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**APOLLO LIFE SCIENCES LIMITED  
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)**

**ACN 102 084 917**

**NOTICE OF GENERAL MEETING**

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**TIME:** 11:00 am (EST)  
**DATE:** 4 August 2009  
**PLACE:** Pitcher Partners  
Level 22, MLC Centre  
19 Martin Place  
Sydney, New South Wales

*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.*

*NOTE: Stanton Partners Corporate Pty Ltd has prepared the Independent Expert's Report and has provided an opinion that it believes the proposals as outlined in Resolution 2 are fair and reasonable to the Shareholders not associated with the Company. It is recommended that all Shareholders read the Independent Expert's Report in full.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact Daniel Cooksley of Pitcher Partners on +61 2 9228 2262.*

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**TIME AND PLACE OF MEETING AND HOW TO VOTE**

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**VENUE**

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The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 11:00 am (EST) on 4 August 2009 at:

Level 22, MLC Centre  
19 Martin Place  
Sydney, New South Wales

**YOUR VOTE IS IMPORTANT**

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

**VOTING IN PERSON**

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

**VOTING BY PROXY**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to Apollo Life Sciences Limited, C/- Pitcher Partners, GPO Box 1615, SYDNEY, NEW SOUTH WALES, 2001; or
- (b) facsimile to the Deed Administrators on facsimile number +61 2 9223 1762,

so that it is received not later than 11:00 (EST) on 2 August 2009.

**Proxy Forms received later than this time will be invalid.**

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## LETTER TO SHAREHOLDERS

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Dear Shareholder

As you are aware, on 24 October 2008, Voluntary Administrators were appointed to assume control of the Company and 5 of its subsidiaries and now control the Company's business, property and affairs.

Under the terms of a Deed of Company Arrangement entered into by the Company on 3 December 2008, the Deed Administrators are authorised, among other things, to investigate the restructure of the Company's capital with a view to re-listing the Company on ASX for the benefit of creditors and Shareholders.

The Company has agreed with a proposal presented by Blueknight Corporation Pty Ltd (**Blueknight**) for the restructure and recapitalisation of the Company (**Proposal**). If completed, Blueknight's proposal will result in sufficient cash being injected into the Company to continue with certain of its operations and support the Company's future.

### Terms of the Proposal

The Proposal (which is encompassed in this Notice) will involve:

- (a) the retention of the Company's Over the Counter ("OTC") skin care therapeutics business, including all stock and associated materials;
- (b) the entry by the Company into a Creditors' Trust Deed for the purposes of satisfying approved creditor claims;
- (c) the consolidation of the Company's existing capital on a 1 for 20 basis, leaving the Company with 9,538,462 Shares on issue (prior to any other Securities being issued pursuant to the other Resolutions) (Resolution 1);
- (d) the Company undertaking the following two capital raisings:
  - (i) an initial raising constituting the placement of:
    - (A) 50 million Shares at a placement price of \$0.0025 per Share to raise \$125,000;
    - (B) 100 million Shares at a placement price of \$0.005 per Share to raise \$500,000; and
    - (C) 50 million free attaching options exercisable at \$0.005 per Option on or before 31 December 2012,

(Resolution 2) (**Blueknight Placement**). A total of 10 million of the Shares referred to in paragraph (A) above, 15 million of the Shares referred to in paragraph (B) above and 10 million of the Options referred to in paragraph (C) above are proposed to be placed to the proposed new Directors referred to in Resolutions 7 and 8 (Resolutions 3 and 4 respectively); and

- (ii) an additional raising of 200 million Shares at a placement price of \$0.005 per Share to raise \$1,000,000 (with \$350,000 of the funds raised being paid into the creditors' pool under the Creditors' Trust), plus oversubscriptions of up to a further 100 million Shares to raise up to a further \$500,000 (Resolution 5) (**General Placement**);

- (e) existing Directors John Priest, Tony Basten and Paul Murnane resigning on or before the Meeting and new Directors nominated by Blueknight being appointed to the Board (Resolutions 6 to 8); and
- (f) the change of the Company's name from Apollo Life Sciences Limited to Apollo Consolidated Limited (Resolution 9).

### Pro Forma Capital Structure

The proposed capital structure of the Company following completion of the Proposal is summarised below:

CAPITAL STRUCTURE	NO. OF SHARES	NO. OF OPTIONS
<b>Pre Consolidation Securities</b>	190,769,227	9,850,000 <sup>1</sup>
<b>Post 1:20 Consolidation Securities</b>	9,538,462	492,500 <sup>2</sup>
Blueknight Placement (Resolution 2)	150,000,000	50,000,000
General Placement (Resolution 5)	200,000,000 <sup>3</sup>	nil
<b>Completion of all Resolutions</b>	<b>359,538,462</b>	<b>50,492,500</b>

- The Company currently has the following Options on issue:
  - 400,000 Options exercisable at \$0.55 each expiring 1 March 2010;
  - 600,000 Options exercisable at \$0.55 each expiring 20 May 2010;
  - 200,000 Options exercisable at \$0.65 each expiring 01 March 2011;
  - 2,000,000 Options exercisable at \$0.65 each expiring 20 May 2011;
  - 50,000 Options exercisable at \$0.65 each expiring 24 November 2011; and
  - 6,600,000 Options exercisable at \$0.50 each expiring 1 February 2012.
- Post Consolidation, the Company will have the following Options on issue (excluding Options to be issued under the Blueknight Placement):
  - 20,000 Options exercisable at \$11.00 each expiring 1 March 2010;
  - 30,000 Options exercisable at \$11.00 each expiring 20 May 2010;
  - 10,000 Options exercisable at \$13.00 each expiring 01 March 2011;
  - 100,000 Options exercisable at \$13.00 each expiring 20 May 2011;
  - 2,500 Options exercisable at \$13.00 each expiring 24 November 2011; and
  - 330,000 Options exercisable at \$10.00 each expiring 1 February 2012.

It is not expected that these Options will be exercised as the exercise price is well in excess of the offer price under the General Placement.
- Assumes the General Placement is fully subscribed and no oversubscriptions are received. Oversubscriptions of a further 100,000,000 Shares to raise an additional \$500,000 may be accepted.

### Use of Funds

The Company's review and development plans are the best estimates available to the Company at this time. It is important to recognise that the proposed use of funds is subject to change in line with emerging results, circumstances and opportunities.

If the full amount of \$1,625,000 is raised under the Proposal (assuming the General Placement is fully subscribed), the Company intends to apply the funds raised as follows:

	Year 1	Year 2	Total
Payment to the creditors pool under the DOCA <sup>1</sup>	\$350,000	nil	<b>\$350,000</b>
Cost of Proposal	\$100,000	nil	<b>\$100,000</b>
Development of existing assets	\$225,000	\$250,000	<b>\$475,000</b>
Review & evaluation of new projects	\$160,000	\$100,000	<b>\$260,000</b>
Working capital	\$220,000	\$220,000	<b>\$440,000</b>
<b>Total</b>	<b>\$1,055,000</b>	<b>\$570,000</b>	<b>\$1,625,000</b>

Notes:

1. The Company will use \$350,000 of the funds raised from the Proposal to satisfy approved creditor claims in accordance with the terms of the DOCA.

### Reinstatement to Quotation

As already mentioned, subject to all the Resolutions being passed at the General Meeting, the Company intends to seek reinstatement to quotation on ASX. The Company will therefore need to satisfy ASX's requirements prior to reinstatement, including demonstrating a satisfactory level of Shareholder spread.

### Summary

In considering the Resolutions, Shareholders must bear in mind the current financial circumstances of the Company. In this regard, Shareholders should note that the Securities of the Company have been suspended from trading since 18 March 2008 and the Company requires recapitalisation to continue its operations and seek re-quotation of its Securities on ASX. The Resolutions contained in this Notice are therefore important and affect the future of the Company. Shareholders are urged to give careful consideration to the Notice and the contents of this Explanatory Statement.

**If all the Resolutions are passed and implemented, the Company will be debt free, it will be able to continue the OTC skin care therapeutics business in Australia and it will be in a position to apply to ASX for the reinstatement of its Securities to official quotation. The Deed Administrators consider this to be a realistic option to enable the Company to continue operating. The Deed Administrators will need to investigate other options for the Company if this restructure and recapitalisation is not approved by Shareholders, which will include liquidation, in which case it is expected there will be no return.**

Yours faithfully



**DAVID YOUNG & ANTHONY ELKERTON**  
 Joint Deed Administrators  
 Apollo Life Sciences Limited  
 (Subject to Deed of Company Arrangement)

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## NOTICE OF MEETING

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Notice is given that the General Meeting of Shareholders will be held at 11:00 am (EST) on 4 August 2009 at the offices of Pitcher Partners, Level 22 MLC Centre, 19 Martin Place, Sydney, New South Wales.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Deed Administrators 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 of the Company at 17:00 (EST) on 2 August 2009.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

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## AGENDA

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### 1. RESOLUTION 1 – CONSOLIDATION OF CAPITAL

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

*"That, subject to all other Resolutions in this Notice being passed, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that:*

- (a) every twenty (20) Shares be consolidated into one (1) Share; and*
- (b) every twenty (20) Options be consolidated into one (1) Option,*

*and, where this Consolidation results in a fraction of a Share or Option being held by a Shareholder or Optionholder, the Company be authorised to round that fraction up to the nearest whole Share or Option."*

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### 2. RESOLUTION 2 – PLACEMENT – SHARES AND OPTIONS – BLUEKNIGHT CORPORATION

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

*"That, subject to all other Resolutions being passed, for the purpose of Sections 208 and 611 (Item 7) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue up to 150 million Shares and 50 million free attaching Options (in each case on a post-Consolidation basis) to Blueknight Corporation Pty Ltd (an entity associated with proposed Director Mr Roger Steinepreis) (or its nominee(s)) on the terms and conditions set out in the Explanatory Statement."*

**Expert's Report:** Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under Listing Rule 10.1 and Section 611 Item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transaction to the non-associated Shareholders in the Company.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Blueknight (or its nominee(s)) or any of its associates. However, 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.

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**3. RESOLUTION 3 – PLACEMENT – SHARES AND OPTIONS – MR GEORGE VENTOURAS**

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

*“That, subject to all other Resolutions being passed, for the purpose of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue up to 10 million of the Blueknight Placement Shares and 5 million of the Blueknight Placement Options to Mr George Ventouras (a proposed new Director of the Company) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Ventouras or any of his associates. However, 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.

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**4. RESOLUTION 4 – PLACEMENT – SHARES AND OPTIONS – MR NICK CASTLEDEN**

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

*“That, subject to all other Resolutions being passed, for the purpose of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue up to 15 million of the Blueknight Placement Shares and 5 million of the Blueknight Placement Options to Mr Nick Castleden (a proposed new Director of the Company) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Castleden or any of his associates. However, 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.

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**5. RESOLUTION 5 – PLACEMENT – SHARES**

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

*“That, subject to all other Resolutions being passed, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue 200 million Shares (on a post-Consolidation basis), plus oversubscriptions of up to a further 100 million Shares (on a post-*

*Consolidation basis) 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 person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary Securities, and any associates of those persons. However, 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.

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**6. RESOLUTION 6 – ELECTION OF MR ROGER STEINEPREIS AS A DIRECTOR**

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

*"That, subject to all other Resolutions being passed, Mr Roger Steinepreis, being eligible and having consented to act, be elected a Director effective immediately."*

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**7. RESOLUTION 7 – ELECTION OF MR GEORGE VENTOURAS AS A DIRECTOR**

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

*"That, subject to all other Resolutions being passed, Mr George Ventouras, being eligible and having consented to act, be elected a Director effective immediately."*

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**8. RESOLUTION 8 – ELECTION OF MR NICK CASTLEDEN AS A DIRECTOR**

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

*"That, subject to all other Resolutions being passed, Mr Nick Castleden, being eligible and having consented to act, be elected a Director effective immediately."*

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**9. RESOLUTION 9 – CHANGE OF COMPANY NAME**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*"That, subject to all other Resolutions being passed, pursuant to Section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to "Apollo Consolidated Limited".*

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**10. RESOLUTION 10 – SECTION 195 APPROVAL**

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

*"That, subject to and conditional on the passing of Resolutions 1, 2, 5, 7 and 9 inclusive, for the purposes of Section 195(4) of the Corporations Act and for all other purposes, Shareholders approve and authorise the Company to complete the transactions as contemplated in this Notice of Meeting."*

**Short Explanation:** Approval of Resolutions 1, 2, 5, 7 and 9 may result in the Directors appointed by this General Meeting having a "material personal interest" in the recapitalisation and other matters referred to in this Notice. In the absence of this Resolution 10, the Directors may not be able to form a quorum at any meetings necessary to carry out the transactions contemplated by this Notice.

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**DATED: 29 JUNE 2009**



**DAVID YOUNG & ANTHONY ELKERTON**  
Joint Deed Administrators  
Apollo Life Sciences Limited  
(Subject to Deed of Company Arrangement)

For personal use only

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 11:00 am (EST) on 4 August 2009 at the offices of Pitcher Partners, Level 22 MLC Centre, 19 Martin Place, Sydney, New South Wales.

This purpose of this Explanatory Statement is to provide information which the Deed Administrators believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

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### 1. RESOLUTION 1 – CONSOLIDATION OF CAPITAL

#### 1.1 General

Resolution 1 seeks Shareholder approval to consolidate the number of Shares and Options on issue on a one (1) for twenty (20) basis (**Consolidation**).

If Resolution 1 is passed and excluding any Shares issued pursuant to the other Resolutions, the number of Shares on issue will be reduced from 190,769,227 to 9,538,462 (subject to rounding).

Please note that the Company also has on issue as at the date of this Notice:

- (a) 400,000 Options exercisable at \$0.55 each expiring 1 March 2010;
- (b) 600,000 Options exercisable at \$0.55 each expiring 20 May 2010;
- (c) 200,000 Options exercisable at \$0.65 each expiring 01 March 2011;
- (d) 2,000,000 Options exercisable at \$0.65 each expiring 20 May 2011;
- (e) 50,000 Options exercisable at \$0.65 each expiring 24 November 2011;  
and
- (f) 6,600,000 Options exercisable at \$0.50 each expiring 1 February 2012.

These Options will be consolidated on the same basis and their exercise price amended in inverse proportions to the consolidation ratio, in accordance with the Listing Rules.

#### 1.2 Legal Requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

ASX Listing Rule 7.22.1 requires that the number of options must be consolidated in the same ratio as the ordinary capital and the exercise price must be amended in inverse proportion to that ratio.

#### 1.3 Fractional Entitlements

Not all Shareholders and Optionholders will hold that number of Shares and Options which can be evenly divided by twenty. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Share or Option.

#### 1.4 Taxation

It is not considered that any taxation implications will exist for Shareholders or Optionholders arising from the Consolidation. However, Shareholders and Optionholders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, nor the Deed Administrators (nor the Deed Administrators' advisors) accept any responsibility for the individual taxation implications arising from the Consolidation.

#### 1.5 Holding Statements and Option Certificates

From the date of the Consolidation:

- (a) all holding statements for Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post-Consolidation basis;
- (b) all holding statements for listed Options will cease to have any effect, except as evidence of entitlement to a certain number of listed Options on a post-Consolidation basis; and
- (c) all certificates for unlisted Options will cease to have any effect, except as evidence of entitlement to a certain number of unlisted Options on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Shares and listed Options and new certificates for unlisted Options to be issued to holders of those Securities.

It is the responsibility of each Shareholder or Optionholder to check the number of Shares or Options held prior to disposal or exercise (as the case may be).

#### 1.6 Effect on Capital Structure

The effect which the Consolidation will have on the capital structure of the Company is set out in the table in the Letter to Shareholders on page 4 of this Notice of Meeting.

#### 1.7 Indicative Timetable

If Resolution 1 is passed, the reduction of capital will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 5) of the ASX Listing Rules):

Action	Date
Company announces Consolidation and dispatches Notice of Meeting.	3 July 2009
Company tells ASX that Security holders have approved the Consolidation.	4 August 2009
Last day for pre-Consolidation trading.	4 August 2009
Post-Consolidation trading starts on a deferred settlement basis.	5 August 2009
Last day for Company to register transfers on a pre-Consolidation basis.	11 August 2009
First day for Company to send notice to each Security holder of the change in their details of holdings.	12 August 2009
First day for the Company to register Securities on a post-Consolidation basis and first day for issue of holding statements.	12 August 2009

Dispatch date. Deferred settlement market ends.	18 August 2009
Last day for Securities to be entered into the holders' Security holdings.	18 August 2009
Last day for the Company to send notice to each Security holder of the change in their details of holdings.	18 August 2009

## 2. RESOLUTION 2 – PLACEMENT – SHARES AND OPTIONS

### 2.1 General

The Deed Administrators have agreed, subject to obtaining Shareholder approval, to allot and issue a total of 150 million Shares and 50 million Options (**Securities**) to Blueknight (or its nominee(s)) (**Related Party**) on the terms and conditions set out below.

Resolution 2 seeks Shareholder approval for the allotment and issue (on a post-Consolidation basis) of the following Securities to the Related Party:

- (a) 50 million Shares at an issue price of \$0.0025 per Share to raise \$125,000;
- (b) 100 million Shares at an issue price of \$0.005 per Share to raise \$500,000; and
- (c) 50 million free attaching Options at an exercise price of \$0.005 per Option on or before 31 December 2012,

#### (Blueknight Placement).

It should be noted that this is the maximum number of Securities that Blueknight may subscribe for, it being the present intention of Blueknight that it subscribe for part of this total allocation and it will place part of these Securities with third parties. Notwithstanding this, and because Blueknight may subscribe for the total number of Securities in its own right, it is deemed appropriate for the approval to encompass the total number of Securities.

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.

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.

Blueknight is an entity associated with proposed Director, Mr Roger Steinepreis. Accordingly, Blueknight is deemed to be a related party of the Company. The grant of the Blueknight Securities to the Related Party therefore requires the Company to obtain Shareholder approval.

It is the view of the Deed Administrators that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 may not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of the Blueknight Securities to the Related Party.

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

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of the Blueknight Securities:

- (a) the related party is Blueknight and it will be a related party by virtue of being an entity associated with proposed Director, Mr Roger Steinepreis (Mr Steinepreis will be a Director if Resolution 6 is passed);
- (b) the maximum number of Blueknight Securities (being the nature of the financial benefit being provided) to be issued to the Related Party is 150 million Shares and 50 million Blueknight Options;
- (c) the Blueknight Securities will be issued to the Related Party no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Blueknight Securities will be issued on one date;
- (d) the Shares will be issued to the Related Party at:
  - (i) \$0.0025 per Share in respect of 50 million of the Shares; and
  - (ii) \$0.005 per Share in respect of 100 million of the Shares,

accordingly, \$625,000 will be raised from the issue. It is intended to use the funds raised in the manner set out under the heading 'Use of Funds' in the Letter to Shareholders in this Notice of Meeting. The Blueknight Options will be issued for nil cash consideration, accordingly no funds will be raised from the issue of the Blueknight Options;

- (e) the Shares issued 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. The terms and conditions of the Blueknight Options are set out in Schedule 1;
- (f) the value of the Blueknight Options and the pricing methodology is set out in Schedule 2;
- (g) the relevant interest of the Related Party in Securities as at the date of this Notice of Meeting is set out below:

Related Party	Shares	Options
Blueknight	nil	nil

- (h) the remuneration and emoluments from the Company to the Related Party for both the current financial year and previous financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year

Blueknight	nil	nil
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- (i) if the Blueknight Options are exercised, a total of 200 million Shares would be allotted and issued. This will increase the number of Shares on issue from 9,538,462 to 209,538,462 (post-Consolidation) (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted in the manner set out in Schedule 3;
- (j) the Company's Shares were suspended from trading on the ASX on 18 March 2008. The trading history of the Shares on ASX on its final day of trade is set out below:

	Price	Date
Highest	\$0.04	17 March 2008
Lowest	\$0.04	17 March 2008
Last	\$0.04	17 March 2008

- (k) the primary purpose of the grant of the Blueknight Securities to the Related Party is to provide capital for the matters set out under the heading 'Use of Funds' on pages 4 and 5 of the Letter to Shareholders in this Notice of Meeting; and
- (l) the Related Party declines to make a recommendation to Shareholders in relation to Resolution 2 due to its material personal interest in the outcome of the Resolution. The Deed Administrators recommend that Shareholders vote in favour of Resolution 2. The Deed Administrators are 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 the Resolution.

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

### 2.3 Item 7 of Section 611 of the Corporations Act

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

A person (**second person**) will be an 'associate' of the other person (**first person**) if:

- (a) the first person is a body corporate and the second person is:
  - (i) a body corporate the first person controls;
  - (ii) a body corporate that controls the first person; or
  - (iii) a body corporate that is controlled by an entity that controls the person;
- (b) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the Company's board or the conduct of the Company's affairs; and
- (c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the Company's affairs.

A person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Item 7 of Section 611 of the Corporations Act provides an exception to the prohibition, whereby a person may make an otherwise prohibited acquisition of a relevant interest in a company's voting shares with shareholder approval.

Shareholder approval under Item 7 of the Section 611 of the Corporations Act is required because Blueknight's relevant interest in the Company after implementation of all Resolutions may exceed 20% of the issued capital of the Company. In addition, Mr Roger Steinepreis and Mr David Paganin, are associates of Blueknight, so they may also acquire a relevant interest in the Company in excess of this percentage.

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Policy Statement 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act for Resolution 2. Shareholders are also referred to in the Independent Expert's Report annexed to this Explanatory Statement as Annexure A.

#### ***Reason Why Section 611 Approval Required***

Mr Roger Steinepreis and Mr David Paganin are each directors of and have a controlling interest in 40% each of Blueknight. Blueknight is a proprietary limited company that is used by Mr Roger Steinepreis and Mr David Paganin as an investment vehicle.

As at the date of this Notice, Mr Roger Steinepreis and Mr David Paganin do not (and are not entitled to) hold any Securities. However, as Mr Roger Steinepreis and Mr David Paganin control in excess of 20% of the issued shares in Blueknight, Mr Roger Steinepreis and Mr David Paganin are deemed to hold a relevant interest in the Securities that Blueknight receives pursuant to Resolution 2.

**Specific Information Required by Section 611 Item 7 of the Corporations Act and ASIC Policy Statement 74**

**Relevant Interests and Voting Power**

The table set out below shows the maximum percentage of Shares that Blueknight will be entitled to and the voting power of Blueknight after implementation of all Resolutions in this Notice (assuming no existing Options are exercised):

	Number of Shares (post Consolidation)	Maximum number of Shares to be issued pursuant to Resolution 2	Exercise of Options issued pursuant to Resolution 2	General Placement (Resolution 5)	Maximum total number of Shares after all Resolutions and exercise of Options (other than existing Options)	Voting Power
<b>Blueknight</b>	Nil	150,000,000	50,000,000	Nil	200,000,000	49%
<b>Other Shareholders (existing and new)</b>	9,538,462	Nil	Nil	200,000,000	209,538,462	51%
<b>TOTAL:</b>	<b>9,538,462</b>	<b>150,000,000</b>	<b>50,000,000</b>	<b>200,000,000</b>	<b>409,538,462</b>	<b>100%</b>

The maximum relevant interest that Blueknight will hold after implementation of all Resolutions (and after exercise of the Options to be issued to Blueknight pursuant to Resolution 2) is 200 million Shares.

The maximum voting power that Blueknight will hold after implementation of all Resolutions (and after exercise of the Options to be issued to Blueknight pursuant to Resolution 2) is 49%. This represents an increase from 0% to 49%.

Because Mr Roger Steinepreis and Mr David Paganin each hold more than 20% (namely 40% each) of Blueknight, they will also have a relevant interest in the Shares in which Blueknight has a relevant interest. This represents an increase in each of Mr Roger Steinepreis' and Mr David Paganin's relevant interest from 0% to 49%.

**Blueknight's Intentions**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that Blueknight:

- (a) has no intention of making any significant changes to the business of the Company other than as set out in this Notice, however it is intended the Company will consider new opportunities as and when they may arise. If the Company identifies new businesses or assets for acquisition, ASX may require the Company to seek Shareholder approval under Listing Rule 11.1.2, which concerns changes in the nature or scale of activities conducted by listed entities. In addition, ASX may require the Company

to meet the requirements under Chapters 1 and 2 of the Listing Rules, as if the Company was applying for admission to the Official List;

- (b) does not intend to redeploy any fixed assets of the Company;
- (c) does not have any present intention to inject further capital into the Company;
- (d) does not intend to transfer any property between the Company or any person associated with it; and
- (e) has no current intention to change the Company's existing policies in relation to financial matters.

### **Capital Structure**

The proposed capital structure of the Company following completion of all the transactions the subject of this Notice is set out in the Letter to Shareholders on page 4 of this Notice of Meeting.

### **Identity, Associations and Qualifications of Proposed Directors**

It is proposed that Mr Roger Steinepreis, Mr George Ventouras and Mr Nick Castleden will be appointed as Directors.

The experience and qualifications of these proposed Directors is set out in the section of this Explanatory Statement under Resolutions 6, 7 and 8.

### **Interests and Recommendations of Deed Administrators**

The Deed Administrators of the Company recommend that Shareholders vote in favour of the Resolution as they consider the proposed restructure and recapitalisation to be in the best interests of Shareholders.

### **Independent Expert's Report**

The Independent Expert's Report assesses whether the acquisition of the voting power referred to in this section by Blueknight is fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the acquisition is **fair and reasonable** to the non-associated Shareholders of the Company.

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## **3. RESOLUTIONS 3 AND 4 – PLACEMENT – SHARES AND OPTIONS**

### **3.1 General**

As discussed in section 2 above, Resolution 2 seeks Shareholder approval for the allotment and issue (on a post-Consolidation basis) of the Securities set out in paragraph 2.1(a)-(c) to Blueknight or its nominee(s) (**Blueknight Securities**).

Subject to Shareholder approval of Resolutions 7 and 8, Messrs George Ventouras and Nick Castleden will be appointed as Directors. If Resolutions 3, 4, 7 and 8 are approved, Blueknight intends to nominate Messrs Ventouras and Castleden (collectively the **Proposed Directors**) to be issued with the following Blueknight Securities (**Nominee Placement**):

- (a) Mr Ventouras:

- (i) 5 million Shares at an issue price of \$0.0025 per Share;
- (ii) 5 million Shares at an issue price of \$0.005 per Share; and
- (iii) 5 million Options; and

(b) Mr Castleden:

- (i) 5 million Shares at an issue price of \$0.0025 per Share;
- (ii) 10 million Shares at an issue price of \$0.005 per Share; and
- (iii) 5 million Options,

(collectively the **Nominee Placement Securities**).

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.

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.

Pursuant to Section 228(2) of the Corporations Act, a director is a related party of a public company. In addition, pursuant to Section 228(6) of the Corporations Act, if an individual believes or has reasonable grounds to believe that they are likely to become a related party of the public company at any time in the future, they are also deemed to be a related party of the public company for the purposes of the Corporations Act. Accordingly, Messrs Ventouras and Castleden are deemed to be related parties of the Company. The grant of the Nominee Placement Securities to the Proposed Directors therefore requires the Company to obtain Shareholder approval.

It is the view of the Deed Administrators that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 may not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of the Nominee Placement Securities to the Proposed Directors.

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

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Nominee Placement Securities:

- (a) the related parties are Messrs Ventouras and Castleden. They will be related parties by virtue of Section 228(6) of the Corporations Act, as described above;

- (b) the maximum number of Nominee Placement Securities (being the nature of the financial benefit being provided) to be issued to the Proposed Directors is:
  - (i) Mr Ventouras:
    - (A) 5 million Shares at an issue price of \$0.0025 per Share;
    - (B) 5 million Shares at an issue price of \$0.005 per Share; and
    - (C) 5 million Options; and
  - (ii) Mr Castleden:
    - (A) 5 million Shares at an issue price of \$0.0025 per Share;
    - (B) 10 million Shares at an issue price of \$0.005 per Share; and
    - (C) 5 million Options;
- (c) the Nominee Placement Securities will be issued to the Proposed Directors no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Nominee Placement Securities will be issued on one date;
- (d) the Nominee Placement Shares will be issued to the Proposed Directors at the prices stated in paragraph 3.2(b) above, accordingly, of the \$625,000 to be raised from the Blueknight Placement, \$100,000 will be raised from the Nominee Placement. It is intended to use the funds raised in the manner set out under the heading 'Use of Funds' on page 4 of the Letter to Shareholders in this Notice of Meeting. The Nominee Placement Options will be issued for nil cash consideration, accordingly no funds will be raised from the issue of the Nominee Placement Options;
- (e) the Nominee Placement Shares issued 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. The terms and conditions of the Nominee Placement Options are the same as the Blueknight Options, which are set out in Schedule 1;
- (f) the value of the Nominee Placement Options is the same as the Blueknight Options and the pricing methodology is set out in Schedule 2;
- (g) the relevant interests of the Proposed Directors in Securities at the date of this Notice of Meeting are set out below:

<b>Related Party</b>	<b>Shares</b>	<b>Options</b>
Mr Ventouras	nil	nil
Mr Castleden	nil	nil

- (c) the remuneration and emoluments from the Company to the Proposed Directors for both the current financial year and previous financial year are set out below:

<b>Related Party</b>	<b>Current Financial Year</b>	<b>Previous Financial Year</b>
Mr Ventouras	nil	nil
Mr Castleden	nil	nil

- (d) if the Nominee Placement Options are exercised, a total of 10 million Shares would be allotted and issued. This will increase the number of Shares on issue from 9,538,462 to 19,538,462 (post-Consolidation) (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted in the manner set out in Schedule 4;
- (m) the Company's Shares were suspended from trading on the ASX on 18 March 2008. The trading history of the Shares on ASX on its final day of trade is set out below:

	<b>Price</b>	<b>Date</b>
Highest	\$0.04	17 March 2008
Lowest	\$0.04	17 March 2008
Last	\$0.04	17 March 2008

- (e) the primary purpose of the grant of Nominee Placement Securities to the Proposed Directors is to provide cost effective consideration to the Proposed Directors for their commitment and contribution to the Company in their respective roles as Directors (assuming Resolutions 3 and 4 are passed). The Deed Administrators do not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Nominee Placement Securities upon the terms proposed;
- (f) Mr Ventouras declines to make a recommendation to Shareholders in relation to Resolution 3 due to his material personal interest in the outcome of the Resolution. The Deed Administrators recommend that Shareholders vote in favour of Resolution 3. The Deed Administrators are 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 the Resolution; and
- (g) Mr Castleden declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution. The Deed Administrators recommend that Shareholders vote in favour of Resolution 4. The Deed Administrators are 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 the Resolution;

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

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#### 4. RESOLUTION 5 – PLACEMENT – SHARES

##### 4.1 General

Resolution 5 seeks Shareholder approval for the allotment and issue of 200 million Shares (on a post-Consolidation basis) at an issue price of \$0.005 per Share to raise \$1,000,000 (**General Placement**). The Deed Administrators reserve the right to accept oversubscriptions to raise up to a further \$500,000.

None of the subscribers pursuant to this issue will be related parties of the Company.

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 securities in the same class on issue at the commencement of that 12 month period.

The effect of Resolution 5 will be to allow the Company to issue the Shares pursuant to the General Placement during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

##### 4.2 Technical Information Required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the General Placement:

- (a) the maximum number of Shares to be issued is 200 million (assuming no oversubscriptions are received). If oversubscriptions are accepted, a further 100 million Shares may be issued;
- (b) the Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the issue price will be \$0.005 per Share;
- (d) the Board will determine to whom the Shares will be issued but these persons will not be related parties of the Company;
- (e) the Shares issued 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
- (f) the Company intends to use the funds raised from the General Placement towards the matters set out under the heading 'Use of Funds' in the Letter to Shareholders on page 4 of this Notice of Meeting.

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#### 5. RESOLUTIONS 6, 7 AND 8 – ELECTION OF DIRECTORS

Resolutions 6, 7 and 8 seek the election of Messrs Roger Steinepreis, George Ventouras and Nick Castleden as Directors pursuant to the Constitution of the Company and Section 201E of the Corporations Act.

**Mr Roger Steinepreis – Director**

Pursuant to Resolution 6, Mr Roger Steinepreis seeks appointment as a Director, effective immediately.

Roger Steinepreis graduated from the University of Western Australia where he completed his law degree. He was admitted as a barrister and solicitor of the Supreme Court of Western Australia in 1987 and has been practising as a lawyer for approximately 22 years.

He is the legal adviser to a number of public companies on a wide range of corporate related matters. His areas of practice focus on company restructures, initial public offerings and takeovers. Mr Steinepreis is a non-executive director of Imugene Limited, Adavale Resources Limited and ComTel Corporation Limited and the Chairman of Avonlea Minerals Limited.

**Mr George Ventouras – Director**

Pursuant to Resolution 7, Mr George Ventouras seeks appointment as a Director, effective immediately.

George Ventouras is a marketing consultant with over 20 years' experience in marketing, business development and general management roles.

He has consulted with companies both nationally and internationally, in relation to the development and capitalisation of projects, the supply of infrastructure and equipment and provision of administrative and logistical support. Mr Ventouras has experience in various market categories including industrial, particularly aquaculture, consumer and luxury goods.

**Mr Nick Castleden – Director**

Pursuant to Resolution 8, Mr Nick Castleden seeks appointment as a Director, effective immediately.

Nick Castleden is a geological consultant with 19 years' experience in the Australian and overseas mineral exploration and development industry. He has worked with active Australian mining companies including Mt Isa Mines (MIM), Perilya Mines, MPI Mines, LionOre and Breakaway Resources in various exploration, geological and management capacities.

Mr Castleden has worked on projects in Australia and North and South America, and in project generative and acquisition roles. He has particular experience in the gold and nickel and basemetal exploration business and has participated in the discovery and delineation of new nickel-sulphide and gold systems that have progressed through feasibility studies to mining.

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**6. RESOLUTION 9 – CHANGE OF COMPANY NAME**

The new name proposed to be adopted under Resolution 9 is "Apollo Consolidated Limited". The Directors believe that this new name more accurately reflects the proposed future operations of the Company.

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**7. RESOLUTION 10 – SECTION 195 APPROVAL**

Approval of Resolutions 1, 2, 5, 7 and 9 may result in the Directors appointed at the General Meeting having a "material personal interest" in the matters referred to in this Notice. In the absence of this Resolution 10, the Directors may not be able to form a quorum at any meetings necessary to carry out the transactions contemplated in this Notice.

Accordingly, Shareholder approval is being sought to allow the Directors to form a quorum to implement the transactions contemplated in this Notice.

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**8. ENQUIRIES**

Shareholders are required to contact Daniel Cooksley of Pitcher Partners on +61 2 9228 2262 if they have any queries in respect of the matters set out in these documents.

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## GLOSSARY

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**\$** means Australian dollars.

**ASIC** means the Australian Securities and 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 Listing Rules of ASX.

**Blueknight** means Blueknight Corporation Pty Ltd (ACN 094 502 360).

**Blueknight Option** means an option to acquire a Share on the terms and conditions set out in Schedule 1.

**Blueknight Placement** means the placement the subject of Resolution 2.

**Board** means the board of directors of the Company as constituted from time to time.

**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.

**Company** means Apollo Life Sciences Limited (ACN 102 084 917) (Subject to Deed of Company Arrangement).

**Consolidation** means the consolidation of the Company's capital the subject of Resolution 1.

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act* 2001 (Cth).

**Deed Administrators** mean Messrs David Young and Anthony Elkerton.

**Directors** means the directors of the Company from time to time.

**DOCA** means the Deed of Company Arrangement entered into by the Company on 3 December 2008.

**EST** means Australia Eastern Standard Time.

**Explanatory Statement** means the explanatory statement accompanying the Notice of Meeting.

**General Meeting** means the meeting convened by the Notice of Meeting.

**General Placement** means the placement the subject of Resolution 5.

**Independent Expert** means Stanton Partners Corporate Pty Ltd (ACN 063 036 331).

**Independent Expert's Report** means the report by the Independent Expert annexed to this Notice of General Meeting as Annexure A.

**Nominee Placement Option** means an option to acquire a Share on the terms and conditions set out in Schedule 1.

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

**Official List** means the official list of ASX.

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

**Proposal** means the proposal by Blueknight to recapitalise and restructure the Company on the terms summarised in the Letter to Shareholders forming part of this Notice of Meeting.

**Proxy Form** means the form of proxy accompanying this Notice of Meeting

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

**Securities** means Shares and Options.

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

**Shareholder** means a holder of a Share.

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**SCHEDULE 1 – TERMS AND CONDITIONS OF BLUEKNIGHT AND NOMINEE PLACEMENT OPTIONS**

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The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Option, the Optionholder must exercise the Options in accordance with these terms and conditions.
- (b) The Options will expire at 5:00pm (EST) on 31 December 2012 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.005 (**Exercise Price**).
- (d) The Options may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) Optionholders may exercise their Options by lodging with the Company, before the Expiry Date:
- (i) a written notice of exercise of Options specifying the number of Options being exercised; and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;
- (Exercise Notice)**.
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) 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 Options specified in the Exercise Notice.
- (h) The Options are not transferable.
- (i) All Shares allotted upon the exercise of Options will upon allotment rank *pari passu* in all respects with other Shares.
- (j) The Company will not apply for quotation of the Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of the Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) 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.
- (l) 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 6 Business Days after the issue is announced. This will

give the Optionholder the opportunity to exercise the Options prior to the date for determining entitlements to participate in any such issue.

- (m) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the exercise price of the Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (n) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Options, the number of securities over which a Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Option had been exercised before the record date for the bonus issue.

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**SCHEDULE 2 – VALUATION OF BLUEKNIGHT AND NOMINEE PLACEMENT OPTIONS**

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The Blueknight and Nominee Placement Options to be issued to the Related Party and Messrs Ventouras and Castleden pursuant to Resolutions 2-4 have been valued.

Using the theoretical Black & Scholes option model and based on the assumptions set out below, the Blueknight and Nominee Placement Options were ascribed a value range, as follows:

<b>Assumptions:</b>			
Valuation date	1 July 2009		
Market price of Shares	0.5 cents		
Exercise price	0.5 cents		
Expiry date	31 December 2012		
Risk free interest rate	4.00%		
Volatility	75%	100%	150%
<b>Indicative value per Option</b>	0.275 cents	0.337 cents	0.425 cents
<b>Total Value of Options</b>	\$137,500	\$168,500	\$212,500

Note: The valuation ranges noted above are not necessarily the market prices that the Blueknight and Nominee Placement Options could be traded at and they are not automatically the market prices for taxation purposes.

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## SCHEDULE 3 – DILUTIONARY EFFECT OF ISSUE OF BLUEKNIGHT SECURITIES

Related Party	Issued Shares as at the date of this Notice of Meeting	Post-Consolidation issued Shares	Maximum Shares to be issued pursuant to Resolution 2 <sup>1</sup>	Blueknight Options to be issued	Issued Shares upon issue of General Placement Shares and exercise of Blueknight Securities <sup>2</sup>	Dilutionary effect upon issue and exercise of Blueknight Securities and issue of General Placement Shares <sup>3</sup>
Blueknight	Nil	Nil	150,000,000	50,000,000	200,000,000	49%
Shareholders	190,769,227	9,538,462	Nil	Nil	209,538,462	51%

<sup>1</sup> On a post-Consolidation basis.

<sup>2</sup> On a post-Consolidation basis, assuming all Securities under the General Placement are issued (excluding any oversubscriptions received).

<sup>3</sup> Assumes a total of 350 million Shares are issued (post Consolidation) and all 50 million Blueknight Options are exercised, resulting in a total issued Share capital of 409,538,462 Shares. Also assumes no oversubscriptions are received under the General Placement.

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

## SCHEDULE 4 – DILUTIONARY EFFECT OF ISSUE OF NOMINEE PLACEMENT SECURITIES

Related Party	Issued Shares as at the date of this Notice of Meeting	Post-Consolidation Issued Shares	Maximum Shares to be issued pursuant to Resolution 2 <sup>1</sup>	Maximum Shares to be issued pursuant to Resolution 3	Maximum Shares to be issued pursuant to Resolution 4	Blueknight Options to be issued <sup>1</sup>	Nominee Placement Options to be issued	Issued Shares upon issue General Placement Shares and issue and exercise of Blueknight Securities and Nominee Placement Securities <sup>2</sup>	Dilutionary effect upon issue and exercise of Blueknight Securities, Nominee Placement Securities and issue of General Placement Shares <sup>3</sup>
Blueknight	Nil	Nil	125,000,000	Nil	Nil	40,000,000	Nil	165,000,000	40.3%
Mr Ventouras	Nil	Nil	Nil	10,000,000	Nil	Nil	5,000,000	15,000,000	3.66%
Mr Castleden	Nil	Nil	Nil	Nil	15,000,000	Nil	5,000,000	20,000,000	4.88%
Shareholders	190,769,227	9,538,462	Nil	Nil	Nil	Nil	Nil	209,538,462	51.16%

<sup>1</sup> Assumes Nominee Placement Securities are issued to the Proposed Directors.

<sup>2</sup> On a post-Consolidation basis, assuming all Securities under the General Placement are issued (excluding any oversubscriptions received).

<sup>3</sup> Assumes a total of 350,000,000 million Shares are issued (post Consolidation) and all 40 million Blueknight Options and 10 million Nominee Placement Options are exercised, resulting in a total issued Share capital of 409,538,462 Shares. Also assumes no oversubscriptions are received under the General Placement.

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

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5 June 2009

Apollo Life Sciences Limited  
(Subject to Deed of Company Arrangement)  
C/- Blueknight Corporation Pty Ltd  
Level 4, The Read Buildings  
16 Milligan Street  
PERTH WA 6000

Dear Sirs

**Re: Apollo Life Sciences Limited (Subject to Deed of Company Arrangement) (ABN 13 102 084 917) Meeting of Shareholders pursuant to Section 611 (Item 7) of The Corporations Act ("TCA") and Australian Securities Exchange Listing Rule 10.11 relating to the proposal to issue up to 150,000,000 ordinary shares to Blueknight Corporation Pty Ltd or its nominees ("Blueknight") and the issue of 50,000,000 share options to Blueknight or nominees.**

## 1. Introduction

1.1 We have been requested by the directors of Blueknight to prepare an independent expert's report to determine the fairness and reasonableness of the transactions referred to in Resolution 2 as detailed in the Notice of Meeting ("the Notice") to Apollo Life Sciences Limited (Subject to a Deed of Company Arrangement) ("Apollo" or "the Company") shareholders that is expected to be mailed to shareholders of Apollo in July 2009 for a shareholders meeting in August 2009.

Resolution 2 relates to the proposal for the Company to allot and issue 50,000,000 fully paid post-consolidated ordinary shares in the capital of the Company at an issue price of 0.25 cents per ordinary share to Blueknight or nominees to raise \$125,000, issue 100,000,000 post consolidated shares in the Company at an issue price of 0.5 cent per share to raise a gross \$500,000 and grant 50,000,000 free attaching post consolidated share options in the Company exercisable at 0.5 cent each on or before 31 December 2012. Blueknight is deemed a related party pursuant to Listing Rule 10.11 of the Listing Rules of the Australian Securities Exchange ("ASX").

Further details are noted below and in the Letter to Shareholders and Explanatory Statement to Shareholders ("ES") accompanying the Notice of Meeting ("Notice") of Apollo.

1.2 The Company was admitted to the official list of ASX on or about 29 June 2005 and carried on business in the areas of pharmaceuticals, biotechnology and life sciences. The principal activities as noted in the 2008 Annual Report were the progression of the companies three platforms, human cell expressed proteins ("hex"), transdermal delivery

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technology (“Intradel”) and oral delivery technology (“Oradel”). The Company was suspended from trading on ASX on 18 March 2008 at the request of the Company. Messrs David Young and Anthony Elkerton of Pitcher Partners, insolvency specialists were appointed Joint Administrators on 24 October 2008. At a meeting of creditors held on 26 November 2008, the creditors of the Company resolved to accept a Deed of Company Arrangement (“DOCA”) recommended by the Joint Administrators so that inter-alia the Company could seek and negotiate proposals to reconstruct the Company with interested parties. The DOCA was signed on 3 December 2008. Pursuant to the terms of the DOCA, the Joint Administrators were appointed as deed administrators of the DOCA (“Deed Administrators”). On 26 November 2008, Blueknight put a recapitalisation proposal to the Deed Administrators to recapitalise the Company and exploit the existing assets of the business (“Recapitalisation Proposal”) and after some amendments on 6 February 2009, this was accepted by them on 10 February 2009. Under the Recapitalisation Proposal, Blueknight has agreed to pay \$350,000 to the Deed Administrators for distribution under the DOCA. A variation to the DOCA (“Varied DOCA”) was made following a creditors meeting on 30 March 2009 to reflect the recapitalisation proposals put forward by Blueknight. The Creditors Trust Deed Fund (“Deed Fund”) established pursuant to the Varied DOCA will be used to pay Deed Administrators fees and costs, Joint Administrators fees and costs, Trustees fees and costs and the balance distributed to admitted creditors as full and final payment of outstanding debts. The Varied DOCA refers to the priority payment of creditors of the Company and creditors of its subsidiaries.

1.3 As part of the Varied DOCA and recapitalisation proposal put forward by Blueknight, the shareholders are being asked to approve the following:

- (a) the consolidation of capital on a 1 for 20 basis so that the number of shares reduces from 190,769,227 to approximately 9,538,462 (Resolution 1);
- (b) the issue and allotment of 50,000,000 shares at an issue price of 0.25 cents per share, to raise \$125,000 and the issue of 100,000,000 post consolidated shares at an issue price of 0.5 cents per share to raise \$500,000 for working capital. The determination of the allottees is at the sole discretion of Blueknight (part of Resolution 2);
- (c) the issue of 50,000,000 share options (“Options”) with each Option exercisable at 0.5 cent each on or before 31 December 2012 (free attached to the 50,000,000 shares noted above). The determination of the allottees is at the sole discretion of Blueknight (part of Resolution 2);
- (d) the issue and allotment of certain shares at an issue price of 0.25 cents and 0.5 cents per share and the issue of certain share options with each share option exercisable at 0.5 cents each, on or before 31 December 2012 to proposed Directors, Mr George Ventouras and Mr Nick Castleden (Resolutions 3 and 4) (refer paragraph 1.8 below);
- (e) the issue and allotment of up to 200,000,000 shares at an issue price of 0.5 cent per share (“Placement Shares”) to raise up to \$1,000,000 for working capital. The Company reserves the right to place an additional 100,000,000 Placement Shares at 0.5 cents per share as oversubscriptions. The determination of the allottees (not related to Blueknight) is at the discretion of Blueknight in conjunction with a broker (Resolution 5);
- (f) the transfer of such assets of the Company as are capable of being assigned to the Deed Fund pursuant to the terms of the Varied DOCA;
- (g) the election of Messrs, Roger Steinepreis (Resolution 6), George Ventouras (Resolution 7) and Nick Castleden (Resolution 8) as directors of Apollo;
- (h) the change of name of the Company to Apollo Consolidated Limited (Resolution 9);

- (i) obtaining Section 195 approval (of the Corporations Act) to allow the completion of all of the proposals included in the Notice (Resolution 10); and
- (j) the retention of the Company's over the counter ("OTC") skin care therapeutics business, including all stock and associated materials and intellectual property.

1.4 For the purposes of Listing Rule 10.11, Mr Roger Steinepreis is deemed to be a related party of the Company. Blueknight is a company 40% owned by a trust controlled by Roger Steinepreis and Roger Steinepreis is a director of Blueknight (and will become a director of Apollo). The other shareholders of Blueknight are entities associated with Messrs David Paganin (40%), Jonathon Murray (10%) and Mark Foster (10%) all of whom are associated with the legal practice of Steinepreis Paganin.

1.5 Under the Varied DOCA, arrangements have been made with all creditors (priority and unsecured) for the settlement of their debts (as full and final settlement). Furthermore, upon successful completion of the Varied DOCA, the Company would:

- Be released from the Varied and original DOCA;
- Apply to be quoted on the ASX;
- Have approximately \$1,175,000 cash funds (and up to \$1,675,000 if the \$500,000 oversubscriptions are fulfilled) (prior to capital raising costs);
- Have the OTC skin care therapeutics business, including all stock and associated materials and intellectual property ("Business Assets") (refer to Letter to Shareholders accompanying the Notice) although it is not possible to estimate what value if any this business would have at this point of time. The proposed directors based on information obtained from the Deed Administrators have allocated a nominal \$100,000 to the Business Assets to be retained in the Company.

1.6 There are nine other resolutions (Resolutions 1 and 3 to 10) being put to the shareholders of Apollo. We are not reporting on the fairness and reasonableness of such proposals. This report specifically addresses Resolution 2 only. However, we note that all of the other resolutions are all part of the recapitalisation process of Apollo and Resolutions 1 to 10 are interdependent upon each other. In particular the issue of the Placement Shares at 0.5 cents each to parties not associated with Blueknight is integral to the recapitalisation of Apollo.

1.7 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or respective associates. An independent expert is required to report on fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

1.8 Following the consummation of the Resolutions relating to the share structure of the Company, the following table depicts the new share structure of the Company. In addition Section 2.3 of the Explanatory Statement refers to the shareholding details if all resolutions are passed and consummated.

	Existing shareholders post the 1 for 20 consolidation	Maximum No. of Shares to be issued pursuant to Resolution 2	No. of Placement Shares to be issued pursuant to Resolution 5	Maximum No. of 0.5 cent Options to be issued pursuant to Resolution 2
Blueknight (or nominees) (see comments below re shares that may be issued to Messrs Ventouras and Castleden)	-	<b>150,000,000</b>	-	<b>50,000,000</b>
Third Parties (not related to Blueknight) to be nominated by Blueknight in conjunction with a Broker	-	-	200,000,000	-
-	-	-	-	-
<b>Total</b>	<b>9,538,462</b>	<b>150,000,000</b>	<b>200,000,000</b>	<b>50,000,000</b>

The shares and options issued under Resolution 5 will not be to Blueknight or related parties of Blueknight. Mr George Ventouras may be allowed to subscribe for up to 5,000,000 Blueknight placement shares being issued at 0.25 cents each, 5,000,000 Blueknight placement shares being issued at 0.5 cents each and 5,000,000 Blueknight share options exercisable at 0.5 cents each on or before 31 December 2012 and Mr Nick Castleden may be allowed to subscribe for up to 5,000,000 Blueknight placement shares being issued at 0.25 cents each, 10,000,000 Blueknight placement shares being issued at 0.5 cents each and 5,000,000 Blueknight share options exercisable at 0.5 cents each on or before 31 December 2012.

The shareholding interest of Blueknight would be as follows:

	Excluding Options %	Including Options Exercised %
Blueknight (or nominees)	<u>41.72</u>	<u>48.84</u>
Third parties nominated by Blueknight in conjunction with a Broker	<u>55.63</u>	<u>48.84</u>
Total (rounded)	<u><u>97.35</u></u>	<u><u>97.68</u></u>

The total number of shares on issue would be 359,538,462 (before exercise of the 50,000,000 Options) and 409,538,462 (after exercise of the 50,000,000 Options).

The fully paid ordinary shareholding interests of Blueknight if it is assumed that 100,000,000 Placement Shares will be issued as oversubscriptions pursuant to Resolution 5 would be as follows:

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	Ignoring Options %	Including Options Exercised %
Blueknight (or nominees)	32.64	39.25
Third parties nominated by Blueknight in conjunction with a Broker	65.28	58.88
Total (rounded)	97.92	98.13

The total number of fully paid ordinary shares on issue (post-consolidation) would be 459,538,462 (before exercise of the 50,000,000 Options) and 509,538,462 (after exercise of the 50,000,000 Options).

The ordinary fully paid shareholder interests of Blueknight would initially be a minimum of 41.72% and up to 48.84% if only the 50,000,000 Options to be granted to Blueknight (or nominees) were exercised.

Therefore, an independent expert's report pursuant to the Section 611 (Item 7) of TCA is required to report on the fairness and reasonableness of the transactions pursuant to Resolution 2. Also, as Blueknight (associated with Roger Steinepreis) is deemed by ASX Listing Rule 10.11 to be a related party, shareholder approval under Listing Rule 10.11 is required for Resolution 2. Blueknight has requested Stantons International Securities to prepare an independent expert's report to assist the shareholders of Apollo in determining as to whether they vote for or against Resolution 2 as outlined in the Notice.

1.9 Apart from this introduction, the report considers the following:

- Summary of opinion
- Implications of the proposals
- Future directions of Apollo
- Basis of technical valuation of Apollo
- Premium for control
- Fairness and reasonableness of the proposals
- Conclusion as to fairness and reasonableness
- Sources of information
- Appendix A and Financial Services Guide

## 2. Summary of Opinion

2.1 In determining the fairness and reasonableness of the transactions pursuant to Resolution 2, we have had regard to the guidelines set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Statement 111. Regulatory Statement 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair. An offer may also be reasonable, if despite not being "fair", where there are sufficient grounds for security holders to accept the offer in the

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absence of any higher bid before the close of the offer. Regulatory Statement 111 also states that in all cases, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, a report by an independent expert stating whether or not the proposals pursuant to resolution are fair and reasonable, having regard to the interests of shareholders other than the proposed allottee (in this case, Blueknight or its nominees), and whether a premium for potential control is being paid by the allottee, will be required. Regulatory Statement 111 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non-associated shareholders if the transaction proceeds compared with if it does not. Accordingly, our report relating to Resolution 2 is concerned firstly with the fairness and reasonableness of the proposals with respect to the existing non associated shareholders of Apollo and secondly whether the price payable for a potential control includes a premium for control.

## 2.2 In our opinion:

**The proposals as outlined in Resolution 2 that would allow Blueknight (or nominees) to acquire up to 150,000,000 shares and 50,000,000 Options in Apollo are, on balance fair and reasonable to the non associated shareholders of Apollo.**

The opinions expressed above are to be read in conjunction with the more detailed analysis and comments made in this report.

## 3. Implications of the Proposals

- 3.1 Prior to the DOCA, the total number of shares on issue in Apollo was 190,769,227. If all the Resolutions are consummated, Blueknight will own approximately 41.72% of the post consolidated issued capital of the Company (as depicted in paragraph 1.8). The third parties nominated by Blueknight (not related parties) in conjunction with a Broker will also own approximately 55.63% of the expanded post consolidated issued capital of Apollo. If the 50,000,000 Options proposed to be issued pursuant to Resolution 2 are exercised, then Blueknight (or nominees) will own approximately 48.84% of the post-consolidated capital of the Company. The third parties nominated by Blueknight (not related parties) in conjunction with a Broker would then also own approximately 48.84% of the expanded post consolidated issued capital of Apollo.

The estimated costs of the reconstruction process (legal fee, corporate fees, expert's report but excluding capital raising fee) will be around \$100,000 to complete the recapitalisation. The Deed Administrators fees and other costs associated with the Administration are payable out of the Deed Fund.

- 3.2 Following the consummation of all terms and conditions of the various Deeds and assuming all Resolutions are consummated, Apollo's unaudited pro-forma Balance Sheet is expected to disclose:

	Notes	Summary of Estimated Optimistic Return to Creditors as per Liquidators Report of 13 March 2009 if no Varied DOCA \$	Pro-forma after capital raisings and completion of Varied DOCA \$
<b>Current and Non Current Assets</b>			
Cash assets (refer below)	1	20,282	1,175,000
Plant and equipment		212,733	-
R & D Tax rebate (may be disputed)		342,762	-
Business Assets (refer below)		-	100,000
<b>Total Assets</b>		<u>575,777</u>	<u>1,275,000</u>
<b>Liabilities</b>			
Priority liabilities		50,074	-
Unsecured creditors (refer below)		919,545	-
Deed Administrators/Trustees fees and costs		618,266	-
<b>Total Current Liabilities</b>		<u>1,587,885</u>	<u>-</u>
<b>Net Assets (Liabilities)</b>		<u>(1,012,108)</u>	<u>1,275,000</u>
(Equity section not noted in the Deed Administrators Report)			
<b>Equity</b>			
Issued capital	2	31,233,709	32,858,709
Option reserve (refer below)		1,871,655	1,871,655
Accumulated losses		(34,117,472)	(36,005,364)
<b>Total Equity (Deficiency)</b>		<u>(1,012,108)</u>	<u>1,275,000</u>

The Deed Administrators consider that in the absence of the DOCA, on a wind up basis the creditors would receive nil return in a worst and best case scenario. In view of the above, it is reasonable to assume that the value of a Apollo share prior to the recapitalisation proposal put forward by Blueknight is nil. The Deed Administrators also consider that the likely value of an Apollo share pre the DOCA is nil.

#### Note 1

The movement in the cash assets is reconciled as follows:

Cash assets:	\$
Opening balance	20,282
Transferred to Deed Administrators	(20,282)
Issue of 50,000,000 shares at 0.25 cents each	125,000
Issue of 100,000,000 shares at 0.50 cents each	500,000
Issue of 200,000,000 Placement Shares at 0.5 cents each	1,000,000
Payment to satisfy obligations under DOCA	(350,000)

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Payment for costs of holding meeting	<u>(100,000)</u>
Closing balance	<u>1,175,000</u>

Thus net estimated cash will be \$1,175,000 immediately on completion of the recapitalisation process (and no material liabilities).

#### Note 2

The movement in the issued capital is reconciled as follows:

Issued Capital:	\$
Opening balance as per 30 June 2008 accounts	31,233,709
Issue of 50,000,000 shares at 0.25 cents each	125,000
Issue of 100,000,000 shares at 0.5 cents each	500,000
Issue of 200,000,000 Placement Shares at 0.5 cents each	<u>1,000,000</u>
Closing balance	<u>32,858,709</u>

In the event that a further 100,000,000 Placement Shares are issued at 0.5 cents each as allowed for in Resolution 5, then a further \$500,000 cash funds will be raised prior to any capital raising costs.

The interests' in the Business Assets are OTC skin care therapeutics business, including all stock, associated materials and intellectual property. Such assets have not been independently valued for the purposes of the unaudited pro-forma Balance Sheet. The Business Assets would be subject to an impairment test under the Australian equivalents of International Financial Reporting Standards ("A-IFRS") and Blueknight considers that the current value may be approximately \$100,000, subject to audit. Further details on the plans of Apollo post recapitalisation is outlined in the Letter to Shareholders and section 2.3 of the ES accompanying the Notice.

3.3 The number of Options under Resolution 2 will be 50,000,000, exercisable at 0.5 cent each, on or before 31 December 2012. Post Consolidation the Company will have the following share options on issue (excluding Options to be issued under the Blueknight Placement pursuant to Resolution 2):

- 20,000 options exercisable at \$11.00 each expiring 1 March 2010;
- 30,000 options exercisable at \$11.00 each expiring 20 May 2010;
- 10,000 options exercisable at \$13.00 each expiring 01 March 2011;
- 100,000 options exercisable at \$13.00 each expiring 20 May 2011;
- 2,500 options exercisable at \$13.00 each expiring 24 November 2011; and
- 330,000 options exercisable at \$10.00 each expiring 1 February 2012

It is not expected that these share options will be exercised as the exercise price is well in excess of the offer price under the Share Placement pursuant to Resolution 3.

3.4 It is proposed that Roger Steinepreis, George Ventouras and Nick Castleden are appointed directors of Apollo (Resolutions 6, 7 and 8 respectively).

#### 4. Future directions of Apollo

4.1 We have been advised by Roger Steinepreis a director of Blueknight and a party associated with Blueknight that:

- The short term intention is to complete the DOCA including the recapitalisation process;

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- At the time of preparation of this report they are not aware of any proposals currently contemplated whereby Apollo will acquire any property or assets from Blueknight or where Apollo is to transfer any of its property or assets to Blueknight;
- No dividend policy has been set and is not proposed to be set until such time as the Company is profitable and has a positive cash flow;
- As part of the recapitalisation process, the Company proposes to seek re-quotation of the Company's shares on the ASX;
- The Company's plans for the future are as outlined in the Letter to Shareholders and section 2.3 of the ES; and
- The proposal by Apollo is for the Company to retain its interest in the Business Assets in the ordinary course and to exploit complementary business opportunities. Also the Company may pursue new investments within Australia and overseas.

## 5. Basis of Technical Valuation of Apollo

### 5.1 Allotment of Shares

5.1.1 In considering the proposals as outlined in Resolution 2 we have sought to determine if the potential considerations payable by Blueknight are fair and reasonable to the existing non-associated shareholders of Apollo.

5.1.2 The proposals pursuant to Resolution 2 would be fair to the existing non-associated shareholders if the values of the consideration being offered by Blueknight are greater than the current implicit value of the shares and options of Apollo immediately prior to the transactions. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on Apollo shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining the current technical value of a Apollo share are:

- Capitalised maintainable earnings/discounted cash flow
- Takeover bid - the price which an alternative acquirer might be willing to offer
- Adjusted net asset backing and windup value
- The weighted market value price of Apollo shares

### 5.2 Capitalised maintainable earnings/discounted cash flows

5.2.1 As noted above, Apollo is under the control of Deed Administrators and subject to a Varied DOCA. Due to Apollo's current state of affairs, the lack of a profit history arising from business undertakings and the immediate lack of a reliable future cash flow from a business activity, we have considered these methods of valuation not to be relevant for the purposes of this report (also refer 3.2 above).

### 5.3 Takeover bid

We have been advised by Roger Steinepreis a director of Blueknight and a proposed director of Apollo that he does not believe that there would be any existing shareholder or proposed shareholder that has an interest in taking over the Company by way of a formal takeover bid. However, we note that under the Varied DOCA and recapitalisation process, Blueknight would own approximately 41.72% of the post-consolidated capital of the Company (and other shareholders collectively under the Share Placement pursuant to Resolution 5 would own approximately 55.63%).

- 5.4 Net asset backing and windup value
- 5.4.1 As noted in the Deed Administrators reports, prior to the DOCA and Varied DOCA and recapitalisation process, Apollo was insolvent and the Deed Administrators of Apollo considered that on a windup basis, there would be a deficiency in funds and the unsecured creditors may receive no return.
- 5.4.2 As part of the re-capitalisation/ DOCA process, Apollo will retain certain Business Assets of Apollo but the Directors consider the current value to be minimal. The expected proceeds from the sale of the remaining Business Assets would unlikely be sufficient to repay all outstanding creditors.
- 5.4.3 Purely based on the pro-forma book value of a reconstructed Apollo, the net assets would be disclosed at approximately \$1,275,000 which would be equivalent to approximately 0.35 cents per share, assuming 359,538,462 post consolidated shares would be on issue after the recapitalisation process (approximately 0.32 cents per share on a cash asset backing). This compares with the current value of an Apollo share of nil cents.
- 5.5 Weighted average market price of Apollo shares
- 5.5.1 As the Company is suspended from the ASX, we do not believe it is appropriate to value an Apollo share based on prior quoted prices of Apollo shares on the ASX.
- 5.6 After taking into account the matters referred to in the preceding paragraphs, we are of the view that the current theoretical value of an Apollo share (prior to the recapitalisation process) is nil cents.
- 5.7 If the DOCA and the recapitalisation process are finalised, the cash value of an Apollo share immediately post construction and recapitalisation would approximate 0.32 cents per share (before any capital raising costs).
- 6. Premium for Control**
- 6.1 Premium for control for the purposes of this report has been defined as the difference between the price per share that a buyer would be prepared to pay to obtain a controlling interest in the Company and the price per share at which the same person would be required to pay per share which does not carry with it control of the Company.
- 6.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders' control more than 20% of the issued capital. In this case, Blueknight would hold approximately 41.72% of the expanded issued capital of Apollo.
- 6.3 The Apollo shares that are proposed to be issued to the Blueknight or nominees (and to parties under the Share Placement pursuant to Resolution 5) are deemed to be theoretically worth nil cents. \$350,000 payable by Blueknight will be paid to the Deed Fund to be made available to Apollo's group creditors, and to meet the Deed Administrators and Trustees fees and costs pursuant to the terms of the Varied DOCA. After certain transaction costs, a cash balance of approximately \$1,175,000 (and up to \$1,675,000) will remain in the Company (prior to capital raising costs). In our opinion, it is possible that Blueknight is paying a premium for control, however, the non associated shareholders of Apollo are benefiting in that the theoretical value of an Apollo share rises from nil cents (with significant liabilities) to a company with a theoretical cash backed

value of approximately 0.32 cents per share, all liabilities extinguished and the consolidated shares re-quoted on the ASX.

## 7. Fairness and Reasonableness of the Proposals

We have set out below some of the advantages, disadvantages and other factors pertaining to the proposals pursuant to Resolution 2 (and 5) and the recapitalisation proposals generally.

### Advantages

- 7.1 The passing and consummation of Resolutions 2 and 5 in conjunction with the completion of the DOCA and recapitalisation process would result in a net cash injection of approximately \$1,175,000 (and up to \$1,675,000 prior to capital raising costs if all 100,000,000 post consolidated oversubscription Placement Shares are applied for) into the Company and having a company with no liabilities, compared with the current position whereby the Company is subject to a DOCA and is in a net liability position.
- 7.2 If the proposals per Resolutions 2 and 5 are consummated along with the completion of the Varied DOCA, the book value and cash asset backing of an Apollo share rises from nil cents to approximately 0.35 cents and 0.32 cents respectively (assumes no oversubscription for shares).
- 7.3 If Resolutions 2 and 5 are passed together with the completion of the Varied DOCA and recapitalisation process, the Company's chances to seek re-quotations of its shares on the ASX are enhanced. By obtaining re-quotations of the Company's shares, the existing shareholders are offered liquidity to sell their shares on the ASX.
- 7.4 Blueknight and the proposed directors of Apollo bring expertise to the Company in that Messrs Roger Steinepreis, George Ventouras and Nick Castleden have either legal and corporate experience and/or experience as a directors or managers of public listed companies or other trading entities. The directors will also seek new business opportunities in the existing industries that Apollo operates in and other industries. Further details on the new directors are outlined in the ES in Section 4.

### Disadvantages

- 7.5 A significant shareholding in the Company is being given to the Blueknight and new parties that will be issued shares pursuant to the Placement under Resolution 5 (in total approximately 97.35%) and the existing shareholders will only own approximately 2.65% of the reconstructed Apollo. However, we note that Apollo will be recapitalised with approximately \$1,175,000 in cash (or more if the 100,000,000 Placement Shares for oversubscriptions are applied for), will have no debt and will have the opportunity to consider the acquisition of other assets.
- 7.6 Apollo would only have approximately cash of \$1,175,000 (and to up to \$1,675,000 if the Share Placement oversubscriptions are taken up) (before capital raising costs) after the consummation of the Varied DOCA and the recapitalisation process is complete. Further fundraisings may be required to be undertaken in the near future. If further shares are issued, the percentage share holding of the existing shareholders of Apollo may be diluted down even further. However as noted above, the shares in Apollo prior to the recapitalisation process is considered to be of nil value.

- 7.7 The ultimate value of the Business Assets is unknown and the Company may incur new losses and new capital raisings may need to take place. The Company has estimated that approximately \$475,000 is to be spent on evaluating and exploiting the Business Assets over a two year period from completion of the recapitalisation process.

### **Other Factors**

- 7.8 The 50,000,000 Options, if exercised would result in an inflow of funds to Apollo of \$250,000. The exercise price of the 50,000,000 Options is 0.5 cents each. The trading price of a Apollo share (after re-quotation of the Company's shares on the ASX that is dependent upon completion of the recapitalisation process) at the date of exercise of the options would probably be in excess of 0.5 cents before Blueknight (or nominees) exercised all or part of the Options.
- 7.9 The 50,000,000 Options have been valued using the Black Scholes option valuation methodology as noted in Schedule 2 attached to the Notice. We do not disagree with the range of values ascribed to the Options on the basis of the assumptions made. The assumptions appear reasonable in the circumstances. It is noted that at a 100% volatility factor, the technical value of one of the 50,000,000 Options would equate to approximately 0.337 cents.

## **8. Conclusion as to Fairness and Reasonableness**

- 8.1 After taking into account the matters referred to in 7 above and elsewhere in this report, we are of the opinion that, on balance, the proposals as outlined in Resolution 2 are, on balance fair and reasonable to the non-associated shareholders of Apollo.**

## **9. Sources of Information**

- 9.1 In making our assessment as to whether the proposals pursuant to Resolution 2 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of Apollo which is relevant in the current circumstances. In addition, we have held discussions with Roger Steinepreis a director of Blueknight and a proposed director of Apollo about the present state of affairs of Apollo. Statements and opinions contained in this report are given in good faith, but in the preparation of this report, we have relied in part on information provided by Blueknight and Roger Steinepreis.

- 9.2 Information we have received includes, but is not limited to:

- Draft April to June 2009 Notices of Annual General Meeting of Shareholders of Apollo (and Drafts of Explanatory Statement to Shareholders attached);
- Discussions with a representative of Blueknight;
- Shareholding details of Apollo;
- The Administrator's Reports to Creditors for Apollo of 18 November 2008, 26 November 2009 and 13 March 2009 and various notices of meeting to the creditors;
- The Administrators and/or Trustees Reports to Shareholders and other announcements to the ASX by Apollo from 24 October 2008 to 30 April 2009;
- General information on Apollo and Blueknight;
- The Apollo Creditors Trust Deed;
- Letter from Blueknight to ASX on Apollo dated 17 February 2009;

- The Deed of Company Arrangement between the Company and the Deed Administrators dated 3 December 2009; and
- The Proposal To Recapitalise Apollo from Blueknight of November 2008.

9.3 Our report includes Appendix A and Financial Services Guide, attached to this report.

Yours faithfully

**STANTONS INTERNATIONAL PTY LTD**  
**(Trading as Stantons International Securities)**



**J P Van Dieren - FCA**  
**Director**

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## APPENDIX A

### AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Pty Ltd trading as Stantons International Securities dated 5 June 2009 relating to the proposed issue of up to 150,000,000 shares and 50,000,000 Options to Blueknight as outlined in Resolution 2 in the Notice of Meeting to Shareholders to be forwarded to shareholders of Apollo in July 2009 for a meeting of shareholders in August 2009.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with Apollo or Blueknight other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at \$6,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities does not hold any securities in Apollo. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

### QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (no 319600) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. A number of the Directors of Stantons International Services Pty Ltd are the Directors' of Stantons International Securities. Stantons International Securities and Stantons International Services Pty Ltd have extensive experience in providing advice pertaining to mergers, acquisitions and strategic and financial planning for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

### DECLARATION

This report has been prepared at the request of Blueknight on behalf of the existing shareholders of Apollo in order to assist such existing shareholders to assess the merits of the issue of up to 150,000,000 shares and up to 50,000,000 Options to Blueknight to which this report relates. This report has been prepared for the benefit of Apollo's shareholders and does not provide a general

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expression of Stantons International Securities' opinion as to the longer term value of Apollo or the Business Assets of Apollo. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Apollo or the ownership of Apollo or the Business Assets. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

### **DISCLAIMERS**

This report has been prepared by Stantons International Securities with due care and diligence. However, except for those responsibilities, which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities (Stantons International Pty Ltd) and Stantons International Services Pty Ltd, their directors, employees or consultants for the preparation of this report.

A draft of this report was presented to Blueknight, the proposed directors of Apollo and the Deed Administrators of Apollo for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter. Whilst the Deed Administrators have viewed a draft of this report neither the Deed Administrators, their professional advisers, Pitcher Partners Chartered Accountants and Insolvency Practitioners or their employees are responsible for comments in this report. The Deed Administrators do not accept any responsibility for any disclosures in or failure to include any disclosures in this report. The information contained in this report has not been verified independently by the Deed Administrators, their professional advisers, Pitcher Partners or their employees who expressly disclaim responsibility for the accuracy or completeness of the information in the report.

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**FINANCIAL SERVICES GUIDE**  
**Dated 5 JUNE 2009**

**1. STANTONS INTERNATIONAL PTY LTD (TRADING AS STANTONS INTERNATIONAL SECURITIES)**

Stantons International Securities ACN 103 088 697 (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

**2. FINANCIAL SERVICES GUIDE**

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 319600**;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

**3. FINANCIAL SERVICES WE ARE LICENCED TO PROVIDE**

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares and options)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

**4. GENERAL FINANCIAL PRODUCT ADVICE**

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should

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also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

**5. BENEFITS THAT WE MAY RECEIVE**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

**6. REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

**7. REFERRALS**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

**8. ASSOCIATIONS AND RELATIONSHIPS**

SIS is a trading name owned by Stantons International Pty Ltd a professional advisory and accounting practice. Our directors may be directors in Stantons International Services Pty Ltd.

From time to time, SIS and Stantons International Services Pty Ltd and/or their related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

**9. COMPLAINTS RESOLUTION**

**9.1 *Internal complaints resolution process***

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer  
Stantons International Securities  
Level 1  
1 Havelock Street  
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

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**9.2 Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOSL”). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited  
PO Box 3  
MELBOURNE VIC 30021

Toll Free: 1300 78 08 08  
Facsimile: (03) 9613 6399

**10. CONTACT DETAILS**

You may contact us using the details set out above or by telephone (08) 9481 3188 or facsimile (08) 9321 1204.

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