
ECO QUEST LIMITED

ACN 104 037 372

NOTICE OF GENERAL MEETING

TIME: 11.30 am WST

DATE: 27 September 2013

PLACE: Level 2, 1 Walker Avenue, West Perth, Western Australia

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

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

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IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that a General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 11.30 am WST on Friday, 27 September 2013 at Level 2, 1 Walker Avenue, West Perth, Western Australia.

YOUR VOTE IS IMPORTANT

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

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 5.00 pm WST on Wednesday, 25 September 2013.

VOTING IN PERSON

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

VOTING BY PROXY

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

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

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

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this General Meeting. An amendment to the Act (“Amending Act”) received Royal Assent on 27 June 2012, which aims to clarify confusion surrounding proxy voting by chairpersons for remuneration related matters.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

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

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

Transfer of non-chair proxy to chair in certain circumstances

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

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

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

BUSINESS OF THE MEETING

AGENDA

ORDINARY BUSINESS

1. RESOLUTION 1 – RATIFICATION OF SHARE ISSUE – PLACEMENT

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

"That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 30,000,000 Shares at an issue price of \$0.01 each, on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any persons who participated in the Placement, and any associates of those persons. However, unless otherwise restricted by the Corporations Act, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – RATIFICATION OF SHARE ISSUE – SHARE PURCHASE PLAN

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

"That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of up to 45,750,000 Shares at an issue price of \$0.01 each, on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any persons who participate in the Share Purchase Plan, and any associates of those persons. However, unless otherwise restricted by the Corporations Act, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. RESOLUTION 3 – ISSUE OF OPTIONS TO DR STEWART WASHER

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

"That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 50,000,000 Related Party Options to Dr Stewart Washer on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Dr Washer and any of his associates. However, unless otherwise restricted by the Corporations Act, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) proxy is the Chair of the Meeting; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

4. RESOLUTION 4 – ISSUE OF OPTIONS TO DR ROSS MACDONALD

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

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 50,000,000 Related Party Options to Dr Ross Macdonald on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Dr Macdonald and any of his associates. However, unless otherwise restricted by the Corporations Act, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) proxy is the Chair of the Meeting; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

DATED: 14 AUGUST 2013

BY ORDER OF THE BOARD



Peter Webse
Company Secretary

EXPLANATORY STATEMENT

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

1. RESOLUTION 1 – RATIFICATION OF SHARE ISSUE – PLACEMENT

1.1 General

On 1 August 2013 the Company announced the placement of 30,000,000 Shares at \$0.01 each to raise \$300,000 before raising costs (**Placement**). Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 of the issue of those Shares.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

1.2 Information required for the purposes of ASX Listing Rule 7.4

Pursuant to and in accordance ASX Listing Rule 7.5, the following information is provided in relation to the Placement:

- (a) 30,000,000 Shares were allotted and issued;
- (b) the issue price was \$0.01 per Share;
- (c) the Shares were allotted and issued to sophisticated and professional investors who are not related parties of the Company;
- (d) the Shares issued pursuant to the Placement are fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (e) the funds raised by the Placement have been or will be used to increase working capital, to assist in funding the Company's current activities and to cover the Company's costs of re-compliance should the Company exercise the option to acquire the balance of shares it does not already own in US stem cell company, Cynata Inc.

2. RESOLUTION 2 – RATIFICATION OF SHARE ISSUE – SHARE PURCHASE PLAN

2.1 General

On 1 August 2013 the Company announced that eligible shareholders (i.e. those with a registered address in Australia or New Zealand) will be given the opportunity to purchase a parcel of Shares under a share purchase plan valued

at either \$2,500 (250,000 Shares) or \$5,000 (500,000 Shares), at a subscription price of \$0.01 per Share, free from all brokerage and commissions (**Share Purchase Plan**).

Resolution 2 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 of the issue of Shares under the Share Purchase Plan. The Company will issue up to 45,750,000 Shares pursuant to the Share Purchase Plan. The number of Shares to be issued under the Share Purchase Plan will depend on shareholder participation in the plan. The Company will announce to ASX the exact number of Shares issued under the Share Purchase Plan on or about 4 September 2013.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

An exception to Listing Rule 7.1 is the issue of shares under a share purchase plan (Listing Rule 7.2 Exception 15). However, for Listing Rule 7.2 Exception 15 to apply the issue price of the shares must be at least 80% of the average market price for shares in that class (calculated over the last 5 days on which sales in the shares were recorded, either before the day on which the issue was announced or before the day on which the issue was made). The subscription price for Shares under the Share Purchase Plan represents a 31.5% discount to the average market price before the issue was announced. Accordingly, the Company cannot rely on Listing Rule 7.2 Exception 15 to issue the Shares under the Share Purchase Plan.

However, ASX Listing Rule 7.4 sets out another exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

2.2 Information required for the purposes of ASX Listing Rule 7.4

Pursuant to and in accordance ASX Listing Rule 7.5, the following information is provided in relation to the Share Purchase Plan:

- (a) up to 45,750,000 Shares will be allotted and issued under the Share Purchase Plan on or about 4 September 2013;
- (b) the issue price will be \$0.01 per Share;
- (c) the Shares will be allotted and issued to eligible Shareholders (i.e. those with a registered address in Australia or New Zealand) who elect to participate in the Share Purchase Plan;
- (d) the Shares issued pursuant to the Share Purchase Plan will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (e) the funds raised by the Share Purchase Plan will be used to increase working capital, to assist in funding the Company's current activities and

to cover the Company's costs of re-compliance should the Company exercise the option to acquire the balance of shares it does not already own in US stem cell company, Cynata Inc.

3. RESOLUTIONS 3 & 4 – ISSUE OF OPTIONS TO RELATED PARTIES

3.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 100,000,000 Options (**Related Party Options**) to Dr Stewart Washer and Dr Ross Macdonald (or their respective nominees) (**Related Parties**)Washer) on the terms and conditions set out below.

The Company is proposing to issue the Related Party Options as follows:

Related Party	Number of Options
Dr Stewart Washer	50,000,000
Dr Ross Macdonald	50,000,000

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The grant of the Related Party Options constitutes giving a financial benefit and Dr Washer and Dr Macdonald are related parties of the Company by virtue of being Directors of the Company.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained, unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Company that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of the Related Party Options to the Related Parties.

3.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Related Party Options:

- (a) the related parties are Dr Stewart Washer and Dr Ross Macdonald and they are related parties by virtue of being Directors of the Company;
- (b) the maximum number of Related Party Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is;

- (i) 50,000,000 Related Party Options to Dr Stewart Washer; and
 - (ii) 50,000,000 Related Party Options to Dr Ross Macdonald.
- (c) the Related Party Options will be granted to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Options will be issued on one date;
- (d) the Related Party Options will be granted for nil cash consideration. Accordingly, no funds will be raised from the issue of the Related Party Options;
- (e) the Related Party Options will vest in the following manner:
- (i) 50,000,000 (25,000,000 of the Related Party Options held by each Related Party (or their nominee)) on the date of issue;
 - (ii) 30,000,000 (15,000,000 of the Related Party Options held by each Related Party (or their nominee)) 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 Related Party 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
 - (iii) 20,000,000 (10,000,000 of the Related Party Options held by each Related Party (or their nominee)) 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 Related Party 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.
- (f) the amount payable on exercise of each vested Related Party Option will be \$0.02 (**Exercise Price**);
- (g) the terms and conditions of the Related Party Options are set out in Schedule 1;
- (h) the value of the Related Party Options and the pricing methodology is set out in Schedule 2;
- (i) the relevant interest of the Related Parties in securities of the Company are set out below:

Related Party	Shares	Options	Proposed Related Party Options
Dr Stewart Washer	-	-	50,000,000
Dr Ross Macdonald	-	-	50,000,000

- (j) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year
Dr Stewart Washer	<p>Salary of:</p> <ul style="list-style-type: none"> - \$48,000 p.a. initially; - \$96,000 p.a. upon achievement of \$1 million from equity capital raising, including without limitation from the exercise or options - \$150,000 p.a. upon settlement of the Company's proposed acquisition of Cynata Incorporated and reinstatement to trading of the Company's quoted securities after re-compliance with Chapters 1 and 2 of the ASX Listing Rules. <p>Dr Washer may be entitled to an annual performance bonus based on achievement of key performance indicators at the discretion of the Board.</p>	\$Nil
Dr Ross Macdonald	<p>Salary of:</p> <ul style="list-style-type: none"> - \$60,000 p.a. initially; - \$120,000 p.a. upon achievement of \$1 million from equity capital raising, including without limitation from the exercise of options; - \$300,000 p.a. upon settlement of the Company's proposed acquisition of Cynata Incorporated and reinstatement to trading of the Company's quoted securities after re-compliance with Chapters 1 and 2 of the ASX Listing Rules. <p>Dr Macdonald may be entitled to an annual performance bonus based on achievement of key performance indicators at the discretion of the Board.</p>	\$Nil

- (k) if the Related Party Options granted to the Related Parties are exercised, a total of 100,000,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 580,973,461 to 680,973,461 (assuming that no other Options are exercised and no

further Shares are issued other than 45,750,000 Shares under the Share Purchase Plan) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 14.68%, comprising 7.34% by Dr Washer and 7.34% by Dr Macdonald.

The market price for Shares during the term of the Related Party Options to Dr Washer and Dr Macdonald would normally determine whether or not the Related Party Options are exercised. If, at any time any of the Related Party Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Related Party Options, there may be a perceived cost to the Company.

- (l) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	2.8 cents	9 October 2012
Lowest	0.4 cents	30 August 2012
Last	1.5 cents	13 August 2013

- (m) the primary purpose of the grant of the Related Party Options is to provide a performance linked incentive component in the remuneration package for the Related Parties to motivate and reward the performance of the Related Parties in their respective roles as Executive Chairman and Managing Director;
- (n) in respect of Resolutions 3 and 4, Mr Howard Digby and Mr Peter Webse (who do not have a material personal interest in the Resolutions) recommend Shareholders vote in favour of those Resolutions for the following reasons;
- (i) the grant of the Related Party Options to the Related Parties will align the interests of Related Parties with those of Shareholders;
 - (ii) the grant of the Related Party Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater portion of its cash reserves on its operations than it would if alternative cash forms or remuneration incentives were given to the Related Parties; and
 - (iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Related Party Options upon the terms proposed;
- (o) Dr Washer declines to make a recommendation to Shareholders in relation to Resolution 3 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 3 be passed. However, in respect of Resolution 4, Dr Washer recommends that Shareholders vote in favour of that Resolution for the reasons set out in paragraph(n);
- (p) Dr Macdonald declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 4 be passed. However,

in respect of Resolution 3, Dr Macdonald recommends that Shareholders vote in favour of that Resolution for the reasons set out in paragraph (n);

- (q) Mr Digby and Mr Webse considered the experience of each Related Party, the current market price of Shares and the current market practices when determining the number of Related Party Options to be granted as well as the exercise price and expiry date of those Related Party Options. The Board resolution to issue the Related Party Options to the Related Parties (subject to shareholder approval) was passed before Dr Washer and Dr Macdonald were appointed. Accordingly, they did not vote on the relevant Board resolutions; and
- (r) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 3 and 4.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Related Party Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of Directors of the Company.

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

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

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or of the member's spouse; or
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company; or
- (e) a company the member controls.

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

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a current director of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

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

Key Management Personnel means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

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

Placement has the meaning given in section 1.1 of the Explanatory Statement.

Proxy Form means the proxy form accompanying the Notice.

Related Party Option means an Option granted pursuant Resolutions 2 and 3 with the terms and conditions set out in Schedule 1.

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

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

Shareholder means a holder of a Share.

Share Purchase Plan has the meaning given in section 2.1 of the Explanatory Statement.

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

SCHEDULE 1- TERMS AND CONDITIONS OF RELATED PARTY OPTIONS

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

- (a) Subject to the satisfaction of the relevant vesting condition in paragraph (b) each Related Party Option gives the Optionholder the right to subscribe for one Share.
- (b) The Related Party Options will vest in the following manner:
 - (i) 50,000,000 (25,000,000 of the Related Party Options held by each Optionholder) on their date of issue (Tranche A);
 - (ii) 30,000,000 (15,000,000 of the Related Party 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 Related Party 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 (Tranche B); and
 - (iii) 20,000,000 (10,000,000 of the Related Party 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 Related Party 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 (Tranche C).
- (c) Subject to paragraphs (d) and (e) the Related Party Options will expire at 5.00 pm (WST) on that date which is 5 years after the date of issue of the Related Party Options (**Expiry Date**). Any Related Party Option which has not already lapsed due to paragraphs (d) or (e) or been exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (d) In the event that prior to the end of the twelve months after the 31 July 2013 the Related Party is no longer on the Company's Board and his employment has been terminated under clauses 14.2 or 15.5(b) of the Services Agreement, all outstanding vested and unvested Related Party Options will immediately lapse and expire.
- (e) In the event that the Related Party is no longer on the Company's Board and his employment has been terminated other than in circumstances provided in paragraph (d), all outstanding vested and unvested Related Party Options will immediately lapse and expire.
- (f) The amount payable to the Company upon exercise of each vested Related Party Option will be \$0.02 (**Exercise Price**).
- (g) The Related Party Options held by each Optionholder may be exercised in whole or in part only after the relevant Related Party Options have vested, and if exercised in part, multiples of at least 1,000 must be exercised on each occasion.
- (h) An Optionholder may exercise their vested Related Party Options by the lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of the Related Party Options specifying the number of Related Party Options to be exercised (**Exercise Notice**); and
 - (ii) all Related Party Option certificates for the Related Party Options being exercised; and
 - (iii) a cheque or electronic funds transfer for the Exercise Price for the number of Related Party Options to be exercised.
- (i) 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 Related Party Option certificates for the Related Party Options being exercised (**Exercise Date**).

- (j) Within 15 Business Days after the latter of the following:
 - (i) the Exercise Date; and
 - (ii) 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:

- (iii) allot and issue the number of Shares required under these terms and conditions in respect of the number of Related Party Options specified in the Exercise Notice and for which cleared funds and Related Party Option certificates have been received by the Company; and
- (iv) 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
- (v) if admitted to the official list of ASX, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Related Party Options.

If a notice delivered under (j)(iv) 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.

- (k) The Related Party 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.
- (l) Shares issued on exercise of the Related Party Options will rank equally with the then issued Shares of the Company.
- (m) The Company will not apply for quotation of the Related Party Options on ASX.
- (n) 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.
- (o) There are no participating rights or entitlements inherent in the Related Party Options and 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 Related Party Options.
- (p) Subject to paragraph (n), a Related Party 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.

SCHEDULE 2- VALUATION OF RELATED PARTY OPTIONS

The Related Party Options to be issued to the Related Parties pursuant to Resolutions 3 and 4 have been independently valued.

Using the Black & Scholes option model and based on the assumptions set out below, the Related Party Options were ascribed the following value:

Assumptions:			
Valuation date		7 August 2013	
Market price of Shares		\$0.018	
Exercise price			
Tranche 1		\$0.02	
Tranche 2		\$0.02	
Tranche 3		\$0.02	
Expiry date (length of time from issue)		60 months	
Risk free interest rate		2.99%	
Volatility (discount)		130%	
Discount for options being unlisted		30%	
Probability of exercise			
Tranche 1		90% (10% discount)	
Tranche 2		30% (70% discount)	
Tranche 3		10% (90% discount)	
Indicative Value per Related Party Option			
Tranche 1		0.9160 cents	
Tranche 2		0.3053 cents	
Tranche 3		0.1018 cents	
		Tranche 1	Tranche 2
			Tranche 3
Total Value of Related Party Options		\$458,010	\$91,602
			\$20,356
Dr Stewart Washer	\$229,005	\$45,801	\$10,178
Dr Ross Macdonald	\$229,005	\$45,801	\$10,178

Note: The valuations noted above are not necessarily the market prices that the Related Party Options could be traded at and they are not automatically the market prices for taxation purposes.

PROXY FORM

APPOINTMENT OF PROXY

ECO QUEST LIMITED ACN 104 037 372

GENERAL MEETING

I/We

of

Appoint

being a member of Eco Quest Limited entitled to attend and vote at the General Meeting, hereby

Name of proxy

OR

the Chair of the General Meeting as my/our proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the General Meeting to be held at Level 2, 1 Walker Avenue, West Perth, Western Australia at 11.30 am WST on Friday, 27 September 2013, and at any adjournment thereof.

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

If the Chair of the Meeting is appointed as your proxy, or may be appointed by default and you do NOT wish to direct your proxy how to vote as your proxy in respect of a Resolution, please place a mark in the box.

By marking this box, you acknowledge that the Chair of the Meeting may exercise your proxy even if he has an interest in the outcome of Resolution 3 and that votes cast by the Chair of the Meeting for Resolution 3 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolution 3 and your votes will not be counted in calculating the required majority if a poll is called on Resolution 3.

Voting on Business of the General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1-Ratification of Share Issue – Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2-Ratification of Share Issue – Share Purchase Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3-Issue of Options to Dr Washer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4-Issue of Options to Dr Macdonald	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

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

%

Important if the Chairman of the Meeting is your proxy or is appointed your proxy by default

The Chairman of the Meeting intends to vote all available proxies in favour of Resolutions 3 and 4. If the Chairman of the Meeting is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to Resolutions 3 and 4, you will be authorising the Chairman to vote in accordance with the Chairman's voting intentions on Resolutions 3 and 4 even if Resolutions 3 and 4 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Signature of Member(s):

Date:

Individual or Member 1

Member 2

Member 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: _____ Contact Ph (daytime): _____

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and cast a vote at a General Meeting is entitled to appoint a proxy to attend and vote on their behalf at the meeting. If the member is entitled to cast 2 or more votes at the meeting, the member may appoint a second proxy to attend and vote on their behalf at the meeting. However, where both proxies attend the meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A member who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a member appoints 2 proxies and the appointments do not specify the proportion or number of the member's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - **(Power of Attorney):** If you have not already provided the Power of Attorney to the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) by hand to Eco Quest Limited, Suite 1, 1233 High Street, Armadale, Victoria 3143; or
 - (b) post to Eco Quest Limited, PO Box 271, West Perth, Western Australia 6872; or
 - (c) facsimile to the Company on facsimile number +613 9822 7735.

so that it is received no later than 11.30 am (WST) on Wednesday, 25 September 2013.

Proxy forms received later than this time will be invalid.