



2 February 2010

Mr Nicholas Ong  
Principal Adviser, Issuers (Perth)  
ASX Markets Supervision Pty Ltd  
2 The Esplanade  
PERTH WA 6000

Dear Nicholas

We refer to your letter of 29 January 2010 concerning the Company's Appendix 4C for the period ended 31 December 2009, released to ASX Limited on 28 January 2010, and respond to your questions as follows:

1. The Company continues to monitor its cash position on a regular basis and is very conscious of its obligations in this respect. There are a number of other factors which should be taken into account in assessing the position of the Company, including:
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  - The Company is incurring ongoing one off costs in relation to the finalisation of the development of its biodegradable products, which are of an R&D nature;
  - The Company is entitled to receive an R&D tax rebate amounting to \$120k, which is expected in the March 2010 quarter; and
  - On 27 January 2010 the Company announced its first major order for its highly biodegradable nappy and anticipates generating initial revenue from that order of \$100k in the March 2010 quarter.
2. The Company expects that it will have negative cash flows for the March 2010 quarter at or around the levels of the previous quarter.

If required, the Company will raise capital by way of a placement of up to 15% of its issued capital to sophisticated investors following the general meeting of shareholders to be held in March 2010.
3. The Company's actual revenue and expenditure for the December 2009 quarter was largely in line with expectations.
4. The Company has announced its first major order for its biodegradable product range and has plans in place which it believes will lead to a growing order base. As required, it will fund its working capital requirements through support of new and existing shareholders.



5. The Board of the Company believes that it is in compliance with the ASX listing rules and, in particular, listing rule 3.1.
6. The Board of the Company believes that it is in compliance with ASX listing rule 12.2.

Yours sincerely

**Michael Greenup**  
For and on behalf of the Board

For personal use only

**ASX**

AUSTRALIAN SECURITIES EXCHANGE

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28 January 2010

Peter Webse  
Company Secretary  
Eco Quest Limited  
Level 1, 68 South Terrace  
Perth WA 6151By Email: [peter.webse@pcscorporate.com.au](mailto:peter.webse@pcscorporate.com.au)

Dear Peter,

**Eco Quest Limited (the "Company")**

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 December 2009, released to ASX Limited ("ASX") on 28 January 2010, (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of \$0.
2. Net negative operating cash flows for the quarter of \$[572,000].
3. Cash at end of quarter of \$723,000.

In light of the information contained in the Appendix 4C, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may only have sufficient cash to fund its activities until March 2010. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched the Company's anticipated revenues and expenses for that reporting period?
4. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
5. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
6. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

**Listing rule 3.1**

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on **facsimile number 9221 2020**. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, **not later than 5.00 p.m. W.S.T. on Tuesday, 2 February 2010**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries regarding any of the above, please contact me on 9224 0017.

Yours sincerely,



Nicholas Ong  
**Principal Adviser, Issuers (Perth)**