



24 September 2013

Dear Shareholder

On behalf of the Directors of Eco Quest Ltd ("Company") I am pleased to advise that on Monday 23 September 2013 Eco Quest exercised the options to acquire the remaining shares of Cynata Inc ("Cynata") that it does not already own. This follows the Company's announcement on 12 July 2013 that it had entered into option agreements with the shareholders of Cynata to acquire their shares in that company. Completion of this proposed acquisition is subject to various conditions described in the accompanying ASX announcement, including ECQ shareholder approval.

This signifies an important transforming event that will see the Company focus its business activities on the development of a stem cell technology deriving from 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 developments in medicine for many years and the Company aims to develop the technology of which Cynata is a licensee with the objective of securing a leading position in this exciting field.

The details of the proposed acquisition and associated transactions are set out in the accompanying ASX announcement, with the key terms as follow:

- acquisition of 100% of Cynata Inc through the issue of 200,000,000 shares (which number will be consolidated to approximately 10,000,000), subject to Shareholder approval;
- the consolidation of the Company's capital on a 20 for 1 basis (note that shares in the Company will trade on a pre-consolidated basis until shareholders have voted on the relevant resolutions);
- conduct a fully underwritten capital raising of \$5million at 40 cents per share (equivalent to a price of 2 cents on a pre-consolidation basis) lead by Forrest Capital and KTM Capital Pty Ltd, with the ability to accept over-subscriptions of an additional \$1 million, resulting in the issue of up to 15,000,000 new shares in the Company; and
- change the Company's name to Cynata Therapeutics Limited.

Please take the time to review the accompanying ASX announcement and also to peruse the CEO presentation that follows this letter.

The Directors of the Company are very excited about the intended acquisition of Cynata and fully endorse it to the shareholders of Eco Quest Limited.

Yours sincerely

A handwritten signature in blue ink, appearing to read "S. Washer", is written over a faint circular stamp.

Dr Stewart Washer
Chairman



Forward Looking Statement Assumptions

Some of the statements appearing in this announcement are in the nature of forward looking statements. You should be aware that such statements are only predictions and are based on assumptions of the Board of the Company and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which the Company and Cynata operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of the Company or its officers or any person involved in the preparation of this announcement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this announcement reflect the Company's Board's views held only as at the date of this announcement.

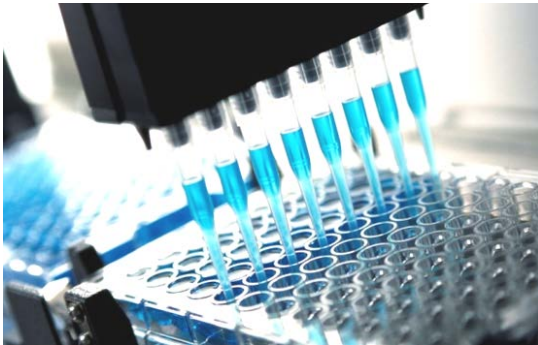


Proposal to Acquire Cynata

Becoming a next generation stem cell company

Dr Ross Macdonald, CEO, Eco Quest

24 September 2013



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Acquisition Overview

- Cynata Inc is a California registered company with rights to certain novel stem cell technology licensed from Wisconsin University Alumni Research Foundation (WARF)
- Eco Quest (ECQ) presently owns 33% of Cynata through investment of US\$1m in the company to date
- ECQ has exercised options to acquire all remaining shares in Cynata
- Upon completion of the potential acquisition, ECQ will be re-purposed as a biotechnology company with Cynata's technology as its chief asset
- Transformational event taking Eco Quest into the vibrant field of regenerative medicine



Key Terms of the Transaction

- Shareholder meeting to be held 29 October to consider:
 - Issuing 200m ECQ shares (currently 636m outstanding, on a pre-consolidation basis) to Cynata shareholders in consideration of the acquisition, which new shares are proposed to be consolidated to approximately 10m ECQ shares
 - The consolidation of Eco Quest's capital on a 1 for 20 basis, resulting in approximately 41.8 shares outstanding on a post-consolidation basis
 - Raising \$5,000,000 in a fully underwritten issue of new capital, with an ability to issue additional new capital of up to \$1,000,000 through oversubscriptions, resulting in the issue of a minimum of 12,500,000 shares and a maximum of 15,000,000 shares (on a post consolidation basis) at \$0.40 per share, (joint equal underwriters: Forrest Capital and KTM Capital Pty Limited)
 - Change the Company's name to Cynata Therapeutics Ltd
 - Adopt a new constitution
- Subject to:
 - ECQ shareholder approval and cash at bank of at least \$1,500,000
 - Regulatory approvals including the ability to re-comply with Chapters 1 & 2 of ASX Listing Rules
- ECQ currently has approximately 425 shareholders with holdings greater than \$2,000 (at a deemed share price of \$0.02 per share)



Outcome

- Following the Shareholder meeting on 29 October, and assuming approval and completion of the transaction, capital raising and consolidation:
 - Eco Quest will change its name to Cynata Therapeutics Ltd
 - The Company will have issued capital of between approximately 54,300,000 and 56,800,000 shares
 - Cash balance of between approximately \$6.7m and \$7.7m (before costs of the Cynata transaction, capital raising, underwriting and all other costs and expenditures) sufficient for around 24 months' operations based on current plans
 - Become a biotechnology company with a business focus on the development and commercialisation of a novel stem cell technology
 - Capital raised in the financing will be used to advance the proposed stem cell technology into pre-clinical and potentially clinical development in the next two years, subject to whether tests are successful
- Eco Quest's shares will cease trading on the date of the AGM (proposed to be 29 October) and subject to ASX approval are expected to resume trading around November 2013 as Cynata Therapeutics Ltd



Post-completion Board & Management

Executive Chairman: **Dr Stewart Washer**

Managing Director & CEO: **Dr Ross Macdonald**

Director: **Mr Howard Digby**

Director and Company
Secretary: **Mr Peter Webse**

- A tight team with extensive industry and public company experience plus a track record of commercialising therapeutic products
- Additional Board and management resources to be considered as product development progresses

Proposed Budget: 2013-15

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

Budget is indicative only and is subject to change. It does not include the effect of any exercise of options on issue in ECQ



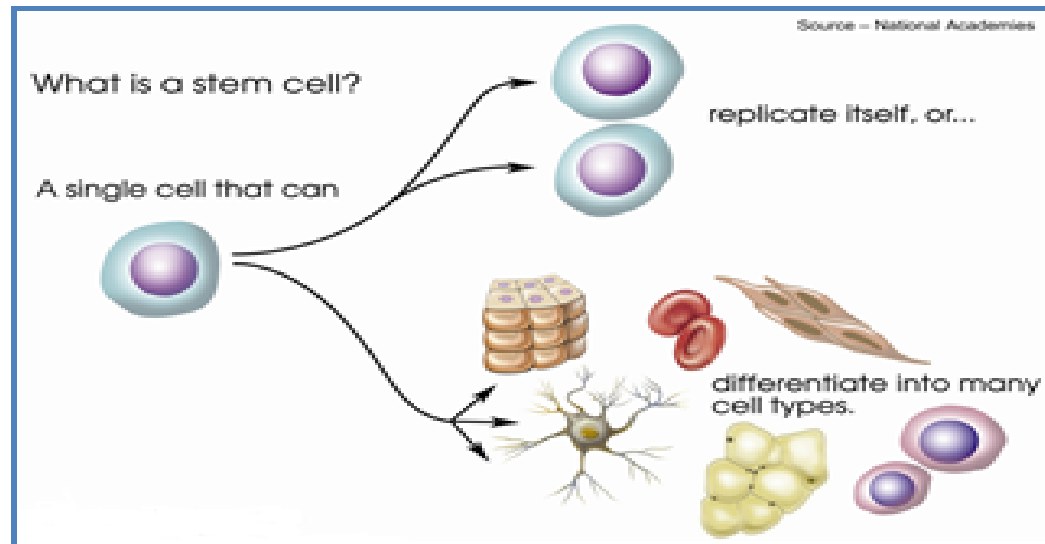
Cymerus™ Stem Cell Technology

The following slides provide a background to Cynata's licensed Cymerus™ technology

- Stem cell technologies represent one of the most exciting medical advances in recent years
- Highly-credentialed technology from University of Wisconsin: one of the leading centres of stem cell research
- Cynata acquisition provides a means to enter this vibrant field with two potential revenue sources (subject to whether development is successful):
 - Specific “off the shelf” therapeutic products derived from the Cymerus™ technology
 - Platform technology partnering/licensing: Cymerus™ proprietary (enabling) method of commercial-scale manufacture

What is a Stem Cell?

- Stem cells are unspecialised (undifferentiated) cells in the body that give rise to all functional cell types: blood, nerves, bone, muscle.....



- Stem cells may also assist in the body's own ability to repair or replace tissue that is damaged or destroyed by injury or disease:
 - Physical reconstruction of tissue (or causing it to happen)
 - **Immune modulation, i.e. anti-inflammatory**

Cymerus™ Stem Cell Technology

- Cynata has exclusive therapeutic rights to certain WARF patents, including:
 - a unique type of precursor stem cell, the mesenchymoangioblast (MCA)
 - methods of manufacture of pure mesenchymal stem/stromal cells (MSC's) from MCAs
 - key patent protection to 2028
- Outstanding pedigree: inventors on the WARF i.p. include James Thomson who derived the first human embryonic stem (ES) cell line in 1998 and human induced pluripotent stem cells (iPSCs) in 2007



Cymerus™ Pedigree: Stem Cell Pioneers

Cell
PRESS

Cell Stem Cell
Article

A Mesoderm-Derived Precursor for Mesenchymal Stem and Endothelial Cells

Maxim A. Vodyanik,¹ Junying Yu,¹ Xin Zhang,² Shulan Tian,³ Ron Stewart,³ James A. Thomson,^{1,3} and Igor I. Slukvin^{1,4,*}

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DOI 10.1016/j.stem.2010.11.011

James Thomson

- First to successfully isolate ES cells.
- Developed technique to manufacture iPSCs from differentiated cells.
- Scientific founder of Cellular Dynamics International (CDI)

Igor Slukvin

- Inventor of MCAs
- Scientific founder of Cynata
- Cofounder of CDI with James Thomson
- Published almost 70 peer reviewed papers in highly respected journals

Selected by Faculty of 1,000, placing it in top 2% of Biology/Medicine publications

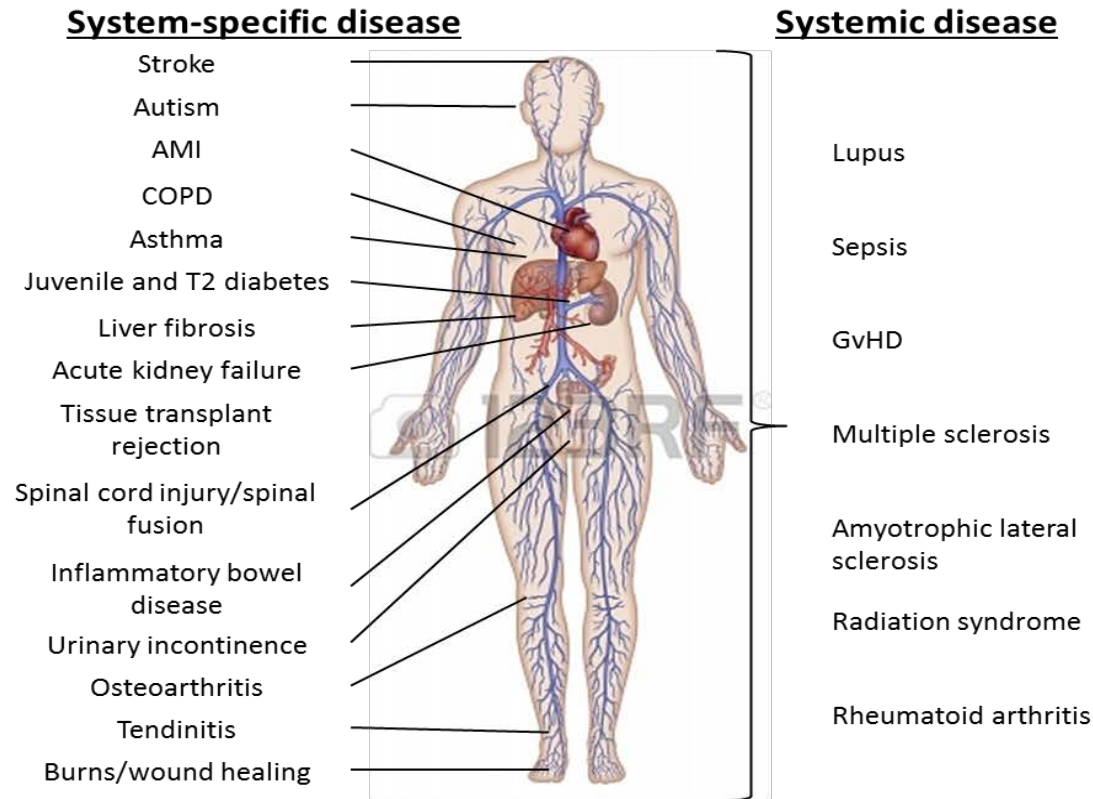
Stem Cell Field is Emerging

- Analogous to monoclonal antibody enabling technologies in '80s and '90s which now have a therapeutic market value in excess of US\$44.6b¹
- Commercial stem cell products are entering the market:
 - Prochymal (GvHD) – Osiris (USA)
 - Cartistem (Osteoarthritis) – Medipost/Dong-A (Korea)
- Most stem cell companies attractively priced based on forward estimates
- Multiple products in Phase 2 and 3
 - Sector news flow
 - Creates opportunities for Cynata
- Big pharma partnering/M&A:
 - Teva/Mesoblast
 - Pfizer/Athersys
 - United Therapeutics/Pluristem
 - Novartis/Regenerex

¹BCC Research, 2011 global market estimate of therapeutic monoclonals



Stem cells: the ultimate platform?

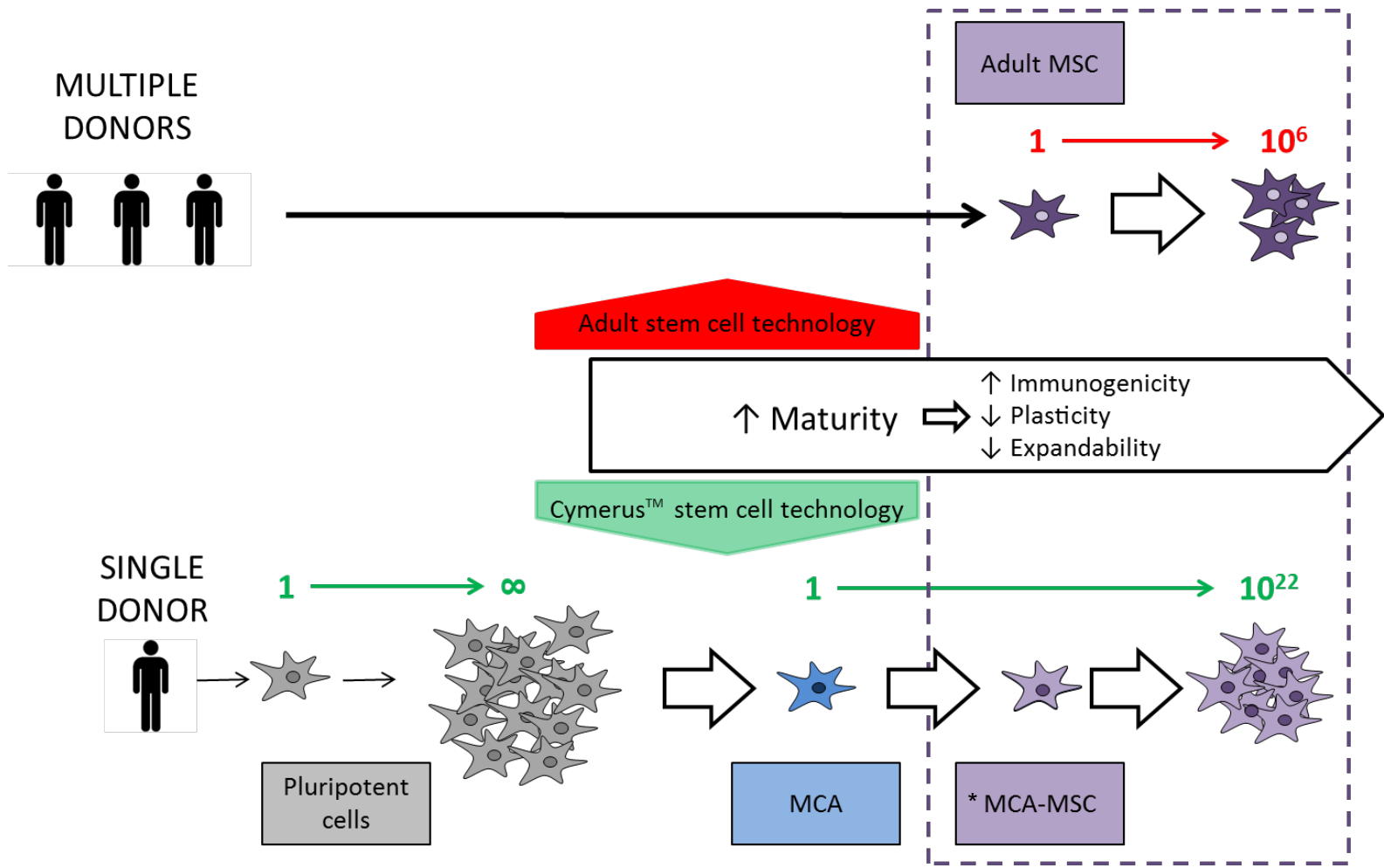


“... the MSCs serve as site-regulated, multidrug dispensaries or “drugstores” to promote and support the natural regeneration of focal injuries”

“... all of these disorders and conditions appear to be muted or cured by the injected or infused MSCs based upon two generalisable therapeutic activities: immunomodulation and trophic activities.”

Adapted from Caplan and Correa (2011): The MSC: An Injury Drugstore. Cell Stem Cell 9,11-15

Cymerus™ : manufacturing scalability



*Potential opportunity to provide cell bank

Potential Benefits of Cynata's MSCs vs Adult MSCs

VERSATILITY



• MSCs →

IMMUNOSUPPRESSION
REVASCULARISATION
BONE/CARTILAGE

MANUFACTURING
SCALEABILITY



• POTENTIALLY INFINITE EXPANSION FROM A
SINGLE DONOR

MANUFACTURING COST &
COMPLEXITY



• ELIMINATION OF REPEATED SOURCING AND
SCREENING OF DONORS
• REDUCED BATCH/BATCH VARIABILITY ISSUES

EFFICACY



• GREATER BATCH/BATCH REPRODUCIBILITY
MAY INCREASE CLINICAL PREDICTABILITY

SIDE EFFECTS



• MANY OBSERVED AE'S IN CLINICAL TRIALS
THOUGHT TO BE DUE TO CELL IMPURITIES

Commercial Strategy

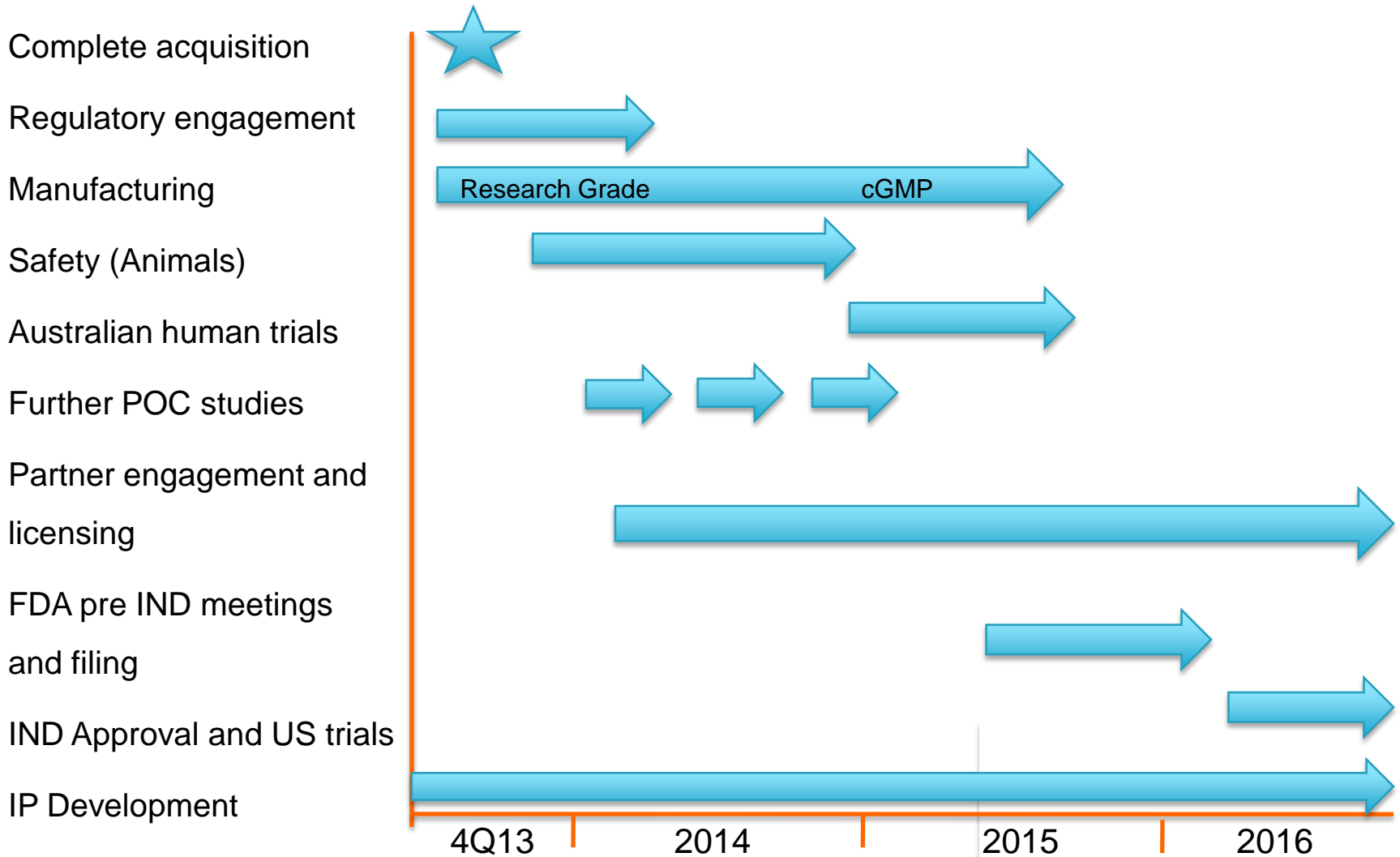
- Potential commercial opportunities from two sources:
 - Licensing of enabling technology to other stem cell companies/big pharma
 - Development of specific therapeutic products
- Business development activities will be initiated upon completion of roll-up

Cymerus™ Development Strategy

- **REGULATORY:** confirmation of regulatory strategy to assist in pre-clinical requirements and facilitate first-in-man Phase 1 study
- **MANUFACTURE:** manufacture of Cymerus™ product for pre-clinical program; commence development of manufacturing scale-up
- **CLINICAL:** aim to commence Phase 1 clinical study during 2H14 or 2015 (dependent upon regulatory path)
 - Selection of lead indication during 4Q13: short study, clear endpoints
 - Identify most attractive & feasible indication and study centre(s)
 - Support with appropriate pre-clinical and further PoC studies
- Expect value inflection points coincident with this program and with partnering activity



Proposed Cynata Timeline



Subject to completion of potential ECQ acquisition