and exercise of Options, all of which were announced to the ASX. Dr Washer's salary will be increased to \$150,000 per annum of employment (inclusive of mandatory superannuation) if completion of the Option Agreements occurs and the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules and is reinstated to quotation by ASX.

- (ii) As approved by Shareholders at the Company's General Meeting on 27 September 2013, the Company issued on that day to Dr Washer's nominee (Mal Washer Nominees Pty Ltd <Mal Washer Family Trust>) 50,000,000 unlisted Options, each exercisable into one Share for \$0.02 and expiring on 27 September 2018 as part consideration for Dr Washer's services and which Options vest and are exercisable on the following basis:

- (A) 25,000,000 on their date of issue;
(B) 15,000,000 subject to the volume weighted average price of Shares on the ASX being at least \$0.04 for 10 consecutive trading days; and
(C) 10,000,000 subject to the volume weighted average price of Shares on the ASX being at least \$0.06 for 10 consecutive trading days,

which terms will be amended in the event the Consolidation becomes effective, so that the exercise price and the vesting volume weighted average price thresholds are multiplied by twenty and the numbers of Options are divided by twenty. If Dr Washer is terminated in certain circumstances (including, among other customary events, due to Dr Washer's absence, illness, material breaches or gross misconduct or if Dr Washer resigns upon six months' notice) prior to the end of the twelve months after the Commencement and he is no longer a Director, all outstanding vested and unvested Options will immediately lapse and expire.

For other events of termination where Dr Washer has also ceased to be a Director, the Options lapse on the earlier of six months thereafter or expiry of the Options' term (27 September 2018).

In addition to this, Dr Washer is reimbursed for all reasonable out of pocket expenses incurred in the performance of his duties and may be paid performance bonuses at the discretion of the Company.

Dr Washer's executive remuneration package will be subject to an annual review by the Board.

- (c) **Mr Howard Digby** – Mr Digby's engagement as executive director of the Company commenced pursuant to an executive service agreement on 6 September 2012. Prior to that he had served as a non-executive Director since 18 May 2012 at which time he joined the Board after being nominated by Forrest Capital (one of the Underwriters of the minimum raising under the Offer), which non-executive role was superseded

by the executive service agreement. Mr Digby may be terminated from his executive position by the Company giving notice at any time. Forrest Capital is not a related party of the Company and although Mr Digby previously performed consulting work for Forrest Capital in 2011, he has no personal interest in or formal association with Forrest Capital and he is not a related party of Forrest Capital.

In the event that the Company gives such notice to Mr Digby, the Company must pay Mr Digby an amount equal to one month's salary plus any accumulated entitlements (although less than one month's notice is required in certain circumstances such as Mr Digby's material breaches or gross or wilful misconduct). Mr Digby may terminate his engagement by giving the Company not less than one month's written notice, or immediately if the Company breaches a material term of the agreement.

Mr Digby's executive remuneration package comprises of the following:

- (i) a base salary of \$10,000 per month which is inclusive of superannuation; and
- (ii) ten million unlisted Options exercisable at \$0.02 each into one Share per Option (which were issued on a pre-Consolidation basis on 27 November 2012, following Shareholders' approval), expiring on 9 September 2016 and vesting as follows:
 - (A) 2,500,000 Options vested upon grant;
 - (B) 2,500,000 Options vested after the earlier of:
 - (I) 12 months continuous employment as a director of the Company (either executive or non-executive); and
 - (II) the volume weighted average price of Shares on the ASX is at least \$0.02 for 10 consecutive Business Days,which options have vested and are exercisable;
 - (C) 2,500,000 Options vesting after the earlier of:
 - (I) 24 months continuous employment as a director of the Company (either executive or non-executive); and
 - (II) the volume weighted average price of Shares on the ASX is at least \$0.03 for 10 consecutive Business Days.

(D) 2,500,000 Options vesting after the earlier of:

- (I) 24 months continuous employment as a director of the Company (either executive or non-executive); and
- (II) the volume weighted average price of Shares on the ASX is at least \$0.04 for 10 consecutive Business Days.

In addition to this, Mr Digby is reimbursed for all reasonable out of pocket expenses incurred in the performance of his duties.

The vesting volume weighted average price thresholds for Mr Digby's Options will be reconstructed in the same way as the Options issued to nominees of Drs Macdonald and Washer summarised in this Section.

Mr Digby's executive remuneration package is subject to an annual review by the Board. The Company has also agreed to indemnify Mr Digby in connection with the performance of his duties, subject to customary exceptions.

All the Options issued to Directors pursuant to their respective Executive Services Agreements were issued on a pre-Consolidation basis. Please refer to Section 3.9 for a description of the Company's proposed capital structure in the event the Consolidation is completed, including the reconstructed Options issued to Directors.

11.7 Non-Executive Director appointment letter – Peter Webse

On 18 May 2012, Mr Peter Webse was appointed to his present position as Non-Executive Director of the Company (in addition to his earlier appointment as Company Secretary the subject of Section 11.8). His appointment is subject to standard terms for non-executive directors and he is entitled to remuneration of \$36,000 per annum and subject to adjustments and annual review by the Board and when required, the Shareholders. Mr Webse's remuneration is paid through Platinum Corporate Secretariat Pty Ltd as trustee for the Webse Discretionary Trust (**Platinum**) at an agreed rate of \$3,000 per month plus GST. Mr Webse is a director of Platinum and he and his wife each own half of the issued shares in Platinum.

In addition to this, Mr Webse is reimbursed for all reasonable out of pocket expenses incurred in the performance of his duties.

11.8 Company secretarial services letter agreement

The Company has also entered into a letter agreement with Platinum Corporate Secretariat Pty Ltd as trustee for the Webse Discretionary Trust (**Platinum**) for the appointment of Mr Peter Webse as the Company's Company Secretary and the provision of company secretarial services to the Company (**Letter Agreement**). Under the terms of the Letter Agreement:

- (a) **Fixed monthly fees** – Platinum charges the Company a fixed monthly fee of \$4,000 (exclusive of GST and out of pocket expenses) in consideration for the company secretarial services. The fixed monthly fee may be reviewed every six months and does not cover work done for subsidiaries of the Company. The Company does not currently have any subsidiaries, but proposes for Cynata and Cynata's wholly owned subsidiary Cynata Australia Pty Ltd ACN 153 795 601 to become respectively a subsidiary and ultimate subsidiary of the Company upon completion of the Option Agreements.
- (b) **Additional fees** – Platinum may charge the Company an hourly rate of \$250 per hour (exclusive of GST and out of pocket expenses) for additional tasks and services that are beyond the agreed scope of company secretarial services. In addition to the aforementioned fees, Platinum may require the Company to reimburse it for any out of pocket expenses. The hourly rate may be reviewed every six months.
- (c) **Termination** – Either the Company or Platinum may terminate the Letter Agreement by giving two months written notice to the other party (or without notice by Platinum for default of payment or in other customary circumstances).

The remaining terms of the Letter Agreement are customary commercial terms for such an agreement.

11.9 Deeds of Indemnity Insurance and Access

The Company has entered into deeds of indemnity, insurance and access with each of its Directors. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company or a related body corporate (subject to customary exceptions). The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers and other documents provided to the Board in certain circumstances.

11.10 Services Agreements – Cynata

Cynata has entered into services agreements with two of its directors; Mr Ian Dixon and Professor Igor Slukvin on normal commercial terms and as summarised below:

- (a) **Ian Dixon** – Mr Dixon's Executive Director Agreement was effective from 1 February 2013. Remuneration under the Agreement for his role as executive director of Cynata is \$180,000 per annum inclusive of superannuation and he may claim expenses in certain circumstances. The Agreement is on a month-by-month basis with a minimum of two months notice to terminate.
- (b) **Igor Slukvin** – Professor Slukvin's Consulting Services Agreement was effective from 20 October 2012. Mr Slukvin provides scientific and strategic advice in the development of Cynata's current and potential future intellectual property assets and also assists in Cynata's investor relations activities. Remuneration is set at US\$80,000 per annum, which was reduced by mutual agreement to US\$60,000 per annum prior to commencement of the agreement. Professor Slukvin may claim expenses in certain circumstances. The agreement is subject to termination by either party upon 30 days' written notice (or Cynata may terminate it earlier in certain customary circumstances).

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Additional Information

12.1 Litigation

As at the date of this Prospectus, our Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against our Company.

On 26 February 2013 the Company settled a legal action with a former director of the Company and his associated entities in relation to a claim arising from the termination of a services contract. The claim was settled for payment by the Company of \$70,000 plus GST.

Please refer to section 2(f) of Appendix 3 of the Investigating Accountants Report in Section 9 for details of the settlement, post the 30 June 2013 balance date, of legal actions brought by two former directors of the Company.

12.2 Rights attaching to Shares

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with the Corporations Act and the Constitution.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and

- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by that Shareholder, or in respect of which that Shareholder is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) Winding-up

Subject to the rights of shareholders (if any) entitled to shares with special rights in a winding-up and the Corporations Act all assets that are to be distributed among Shareholders on a winding-up, shall be distributed in proportion to the Shares held by them respectively.

(e) Shareholder liability

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) Transfer of Shares

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) Variation of rights

Consistent with Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) Alteration of Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

One of the resolutions proposed for Shareholders' consideration at the Company's Annual General Meeting scheduled for 29 October 2013 is the adoption of a new constitution. If approved, the terms of the new constitution will apply to the Company.

For example, the proposed new constitution contains the following provisions, among others:

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

Clause 8.4 of the proposed new constitution enables the Company to charge a reasonable

fee (in accordance with ASX Listing Rule 8.14 as amended during 2011) when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.

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

(j) Dividends (clause 21)

Section 254T of the Corporations Act was amended effective 28 June 2010. There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

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

- (i) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (ii) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- (iii) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing Constitution reflects the former profits test and restricts the dividends to be paid only out of the profits of the Company. The proposed new constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in the payment of dividends in the future should the Company be in a position to pay dividends (which may never occur).

(k) Partial (proportional) takeover provisions (clause 35)

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

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

This clause of the proposed new constitution renews the equivalent provision of the Constitution and will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

(l) Number of Directors (Clause 13.1)

The proposed new constitution states that the number of Directors shall not exceed 9. The existing

Constitution currently provides that the number of Directors shall not exceed 7.

(m) Election of Directors (Clause 13.3)

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

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

- (i) 35 business days before that general meeting; and
- (ii) another date, which may be not later than the last date on which the notice convening the general meeting may be lawfully given, fixed in relation to that general meeting by resolution of the Board.

A copy of the proposed new constitution is available on the Company's website at www.ecoquest.com.au and will be provided to investors upon request.

12.3 Rights attaching to Options

A summary of the terms and conditions of each class of Options on issue in the Company on a pre-Consolidation basis as referred to in Section 3.9, is provided below (with terms defined for each class applying only to that class).

(a) Terms and Conditions of ASX listed 31 December 2014 Options

The Options entitle the holder (**Optionholder**) to subscribe for Shares on the following terms and conditions:

- (i) Each Option gives the Optionholder the right to subscribe for one Share.
- (ii) The Options will expire at 5.00 pm (WST) on 31 December 2014 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (iii) The amount payable upon exercise of each Option will be \$0.01 (**Exercise Price**).
- (iv) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (v) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (A) a written notice of exercise of Options specifying the number of Options being exercised; and

(B) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(Exercise Notice).

- (vi) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (vii) Within 10 Business Days of receipt of the Exercise Notice accompanied by payment of the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (viii) The Options are freely transferable.
- (ix) All Shares allotted upon the exercise of Options will upon allotment rank *pari passu* in all respects with other Shares.
- (x) The Company will apply for official quotation of the Options on ASX.
- (xi) The Company will apply for official quotation by the ASX of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those new Shares.
- (xii) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reconstruction.
- (xiii) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 5 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (xiv) Subject to paragraph (xii), an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

(b) Terms and Conditions of unlisted Options expiring on 27 September 2018 issued to nominees of Directors Ross Macdonald and Stewart Washer

The Options entitle the holder (**Optionholder**) to subscribe for Shares in the capital of the Company on the following terms and conditions:

- (i) Subject to the satisfaction of the relevant vesting condition in paragraph (ii) each Option gives the Optionholder the right to subscribe for one Share.

- (ii) The Options will vest in the following manner:
- (A) 50,000,000 (25,000,000 of the Options held by each Optionholder) on their date of issue;
 - (B) 30,000,000 (15,000,000 of the Options held by each Optionholder) subject to the volume weighted average price of Shares over a period of 10 consecutive trading days being at least \$0.04 prior to the expiry date of the Options, which \$0.04 price will be, subject to the Corporations Act and the ASX Listing Rules (where applicable), amended in the same manner as the Exercise Price (as defined below) in the event of a reorganisation of the Company's issued capital; and
 - (C) 20,000,000 (10,000,000 of the Options held by each Optionholder) subject to the volume weighted average price of Shares over a period of 10 consecutive trading days being at least \$0.06 prior to the expiry date of the Options, which \$0.06 price will be, subject to the Corporations Act and the ASX Listing Rules (where applicable), amended in the same manner as the Exercise Price (as defined below) in the event of a reorganisation of the Company's issued capital.
- (iii) Subject to paragraphs (iv) and (v) the Options will expire at 5.00 pm (WST) on that date which is 5 years after the date of issue of the Options (**Expiry Date**). Any Option which has not already lapsed due to paragraphs (iv) or (v) or been exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (iv) In the event that prior to the end of the twelve months after 31 July 2013 the relevant Director is no longer on the Company's Board and his employment has been terminated in certain circumstances (including, among other customary events, due to the Director's absence, illness, material breaches or gross misconduct or if the Director resigns upon six months' notice), all outstanding vested and unvested Options will immediately lapse and expire.
- (v) In the event that the Director is no longer on the Company's Board and his employment has been terminated other than in circumstances provided in paragraph (iv), all outstanding vested and unvested Options will immediately lapse and expire.
- (vi) The amount payable to the Company upon exercise of each vested Option will be \$0.02 (**Exercise Price**).
- (vii) The Options held by each Optionholder may be exercised in whole or in part only after the relevant Options have vested, and if exercised in part, multiples of at least 1,000 must be exercised on each occasion.
- (viii) An Optionholder may exercise their vested Related Party Options by the lodging with the Company, before the Expiry Date:
- (A) a written notice of exercise of the Options specifying the number of Options to be exercised (**Exercise Notice**); and
 - (B) all Option certificates for the Options being exercised; and
 - (C) a cheque or electronic funds transfer for the Exercise Price for the number of Options to be exercised.
- (ix) An Exercise Notice is only effective when the Company has received the Exercise Notice, the full amount of the Exercise Price in cleared funds and the relevant Option certificates for the Options being exercised (**Exercise Date**).
- (x) Within 15 Business Days after the latter of the following:
- (A) the Exercise Date; and
 - (B) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceased to be excluded information;
- but in any case no later than 20 Business Days after the Exercise Date, the Company will:
- (C) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice and for which cleared funds and Option certificates have been received by the Company; and
 - (D) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
 - (E) if admitted to the official list of ASX, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.
- If a notice delivered under (x)(D) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and to do all things necessary to satisfy section 708A(11) of the Corporations

Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

- (xi) The Options are not transferable, except with the prior written approval of the Board of Directors of the Company and the Optionholder agrees to also comply with any restrictions or escrow arrangements imposed by ASX or under applicable Australian securities laws.
- (xii) Shares issued on exercise of the Options will rank equally with the then issued Shares of the Company.
- (xiii) The Company will not apply for quotation of the Options on ASX.
- (xiv) If at any time the issued capital of the Company is reorganised, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules (where applicable) at the time of the reconstruction.
- (xv) There are no participating rights or entitlements inherent in the Options and the Optionholder will not be entitled vote at general meetings of the Company, participate in dividends or participate in new issues of capital offered to Shareholders during the currency of the Options.
- (xvi) Subject to paragraph (xiv), an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Related Party Option can be exercised.

(c) Terms and Conditions of unlisted Options issued to the Director Howard Digby, expiring on 9 September 2016

The Options entitle the holder (**Optionholder**) to subscribe for Shares on the following terms and conditions:

- (i) Each Option gives the Optionholder the right to subscribe for one Share.
- (ii) The Incentive Options will expire at 5.00 pm (WST) on 9 September 2016 (**Expiry Date**). Any vested Incentive Options not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (iii) The number, exercise price and amount payable upon exercise of each tranche of Options are set out in the following table:

Tranche	Number of Options	Exercise Price
A	2,500,000	\$0.02
B	2,500,000	\$0.02
C	2,500,000	\$0.02
D	2,500,000	\$0.02

- (iv) The Incentive Options vest as follows:
 - (A) Tranche A vest upon grant;
 - (B) Tranche B vest upon the earlier of 12 months continuous employment as a director of the Company (either executive or non-executive) and the volume weighted average price of the Company's Shares on the ASX being at least \$0.02 for 10 consecutive Business Days;
 - (C) Tranche C vest upon the earlier of 24 months continuous employment as a director of the Company (either executive or non-executive) and the volume weighted average price of the Company's Shares on the ASX being at least \$0.03 for 10 consecutive Business Days; and
 - (D) Tranche D vest upon the earlier of 24 months continuous employment as a director of the Company (either executive or non-executive) and the volume weighted average price of the Company's Shares on the ASX being at least \$0.04 for 10 consecutive Business Days;

(Vesting Conditions).

- (v) If the Optionholder ceases to be a director of the Company (for any reason whatsoever), all Options that, as at that date, have not vested, immediately lapse and will be cancelled on that date by the Company.
- (vi) The Options may be exercised by the Optionholder lodging with the Company, before the Expiry Date:
 - (A) a written notice of exercise of Options specifying the number of Options to be exercised; and
 - (B) a cheque or electronic funds transfer for the Exercise Price for the number of Options to be exercised.

(Exercise Notice).

- (vii) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (viii) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of the Options specified in the Exercise Notice.
- (ix) The Options are not transferable, except with the prior written consent of the Company.
- (x) All Shares allotted upon the exercise of the Options will upon allotment rank *pari passu* in all respects with other Shares.
- (xi) The Options will be unlisted options. No application for quotation of the Options will be made by the Company until such time as the Company in its absolute discretion determines

otherwise. Should the Company make an application for quotation of the Options and the ASX accepts the application for quotation of the Options then the Options will be listed options from the time that the ASX accepts such application.

- (xii) The Company will apply for official quotation by the ASX of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those new Shares.
- (xiii) If at any time the issued capital of the Company is reconstructed, all rights of the Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (xiv) There are no participating rights or entitlements inherent in the Options and the Optionholder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 5 Business Days after the issue is announced. This will give the Optionholder the opportunity to exercise his Options prior to the date for determining entitlements to participate in any such issue.
- (xv) Subject to paragraph (xiii), an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

(d) Terms and Conditions of the unlisted Options expiring on 30 November 2013 issued to the nominee of the Director Peter Webse

(i) Entitlement

The Options entitle the holder to subscribe for one Share upon the exercise of each Option. To obtain the right given by each Option, the Optionholder must exercise the Option in accordance with the terms and conditions of the Options.

(ii) Exercise Price

The exercise price of each Option is \$0.20 (which has been reconstructed to \$0.199 pursuant to clause (xii) below).

(iii) Expiry Date

The expiry date of Options is 30 November 2013.

(iv) Number of Options

The number of Options is 500,000.

(v) Exercise Period

The Options are exercisable at any time prior to the Expiry Date.

(vi) Notice of Exercise

The Options may be exercised wholly or in part by notice in writing to the Company and payment of the Exercise Price for each Options being exercised. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt. A notice of exercise is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

(vii) Shares Issued on Exercise

Shares issued on exercise of the Options rank equally with the Shares of the Company.

(viii) Quotation of Shares on Exercise

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options.

(ix) Timing of issue of Shares

After an Option is validly exercised, the Company must as soon as possible:

(A) issue the Share; and

(B) do all such acts matters and things to obtain

(I) the grant of quotation for the Share on ASX no later than 5 business days from the date of exercise of the Option; and

(II) receipt of cleared funds equal to the sum payable on the exercise of the Option.

(x) Participation in New Issues

There are no participation rights or entitlements inherent in the Options and the holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holder of the Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(xi) Adjustment for Bonus Issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

(A) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and

(B) no change will be made to the Exercise Price.

(xii) **Adjustment for Rights Issue**

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E [P - (S+D)]}{N+1}$$

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.

(xiii) **Adjustments for Reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholder may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(xiv) **Quotation of Options**

The Options will be unlisted Options. No application for quotation of the Options will be made by the Company until such time as the Company in its absolute discretion determines otherwise. Should the Company make an application for quotation of the Options and the ASX accepts the application for quotation of the Options then the Options will be listed options from time to time that the ASX accepts such application.

(xv) **Options Transferable**

The Options are transferable.

(xvi) **Lodgement Instructions**

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Options with the appropriate remittance should be lodged at the Company's share registry.

12.4 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer or the offer of Vendor Consideration Shares; or
- (c) the Offer or the offer of Vendor Consideration Shares, and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:
- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (iii) the Offer or the offer of Vendor Consideration Shares.

12.5 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer or the offer of Vendor Consideration Shares; or
- (c) the Offer or the offer of Vendor Consideration Shares,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (d) the formation or promotion of the Company; or
- (e) the Offer.

Griffith Hack has acted as Patent Attorney and has prepared the Intellectual Property Report which is included in Section 8 of this Prospectus. The Company estimates it will pay Griffith Hack a total of \$3,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Griffith Hack has not received fees from the Company for any other services.

Stantons International Audit and Consulting Pty Ltd has acted as the Company's auditor and Stantons International Audit and Consulting Pty Ltd (trading as Stantons International Securities) has acted as the Company's Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 9 of this Prospectus. The Company estimates it will pay Stantons International Securities a total of \$8,500 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Stantons International Audit and Consulting Pty Ltd has received \$55,017 (excluding GST) from the Company in consideration for audit services and has not received any fees from the Company for any other services.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$80,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received fees of \$11,565 (excluding GST) from the Company for other legal services to the Company and has not received any fees from the Company for any other services.

The Underwriters propose to obtain firm commitments from sophisticated or professional investors giving firm commitments to participate in the minimum subscription under the Offer of \$5,000,000 and the Underwriters will alternatively underwrite the shortfall of that minimum subscription subject to the term of the underwriting agreement summarised in Section 11.5. In consideration for those services, the Underwriters will be paid the fees described in Section 11.5, even if they are not required to underwrite the Offer, due to, for example firm commitments being received from sophisticated or professional investors identified by the Underwriters.

One of the Underwriters, Forrest Capital, has acted as underwriter for the Company's non-renounceable pro-rata offer of Shares and free attaching Options pursuant to a prospectus dated and announced to the ASX on 27 March 2012. Forrest Capital received a fee of 6% (excluding GST) of the underwritten amount under that prospectus, equating to \$38,066 (excluding GST) in total.

From and including May 2012 Forrest Capital also received \$5,000 per month (excluding GST) pursuant to a corporate mandate it agreed with the Company on 15 May 2012 (totalling \$85,000, excluding GST, to 30 September 2013) to introduce a suitable additional asset for the Company coupled with the first right to raise funds pursuant to such an acquisition. Forrest Capital is also entitled to receive 4% of the funds raised and a 2% management fee and to receive payment of its expenses associated with such a capital raising. The Company's acquisition of Cynata Shares since 2012, including in relation to the Option Agreements was sourced by Forrest Capital pursuant to the mandate.

Forrest Capital also managed placements of Shares in the Company announced to the ASX on 6 February 2012 and 20 September 2012, for which Forrest Capital received in aggregate \$139,500 (excluding GST) as consideration and 12 million listed Options expiring on 31 December 2014.

In addition, Forrest Capital also managed a placement of Shares in conjunction with the Company's Share Purchase Plan offer announced on 1 August 2013. That placement and Share Purchase Plan was made pursuant to a placement mandate executed on 30 July 2013 between the Company and Forrest Capital, which featured a fee to Forrest Capital of 6% (exclusive of GST) of the funds raised under the placement, the exercise of any Options and the Share Purchase Plan and reimbursement of Forrest Capital's expenses associated with the capital raising. The Company also indemnified Forrest Capital in relation to various customary liabilities arising from its services to the Company, for which Forrest Capital received in aggregate \$86,990 (excluding GST). The shares in Forrest Capital are held by two substantial Shareholders of the Company, Tisia Nominees Pty Ltd and JK Nominees Pty Ltd. The substantial Shareholdings of these entities in the Company as at the date of the Prospectus (in trustee capacities) are outlined in Section 3.10. Those substantial holders are also the lessors of the Company's office lease in Cottesloe, Western Australia, which involves rent payable to them by the Company as tenant of \$830 per month (exclusive of GST), commencing on 25 September 2012 and expiring on 1 January 2014.

Mr Howard Digby, a Director of the Company, was nominated by Forrest Capital to that position and joined the Board on 18 May 2012. However Forrest Capital is not a related party of the Company and although Mr Digby previously performed consulting work for Forrest Capital in 2011, he has no personal interest in or formal association with Forrest Capital and he is not a related party of Forrest Capital.

12.6 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Griffith Hack has given its written consent to being named as the Company's Patent Attorney in this Prospectus, the inclusion of the Intellectual Property Report in Section 8 of this Prospectus and all other information concerning it in this Prospectus in the form and context in which the information and report are included. Griffith Hack has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Stantons International Audit and Consulting Pty Ltd has given its written consent to being named as the Company's auditor and Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 9 of this Prospectus and all other information concerning it in this Prospectus in the form and context in which the information and report are included. Stantons International Audit and Consulting Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Professor Igor Slukvin has given his written consent to being named as a founder of Cynata in this Prospectus and to other information in this Prospectus relating to him in the form and context in which the information is included. Professor Igor Slukvin has not withdrawn his consent prior to lodgement of this Prospectus with the ASIC.

Mr Ian Dixon has given his written consent to being named as a founder of Cynata in this Prospectus and to other information in this Prospectus relating to him in the form and context in which the information is included. Mr Ian Dixon has not withdrawn his consent prior to lodgement of this Prospectus with the ASIC.

Forrest Capital has given its written consent to being named as an Underwriter in this Prospectus and to all other information concerning it in this Prospectus in the form and context in which the information is included. Forrest Capital has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

KTM Capital Pty Ltd has given its written consent to being named as an Underwriter in this Prospectus and to all other information concerning it in this Prospectus in the form and context in which the information is included. KTM Capital Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Security Transfer Registrars Pty Ltd has given its written consent to being named as the share registry to the Company in this Prospectus and to the inclusion of statements relating to it in this Prospectus in the form and context in which those statements are included. Security Transfer Registrars Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Cynata has given its written consent to being named in this Prospectus and to the inclusion of statements relating to it in this Prospectus in the form and context in which those statements are included. Cynata has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

12.7 Expenses of the Offer and the offer of Vendor Consideration Shares

The total expenses of the Offer and associated matters and the offer of Vendor Consideration Shares (excluding GST) are estimated to be approximately \$512,635 for minimum subscription or \$574,580 for the minimum subscription plus oversubscriptions and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Minimum Subscription (\$)	Full Subscription (\$)
ASIC fees	2,225	2,225
ASX fees	71,135	72,080
Underwriters' fees for the Offer*	300,000	360,000
Legal Fees	85,000	85,000
Patent Attorney's Fees	3,000	3,000
Investigating Accountant's Fees	8,500	8,500
Printing and Distribution	31,000	31,000
Miscellaneous	11,775	12,775
TOTAL	512,635	574,580

* Underwriters' fees will be paid pursuant to the Underwriting Agreement (refer to Section 11.5 of this Prospectus for further information).

12.8 Continuous disclosure obligations

As the Company is admitted to ASX's Official List, the Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information is publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants is also managed through disclosure to the ASX. In addition, the Company posts this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

12.9 Electronic Prospectus

Pursuant to Class Order 00/44, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at <http://www.ecoquest.com.au>.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

12.10 Financial Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

12.11 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

The Company participates in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

12.12 Privacy statement

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

13

Directors' Authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors. In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



Dr Stewart Washer

Executive Chairman

For and on behalf of

Eco Quest Limited (to be renamed Cynata Therapeutics Limited)

Where the following terms are used in this Prospectus they have the following meanings:

\$	means an Australian dollar.
Application Form	means the application form attached to or accompanying this Prospectus relating to the Offer.
ASIC	means the Australian Securities & Investments Commission.
ASX	means ASX Limited ACN 008 624 691 or the financial market operated by it as the context requires.
ASX Listing Rules	means the official listing rules of ASX.
Board	means the board of Directors as constituted from time to time.
Business Day	means a day that is not a Saturday, Sunday or public holiday in Western Australia.
Closing Date	means the closing date of the Offer as set out in the indicative timetable in the Investment Overview in Section 3 of this Prospectus (subject to the Company reserving the right to extend the Closing Date or close the Offer early).
Company	means Eco Quest Limited (to be renamed Cynata Therapeutics Limited) ACN 104 037 372.
Constitution	means the constitution of the Company.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Cymerus™	is a stem cell platform technology, originating from the University of Wisconsin-Madison, included in the Cynata Technology.
Cynata	means Cynata Incorporated, a company incorporated in California, U.S.A. (Corporation number C3420976).
Cynata Share	means a fully paid share of common stock in the capital of Cynata.
Cynata Technology	means the Cymerus™ technology and a portfolio of patents and patent applications of which Cynata is a licensee (as described in Sections 6, 8 and 11.4).
Directors	means the directors of the Company at the date of this Prospectus.
Equity Security	includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.
ESC	means embryonic stem cells.
Forrest Capital	means Forrest Capital Pty Ltd ACN 118 115 834.
Investment Deed	has the meaning given in Section 2.1.
IP	means intellectual property.
iPSC	means induced pluripotent stem cells.
License Agreement	means the license agreement dated 26 March 2013 between Cynata and WARF by which the Cynata Technology was licensed to Cynata (as summarised in Section 11.4).
MCA	means Mesenchymoangioblasts, which are described in Section 6.1(c).

MSC	means mesenchymal stem cells, also known as mesenchymal stromal cells.
Offer	means the offer of Shares pursuant to this Prospectus as set out in Section 5 being an offer of a minimum of 12,500,000 Shares at an issue price of \$0.40 per Share to raise up to \$5,000,000 and oversubscriptions of up to a further 2,500,000 Shares at an issue price of \$0.40 per Share to raise up to a further \$1,000,000 may be accepted.
Official List	means the official list of ASX.
Official Quotation	means official quotation by ASX in accordance with the ASX Listing Rules.
Option	means an option to acquire a Share.
Optionholder	means a holder of one or more Options.
Option Agreements	means the eleven separate option agreements by which the Company has conditionally agreed to acquire from the Vendors all the Cynata Shares which the Company does not already own, as summarised in Section 11.3.
Prospectus	means this prospectus.
related party	has the meaning given in the Corporations Act.
relevant interest	has the meaning given in the Corporations Act.
Section	means a section of this Prospectus.
Securityholder	means a holder of one or more Securities.
Securities	means all Equity Securities of the Company, including a Share and an Option.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a holder of one or more Shares.
Stantons International Securities	means Stantons International Audit and Consulting Pty Ltd ACN 144 581 519 (trading as Stantons International Securities).
Underwriters	means Forrest Capital Pty Ltd ACN 118 115 834 and KTM Capital Pty Ltd ACN 086 281 950, who have agreed with the Company to underwrite the minimum subscription of \$5,000,000 pursuant to the Offer (but not to underwrite the oversubscriptions of up to \$1,000,000).
US\$	means a United States of America dollar.
Vendor Consideration Shares	means in aggregate 10,000,001 Shares proposed to be issued on a post-Consolidation basis to the Vendors (or their nominees) in consideration for the acquisition by the Company of all of the Cynata Shares which the Company does not already own.
Vendors	means each holder of Cynata Shares, other than the Company, who have entered into the Option Agreements, being: <ul style="list-style-type: none"> (a) Allen David Bollands; (b) Alexander Gosling and Wirat Sukprem as trustees for the Presling Super Fund (AB Gosling Pension 1); (c) Guy John Humble; (d) Ian Edward Dixon; (e) Igor Slukvin; (f) Roger Aston; (g) Technology Farmers Pty Ltd; (h) Geoffrey Tymms; (i) Maksym Vodyanik; (j) Reece Walcott Walker; and (k) Wiedman Investments Pty Ltd.
WARF	means Wisconsin Alumni Research Foundation, a non-profit Wisconsin corporation.
WST	means Western Standard Time as observed in Perth, Western Australia.

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INSTRUCTIONS TO APPLICANTS

A. Application for Shares

The Application Form must only be completed in accordance with instructions included in the Prospectus.

B. Name of Applicant

Write the Applicant's FULL NAME. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registrable title. Applications using the incorrect form of registrable title may be rejected.

C. Name of Joint Applicants or Account Designation

If JOINT APPLICANTS are applying, up to three joint Applicants may register. If applicable, please provide details of the Account Designation in brackets. Please refer to the bottom of this page for instructions on the correct form of registrable title.

D. Address

Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after Suburb/Town.

E. Contact Details

Please provide a contact facsimile number and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Application Form.

F. CHESS HIN or existing SRN Details

The Company participates in CHESS. If the Applicant is already a participant in this system, the Applicant may complete this section with their existing CHESS HIN. If the applicant is an existing shareholder with an Issuer Sponsored account, the SRN for this existing account may be used. Otherwise leave the section blank and the Applicant will receive a new Issuer Sponsored account and statement.

G. Cheque Details

Make cheques payable to "Eco Quest Limited" in Australian currency and cross them "Not Negotiable". Cheques must be drawn on an Australian Bank. The amount of the cheque should agree with the amount shown on the Application Form.

H. Declaration

This Application Form does not need to be signed. By lodging this Application Form and a cheque for the application money this Applicant hereby:

- (1) applies for the number of Shares specified in the Application Form or such lesser number as may be allocated by the Company's Directors;
- (2) agrees to be bound by the constitution of the Company;
- (3) authorises the Company's Directors to complete or amend this Application Form and any other documentation where necessary to correct any errors or omissions;
- (4) Acknowledges that he/she received a copy of the Prospectus attached to this Application Form or a copy of the Application Form before applying for Shares;
- (5) Acknowledges that he/she will not provide another person with this Application Form unless it is attached to or accompanied by the Prospectus; and
- (6) Acknowledges that the Company will send me/us a paper copy of the Prospectus and any supplementary prospectus (if applicable) free of charge if I/we request so during the currency of the Prospectus.

If an Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Company's Directors as to whether to accept an Application Form, and how to construe, amend or complete it, shall be final. An Application Form will not however, be treated as having offered to subscribe for more Shares than is indicated by the amount of the accompanying cheque.

Forward your completed application together with the application money to:

Eco Quest Limited
C/- Platinum Corporate Secretariat Pty Ltd, Level 2, 1 Walker
Avenue, West Perth WA 6005

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund



www.ecoquest.com.au