



BGD CORPORATION LIMITED

ACN 009 074 588

NOTICE OF EXTRAORDINARY GENERAL MEETING

EXPLANATORY STATEMENT

PROXY FORM

TIME: 10am (AEDT)

DATE: Thursday, 7 January 2016

PLACE: Level 5, 137-139 Bathurst Street, Sydney NSW 2000

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.

Shareholders of the Company should carefully consider the Independent Expert's Report (**IER**) prepared by Stantons International Securities Pty Ltd (**Stantons**) considering the Resolutions relevant to the Proposed Transaction in this Notice of Meeting. The IER comments on the fairness and reasonableness of the Proposed Transaction as a whole to the current non-associated Shareholders of the Company. Stantons has concluded that the Proposed Transaction is fair and reasonable to current Shareholders of the Company.

This Notice of Meeting and IER can be accessed on the Company's website, www.bgdcorporation.com.au. Shareholders may request for a hard copy of the IER to be sent to them, at no cost to the Shareholder.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 419 473 925.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Extraordinary General Meeting of the Shareholders to which this Notice of Meeting relates will be at 10am (AEDT) on 7 January 2016 at Level 5, 137-139 Bathurst Street, Sydney NSW 2000.

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

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

VOTING BY PROXY

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

- (a) deliver the proxy form:
 - (i) by hand to Automic Registry Services, Suite 1a, Level 17, Ventnor Avenue, West Perth WA 6005; or
 - (ii) by post to BGD Corporation Limited c/- Automic Registry Services, PO Box 223, West Perth WA 6872; or
 - (b) by facsimile to (+61 8) 9360 2899; or
 - (c) online, via <https://automic.7g.com.au/loginlisted.aspx> and follow the below instructions:
 - (i) Security code – using the dropdown box select “BGD Corporation Limited”;
 - (ii) SRN/HIN – enter your personal holder number;
 - (iii) Enter your postcode if your holding has a registered address in Australia or your country if it is registered overseas;
 - (iv) Click the “login” button; and
 - (v) Click on the “Voting” tab to commence registering your voting intention,
- so that it is received not later than 48 hours before the commencement of the Meeting.

Proxy Forms received later than this time will be invalid.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Shareholders of BGD Corporation Limited will be held at 7 January 2016 on 10am (AEDT) at Level 5, 137-139 Bathurst Street, Sydney NSW 2000.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Extraordinary General Meeting. The Explanatory Statement forms part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Extraordinary General Meeting are those who are registered Shareholders of the Company at 7pm (AEDT) on 5 January 2016. Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

Part A: Consolidation of Capital and Acquisition of the Modern Medical Group

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 Resolutions 2 to 13 (inclusive) 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 3 Shares be consolidated into one Share; and*
- (b) every 3 Options be consolidated into one Option;*

and, where the Consolidation results in a fraction of a security being held, the Company be authorised to round that fraction up or down (as the case may be) to the nearest whole security (as the case may be), further details of which are described in the Explanatory Statement”.

NOTE: RESOLUTIONS 2-6 AND 8-10 (INCLUSIVE) WILL BE IMPLEMENTED AFTER THE COMPLETION OF THE CONSOLIDATION AS SET OUT IN RESOLUTION 1.

2. RESOLUTION 2 – APPROVAL OF CHANGE TO NATURE AND SCALE OF ACTIVITIES

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

“That, subject to Resolutions 1 and 3 to 13 (inclusive) being passed, for the purposes of ASX Listing Rules 11.1.2, 11.1.3 and for all other purposes, the Company be authorised to make a significant change to the nature and scale of its activities as set out in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Independent Expert’s Report: Shareholders of the Company should carefully consider the Independent Expert’s Report (**IER**) that has been prepared by Stantons before voting on this Resolution. The IER comments on the fairness and reasonableness of the Proposed Transaction as a whole to the current Shareholders of the Company. The IER has concluded that the Proposed Transaction is fair and reasonable to the current Shareholders of the Company.

Voting exclusion statement: The Company will disregard any votes cast on Resolution 2 by:

- (a) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (b) an associate of any person described in (a).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (**Chair**) as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. RESOLUTION 3 – ACQUISITION OF RELEVANT INTEREST

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

“That, subject to Resolutions 1, 2 and 4 to 13 (inclusive) being passed, for the purposes of section 611 (item 7) of the Corporations Act and for all other purposes, the Shareholders of the Company approve the issue and allotment of, on a post-Consolidation basis, up to 83,181,818 Consideration Shares at a deemed issue price of 3.3 cents (\$0.033) per Consideration Share to the Modern Medical Vendors (or their nominees), as part of the Modern Medical Consideration pursuant to the Modern Medical Acquisition, on the terms and conditions which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Modern Medical Vendors consists of Torac Pty. Ltd., Como Group Holdings Pty. Ltd., and JKS Group Holdings Pty. Ltd.

Voting power of the Modern Medical Vendors (or its nominees): As set out in Table 2 in the Explanatory Statement, the proposed maximum voting power of the Modern Medical Vendors (or their nominees) will range from 22.2% to 28.7%, depending on the quantum of New Shares being issued under the Offer and whether all outstanding options are exercised.

Independent Expert’s Report: Shareholders of the Company should carefully consider the Independent Expert’s Report (**IER**) that has been prepared by Stantons before voting on this Resolution. The IER comments on the fairness and reasonableness of the Proposed Transaction as a whole (which includes the acquisition of the voting power and relevant interest by the Modern Medical Vendors (or their nominees)). The IER has concluded that the acquisition of the voting power and relevant interest by the Modern Medical Vendors (or their nominees) is fair and reasonable to the current Shareholders of the Company.

Voting exclusion statement: The Company will disregard any votes cast on Resolution 3 by:

- (a) each of the Modern Medical Vendors (or their nominees);
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (**Chair**) 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.

4. RESOLUTION 4 – RELATED PARTY APPROVAL OF FUTURE ISSUE OF CONSIDERATION SHARES TO TORAC PTY. LTD.

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

“That, subject to Resolutions 1 to 3, and 5 to 13 (inclusive) being passed, for the purposes of section 208 of the Corporations Act and for all other purposes, the Shareholders of the Company approve the issue and allotment of, on a post-Consolidation basis, up to 37,431,818 Consideration Shares at a deemed issue price of 3.3 cents (\$0.033) per Consideration Share to Torac Pty. Ltd. (or its nominee), as part of the Modern Medical Consideration pursuant to the Modern Medical Acquisition, on the terms and conditions which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting power of Torac Pty. Ltd. (or its nominee): As set out in Table 2 in the Explanatory Statement, the proposed maximum voting power of Torac Pty. Ltd. (or its nominee) will range from 10.0% to 12.9%, depending on the quantum of New Shares being issued under the Offer and whether all outstanding options are exercised.

Independent Expert’s Report: Shareholders of the Company should carefully consider the Independent Expert’s Report (**IER**) that has been prepared by Stantons before voting on this Resolution. The IER comments on the fairness and reasonableness of the Proposed Transaction as a whole, including the issue of Consideration Shares to Torac Pty. Ltd. (as one of the Modern Medical Vendors), to the current Shareholders of the Company. The IER has concluded that the Proposed Transaction is fair and reasonable to the current Shareholders of the Company.

Voting exclusion statement: The Company will disregard any votes cast on Resolution 4 by:

- (a) Torac Pty. Ltd. (or its nominee);
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (**Chair**) 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.

5. RESOLUTION 5 – RELATED PARTY APPROVAL OF FUTURE ISSUE OF CONSIDERATION SHARES TO COMO GROUP HOLDINGS PTY. LTD.

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

“That, subject to Resolutions 1 to 4, and 6 to 13 (inclusive) being passed, for the purposes of section 208 of the Corporations Act and for all other purposes, the Shareholders of the Company approve the issue and allotment of, on a post-Consolidation basis, up to 20,795,455 Consideration Shares at a deemed issue price of 3.3 cents (\$0.033) per Consideration Share to Como Group Holdings Pty. Ltd. (or its nominee), as part of the Modern Medical Consideration pursuant to the Modern Medical Acquisition, on the terms and conditions which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting power of Como Group Holdings Pty. Ltd. (or its nominee): As set out in Table 2 in the Explanatory Statement, the proposed maximum voting power of Como Group Holdings Pty. Ltd. (or its nominee) will range from 5.6% to 7.2%, depending on the quantum of New Shares being issued under the Offer and whether all outstanding options are exercised.

Independent Expert’s Report: Shareholders of the Company should carefully consider the Independent Expert’s Report (**IER**) that has been prepared by Stantons before voting on this Resolution. The IER comments on the fairness and reasonableness of the Proposed Transaction as a whole, including the issue of Consideration Shares to Como Group Holdings Pty. Ltd. (as one of the Modern Medical Vendors), to the current Shareholders of the Company. The IER has concluded that the Proposed Transaction is fair and reasonable to the current Shareholders of the Company.

Voting exclusion statement: The Company will disregard any votes cast on Resolution 5 by:

- (a) Como Group Holdings Pty. Ltd. (or its nominee);
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (**Chair**) 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.

6. RESOLUTION 6 – APPROVAL OF FUTURE ISSUE OF CONSIDERATION SHARES TO JKS GROUP HOLDINGS PTY. LTD.

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

“That, subject to Resolutions 1 to 5, and 7 to 13 (inclusive) being passed, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Shareholders of the Company approve the issue and allotment of, on a post-Consolidation basis, up to 24,954,545 Consideration Shares at a deemed issue price of 3.3 cents (\$0.033) per Consideration Share to JKS Group Holdings Pty. Ltd. (or its nominee), as part of the Modern Medical Consideration pursuant to the Modern Medical Acquisition, on the terms and conditions which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting power of JKS Group Holdings Pty. Ltd. (or its nominee): As set out in Table 2 in the Explanatory Statement, the proposed maximum voting power of JKS Group Holdings Pty. Ltd. (or its nominee) will range from 6.7% to 8.6%, depending on the quantum of New Shares being issued under the Offer and whether all outstanding options are exercised.

Independent Expert’s Report: Shareholders of the Company should carefully consider the Independent Expert’s Report (**IER**) that has been prepared by Stantons before voting on this Resolution. The IER comments on the fairness and reasonableness of the Proposed Transaction as a whole, including the issue of Consideration Shares to JKS Group Holdings Pty. Ltd. (as one of the Modern Medical Vendors), to the current Shareholders of the Company. The IER has concluded that the Proposed Transaction is fair and reasonable to the current Shareholders of the Company.

Voting exclusion statement: The Company will disregard any votes cast on Resolution 6 by:

- (a) JKS Group Holdings Pty. Ltd. (or its nominee);
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (**Chair**) 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.

7. RESOLUTION 7 – DISPOSAL OF INTEREST IN EUROA STEEL PLANT JOINT VENTURE

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

“That, subject to Resolutions 1 to 6, and 8 to 13 (inclusive) being passed, for the purposes of ASX Listing Rule 11.2 and for all other purposes, the Shareholders of the Company approve the disposal by the Company of its interest in the share capital of Euroa Steel Plant Project Pty Ltd on the terms and conditions which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 7 by:

- (a) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (b) an associate of any person described in (a).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (**Chair**) 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.

Part B: Capital Raising and Directors' Participation

8. RESOLUTION 8 – APPROVAL OF FUTURE ISSUE OF NEW SHARES PURSUANT TO CAPITAL RAISING

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

“That, subject to Resolutions 1 to 7, and 9 to 13 (inclusive) being passed, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Shareholders of the Company approve the issue and allotment of, on a post-Consolidation basis, up to 153,846,154 New Shares at an issue price of 3.9 cents (\$0.039) per New Share to raise a minimum of \$4,000,000 and a maximum of up to \$6,000,000, to investors who have been invited to subscribe for New Shares under a Prospectus to be issued by the Company, and otherwise on the terms and conditions which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 8 by:

- (a) a person who is proposing to participate in the issue;
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (**Chair**) 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.

9. RESOLUTION 9 – RELATED PARTY APPROVAL FOR MR SHANE TANNER’S PARTICIPATION IN CAPITAL RAISING

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

“That, subject to Resolutions 1 to 8, and 10 to 13 (inclusive) being passed, for the purposes of Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of, on a post-Consolidation basis, up to 2,405,953 New Shares to Mr Shane Tanner (or his nominee), a Director of the Company who wishes to subscribe for New Shares under the Capital Raising, on the terms and conditions which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting power of Mr Shane Tanner (or his nominee): As set out in Table 15 in the Explanatory Statement, the proposed maximum voting power of Mr Tanner (or his nominee) will range from 0.3% to 0.6%, depending on the quantum of New Shares being issued under the Offer and whether all outstanding options are exercised.

Voting exclusion statement: The Company will disregard any votes cast on Resolution 9 by:

- (a) Mr Shane Tanner (or his nominee);
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (**Chair**) 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.

10. RESOLUTION 10 – RELATED PARTY APPROVAL FOR MR JONATHAN LIM’S PARTICIPATION IN CAPITAL RAISING

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

“That, subject to Resolutions 1 to 9, and 11 to 13 (inclusive) being passed, for the purposes of Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of, on a post-Consolidation basis, up to 15,523,077 New Shares to Mr Jonathan Lim (or his nominee), a Director of the Company who wishes to subscribe for New Shares under the Capital Raising, on the terms and conditions which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting power of Mr Jonathan Lim (or his nominee): As set out in Table 15 in the Explanatory Statement, the proposed maximum voting power of Mr Lim (or his nominee) will range from 7.6% to 11.3%, depending on the quantum of New Shares being issued under the Offer and whether all outstanding options are exercised.

Voting exclusion statement: The Company will disregard any votes cast on Resolution 10 by:

- (a) Mr Jonathan Lim (or his nominee);
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (**Chair**) 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.

Part C: Election of Director to New Board

11. RESOLUTION 11 – ELECTION OF DR TODD CAMERON AS A DIRECTOR OF THE COMPANY

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

“That, subject to Resolutions 1 to 10, 12 and 13 (inclusive) being passed, for the purposes of clause 13.3 of the Company’s Constitution and for all other purposes, Dr Todd Cameron, being eligible and having consented to act, be elected as a Director of the Company on and from the date of completion of the Proposed Transaction.”

12. RESOLUTION 12 – ELECTION OF MR JEREMY KIRKWOOD AS AN ALTERNATE DIRECTOR OF THE COMPANY

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

“That, subject to Resolutions 1 to 11, and 13 (inclusive) being passed, for the purposes of clause 13.3 of the Company’s Constitution and for all other purposes, Mr Jeremy Kirkwood, being eligible and having consented to act, be elected as an alternate Director of the Company (to Dr Todd Cameron) on and from the date of completion of the Proposed Transaction.”

13. RESOLUTION 13 – ELECTION OF MR JONATHAN LIM AS A DIRECTOR OF THE COMPANY

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

“That, subject to Resolutions 1 to 12 (inclusive) being passed, for the purposes of clause 13.3 of the Company’s Constitution and for all other purposes, Mr Jonathan Lim, a Director appointed as an additional Director and holding office until the next meeting being eligible and having consented to act, be re-elected as a Director of the Company.”

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Extraordinary General Meeting to be held at 7 January 2016 on 10am (AEDT) at Level 5, 137-139 Bathurst Street, Sydney NSW 2000.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

If you are in any doubt about what to do in relation to the Resolutions contemplated in the Notice of Meeting and this Explanatory Statement, it is recommended that you seek advice from an accountant, solicitor or other professional advisor.

Full details of the business to be considered at the Extraordinary General Meeting are set out below.

Part A: Consolidation of Capital and Acquisition of the Modern Medical Group

Consolidation of existing issued capital of the Company

Following completion of the Proposed Transaction (as defined in this Notice of Meeting), the Company will apply for reinstatement to the Official List of the ASX.

As part of the reinstatement, the Company will need to satisfy all the conditions set out in Chapters 1 and 2 of the Listing Rules. In order to obtain waivers from Listing Rules 1.1 (condition 11) and 2.1 (condition 2), the Company will undertake a consolidation of its issued capital on a 1 for 3 basis (**Consolidation**).

Shareholders should note the use of post-Consolidation figures throughout this Notice of Meeting. **Unless otherwise noted, all references to Securities in Resolutions 2-6, 8-10 of this Notice of Meeting are on a post-Consolidation basis.**

Shareholder approval for the Consolidation is being sought under Resolution 1 of this Notice of Meeting.

Proposed acquisitions of assets from Modern Medical Pty Ltd by the Company

Background

On 8 October 2015, the Company announced that it had signed a binding heads of agreement to acquire certain businesses and assets of Modern Medical Pty Ltd (collectively referred to as the **Modern Medical Group** and **MMG**), with options granted for the Company to acquire the remaining businesses and assets of the Modern Medical Group, subject to a number of conditions precedent being satisfied. The transaction between the Company and Modern Medical Group is referred to as the **Proposed Transaction** in this Notice of Meeting.

On 11 November 2015, the Company announced that it had executed a binding sale of business deed (**Sale Deed**) to effect the terms of the Proposed Transaction.

Rational for the Proposed Transaction

Since recapitalisation and reinstatement to the Official List of the ASX on 2 January 2015, the Company has continued its principal activity of continuing its review of the development of the Euroa Steel Plant project in Gladstone, Queensland, through their 50% owned subsidiary, Euroa Steel Plant Project Pty Ltd (**ESPP**). In addition, the Company noted that it would explore other investment opportunities in related and unrelated industries. Accordingly, the Proposed Transaction is consistent with the Company's overall business strategy.

About the Modern Medical Group

Background

The Modern Medical Group was established in 2003 by Dr Todd Cameron and Mr Jarrod Schulz. Since then, the Modern Medical Group has expanded to six integrated primary healthcare clinics providing general practice services and sub-letting clinic space to a range of other primary healthcare services including allied health and pathology. All six clinics are based in Victoria.

MMG provides the consulting facilities, nursing and support services to medical practitioners (predominantly general practitioners (**GP**)) providing healthcare services within MMG clinics. The bulk of general practice services performed by doctors within MMG facilities are funded by the Australian Government via Medicare.

The combined MMG clinics provide services to around 10,000-14,000 patients per month. The percentage of services bulk billed (funded by Medicare) varies from clinic to clinic and ranges between 60%-99% of total patients.

MMG selects sites taking into account various factors including demographics, competitive environment, quality of available facilities and distance to other MMG sites.

Under the terms of the Proposed Transaction (which are set out in further detail below), the Company will initially acquire two clinics based in Caroline Springs (**MMCS**) and Balwyn (**MMBN**), and be granted options to acquire the remaining clinics, which are based in Craigieburn (**MMCB**), Bayswater (**MMBW**), Hobsons Bay (**MMHB**) and Wyndham Vale (**MMWV**). The Figure 1 below illustrates the current locations of the MMG clinics, which are further denoted by references as to whether they will be initially acquired as part of the Proposed Transaction.

Primary Healthcare Strategy

The MMG and the Proposed Transaction will serve as the Company's platform asset to enter into the primary healthcare sector. The Board sees the attraction of entering into the primary healthcare sector as follows:

- Compelling macroeconomic growth drivers in healthcare including a growing and ageing population and an increased incidence of chronic disease;
- Favourable government funding policies pushing supply from public to private service providers (such as the Medicare levy surcharge, federal government rebates for certain individuals and families that use private healthcare, and Lifetime Health Cover which incentivises people to take out private health care at a younger age);
- Significant scope for ongoing industry consolidation with incumbent corporate groups accounting for less than 10% of the acquirable market; and

- Opportunity to provide a differentiated point of care in the clinics by way of acquiring and building out integrated medical clinics which house both primary healthcare and a range of allied health services (e.g. physiotherapy, mental health and optometry).

The Company is currently in discussions relating to a number of additional acquisition opportunities in the primary healthcare industry.

About the MMG clinics

Figure 1 – Locations of MMG clinics in Victoria



Further details on MMCS – Caroline Springs

MMCS is the founding clinic of MMG, having been established in 2003. The clinic has expanded to include a specialist centre and is the only site in the group offering after hours services. The revenue generation ability of the clinic is attributed to the management's strategy to retain and recruit quality medical practitioners. In addition to that, administration plays the largest part in the day-to-day operations of MMCS in terms of human resource allocation, which is consistent with other clinics within the group.

MMCS – Caroline Springs



Capacity:

Consulting rooms	28
Specialist rooms/afterhours	4

Service offering:

Pathology	Yes
Allied health	Yes
After hours	Yes

Property:

Freehold/leasehold	Leasehold
Location	Metro
Last build/refurbishment date	2014

Further details on MMBN – Balwyn

MMBN is one of the two opportunities explored during MMG's first phase expansion in 2009. MMBN has benefited from the implementation of effective quality medical practitioners recruitment strategies. In addition to that, administration plays the largest part in the day-to-day operations of MMBN in terms of human resource allocation, which is consistent with other clinics within the group. MMBN plans to provide after hours services from January 2016.

MMBN – Balwyn



Capacity:

Consulting rooms	9
Treatment beds	2

Service offering:

Pathology	Yes
Allied health	No
After hours	No

Property:

Freehold/leasehold	Leasehold
Location	Metro
Last build/refurbishment date	2009

MMG business model

The business model is based on the provision of clinical and support services to medical practitioners (predominantly GPs), allowing GPs to focus on providing care to their patients. Under this business model, the medical practitioners are not employees of MMG, but instead, enter into service agreements with MMG. Pursuant to these service agreements, the Company provides consulting rooms within a medical clinic, medical supplies, and administrative, nursing and other services to the GPs, whom in turn provide their medical services to patients and pay a significant portion of the revenue generated to MMG.

Based on MMG's unaudited management accounts, for FY15, 83% of MMG's revenue is derived from patient fees, with smaller portions derived from government incentives and rental income for sub-letting clinic spaces and facilities to other healthcare professionals.

Financial performance of the Initial Clinics

The Initial Clinics comprise the businesses and assets of Modern Medical Caroline Springs (**MMCS**), incorporating Caroline Springs Specialist Centre (**CSSC**), Modern Medical Balwyn (**MMBN**), Modern Medical Administration Unit Trust (**MMAT**) and Modern Medical Group Pty Ltd (**MMGPL**). Summary of the financial performance of the pro-forma Initial Clinics for FY14 and FY15, based on MMG's unaudited management accounts, is outlined below:

Initial Clinics \$'000	FY14	FY15	Change %
Revenue	8,759	8,964	2%
Costs	8,049	8,326	3%
EBITDA	710	638	-10%
Normalisation Adjustments	302	431	42%
Normalised EBITDA	1,012	1,069	6%
Depreciation	144	175	21%
Normalised EBIT	868	894	3%

The table above shows the pro-forma accounts on an accruals basis. The normalisation entries are to adjust EBITDA in accordance with the Sale Deed to reflect one-off relocation costs, rental adjustments, management fee adjustments and one-off expense items from the time the Proposed Transaction is completed.

The table above are not pro-forma profit and loss statements as it does not include BGD's revenues and expenses.

The following further comments are noted in relation to the FY15 financial figures of the Initial Clinics:

- Majority of the revenue (83%) was derived from patient fees. The remaining revenue was derived from government incomes (5%), rental income (8%) and other incomes (4%).
- Costs comprised of doctor fees for services rendered (ranging on a percentage basis) which represent 61% of costs, operating staff including admin and nurses which represent 17% of total costs, rent, medical supplies and other expenses.
- Normalisations include management fee adjustment (for the management team that will transfer to BGD and chargeback to Remaining Clinics), one-off relocation costs for MMCS, rental adjustments, adjustment to reflect accruals accounting and other one-off/personal costs.

MMG management team

The Modern Medical Group is led by an experienced executive team that will remain with the business post-completion of the Proposed Transaction:

Dr Todd Cameron, Co-Founder of MMG and Proposed Director of the Company

Todd is a Fellow of the Australia College of General Practitioners and has practiced as a GP in the Western Suburbs of Melbourne for over 18 years. He is a VMA accredited GP Registrar supervisor and served as a Board member for five years for PivotWest the Local Division of General Practice and is an ex-Chairman of the Board of the regional Medicare Local.

As a local GP with such length of service and experience with establishing 6 GP clinics and 1 Specialist Centre in the past 10 years (most within the past 5 years) his commitment and passion to team building and systemising primary healthcare has serviced MM well to date especially in the area of capacity building.

Following completion of the Modern Medical Acquisition, Dr Cameron proposes to join the Board of the Company.

Mr Rushan Hewawasm, Operations Manager of MMG

Rushan has over 7 years of financial and operational management experience. As the Operations Manager of MMG, his role includes management of the entire MMG, including all processes, financial performance and human resources. He also oversees the practice managers that manage the day to day operations of the MMG clinics. Rushan is currently studying for a Master's Degree in Business Administration to supplement an existing Bachelor Degree in Commerce, majoring in Accounting and Management.

Details of the Proposed Transaction

In the event that the Company completes the Proposed Transaction, the Company will have changed the nature and scale of its activities. Accordingly, under Resolution 2 of this Notice of Meeting, the Company is seeking Shareholder approval to change the nature and scale of its activities.

The key details off the Proposed Transaction are as follows:

Table 1 – Proposed Transaction

Term	Description
Summary of Proposed Transaction	<p>Subject to satisfaction of condition precedents set out below, the Company, through a wholly owned subsidiary, will acquire certain agreed assets and businesses of MMG (Initial Clinics), with options granted for the Company to acquire the remaining assets and businesses of MMG (Remaining Clinics).</p> <p>Further details of the assets and businesses proposed to be acquired is set out in the details of the Sale Deed on page 21 of this Notice of Meeting.</p>
Condition precedents	<p>Completion of the Proposed Transaction is conditional on the following conditions being satisfied and/or waived:</p> <ul style="list-style-type: none">(i) execution of a long form Sale Deed between the parties;(ii) completion of satisfactory legal, accounting, operational and tax due diligence;(iii) successful completion of a capital raising (minimum of \$4m and maximum of \$6m) via a prospectus (Capital Raising);(iv) at least 60% of the doctors currently engaged by MMG agreeing to be engaged by the Company at each of their respective MMG clinics post-completion of the Proposed Transaction; and(v) receipt of all requisite shareholder and regulatory approvals.
Initial Clinics	<p>The Initial Clinics comprise the businesses and assets of Modern Medical Caroline Springs (MMCS), incorporating Caroline Springs Specialist Centre (CSSC), Modern Medical Balwyn</p>

	<p>(MMBN), Modern Medical Administration Unit Trust (MMAT) and Modern Medical Group Pty Ltd (MMGPL).</p> <p>The acquisition will be the purchase of a going concern and will include transfer to the Company of all business names, trademarks, copyright and other intellectual property rights associated with MMG.</p>
Modern Medical Vendors	Entities associated with Dr Todd Cameron (Torac Pty. Ltd.), Messrs Jeremy Kirkwood (Como Group Holdings Pty. Ltd.) and Jarrod Schulz (JKS Group Holdings Pty. Ltd.).
Modern Medical Consideration	The consideration payable by the Company to the Modern Medical Vendors for the Initial Clinics will comprise of the Initial Payment and the Earn-Out Payment.
Initial Payment	<p>The Initial Payment will be \$4,500,000. Of this amount, 39% will be paid by the Company in cash, which equates to a sum of \$1,755,000. Details of how this cash component is split between the Modern Medical Vendors is set out in Table 2 of this Notice of Meeting.</p> <p>The remaining balance of 61% will be paid by the Company via the issue of fully paid ordinary shares in the Company (Consideration Shares). Shareholder approval for the issue of these Consideration Shares are set out under Resolutions 3-6 of this Notice of Meeting.</p> <p>The remaining balance of the Initial Payment will be paid by the Company in cash.</p> <p>The Initial Payment may be potentially reduced to account for certain employee entitlements and transitioning employees and to ensure a minimum working capital for the Company.</p>
Earn-Out Payment	A conditional earn-out will be payable on MMCS and MMBN in March 2017, dependant on the financial performance of the clinics for the 12 month period ending 31 December 2016, 50% of which will be satisfied by the issue of Shares in the Company to the Modern Medical Vendors.
Remaining Clinics	The Remaining Clinics comprise of the businesses and assets of Modern Medical Craigieburn (MMCB), Modern Medical Bayswater (MMBW), Modern Medical Hobsons Bay (MMHB) and Modern Medical Wyndham Vale (MMWV).
Option Consideration	The consideration payable by the Company to the Sale Vendors (or their nominees) for the granting of the options over the Remaining Clinics is \$500,000 in cash.
Options over Remaining Clinics	<p>The Company (or its nominee) will be granted call options, and the Sale Vendors (or their nominees) will be granted put options, over each of the Remaining Clinics on the following terms:</p> <ul style="list-style-type: none"> (i) Each of MMCB and MMBW: Exercise price of 5.0x maintainable EBIT for the calendar year ended 31 December 2017. Expiry date of 31 March 2018; and (ii) Each of MMHB and MMWV: Exercise price of 5.0x maintainable EBIT for the calendar year ended 31 December 2018. Expiry date of 31 March 2019, (collectively the MMG Options). <p>Each of the MMG Options can only be exercised if the respective clinic has an EBIT in excess of \$100,000. Payment of the exercise prices will be a mixture of cash and Shares (between 20% - 50% of the exercise price) in the Company.</p>
Management services	For a management fee, the Company will provide management services to the Modern Medical Vendors for the purpose of managing the Remaining Clinics until all the MMG Options have been exercised or lapsed.

The following Table summarises the proposed split of the Modern Medical Consideration and Option Consideration (collectively referred to as the **Consideration**) on a post-Consolidation basis to the Modern Medical Vendors.

Table 2 – Consideration (Post-Consolidation)

Modern Medical Vendor	% of MMG ^(a)	Consideration ^(b)	% of BGD ^(c)	% of BGD ^(d)	% of BGD ^(e)	% of BGD ^(f)
Torac Pty. Ltd.	45%	<ul style="list-style-type: none"> • 37,431,818 Consideration Shares • \$765,000 in cash 	12.9%	11.0%	11.6%	10.0%
Como Group Holdings Pty. Ltd.	25%	<ul style="list-style-type: none"> • 20,795,455 Consideration Shares • \$425,000 in cash 	7.2%	6.1%	6.4%	5.6%
JKS Group Holdings Pty. Ltd.	30%	<ul style="list-style-type: none"> • 24,954,545 Consideration Shares • \$510,000 in cash 	8.6%	7.3%	7.7%	6.7%
Total	100%	<ul style="list-style-type: none"> • 83,181,818 Consideration Shares • \$1,700,000 in cash 	28.7%	24.4%	25.7%	22.2%

Notes:

^(a) On a fully diluted basis, as on the date of completion of the Proposed Transaction.

^(b) The Consideration Shares are on a post-Consolidation basis. Note that Shareholder approval for a 1 for 3 Consolidation is being sought under Resolution 1 of this Notice of Meeting.

The cash amount includes the Up Front Cash Consideration (with the Retention Amount of \$555,000 removed) and the Option Consideration.

Pursuant to the adjustment mechanism in the Sale Deed, if it is determined that the full Retention Amount of \$555,000 should be paid to the Modern Medical Vendors, they will be distributed as follows: Torac Pty. Ltd. (\$249,750), Como Group Holdings Pty. Ltd. (\$138,750) and JKS Group Holdings Pty. Ltd. (\$166,500)

^(c) Following completion of the Proposed Transaction, assuming that the minimum of \$4m is raised under the Capital Raising at an issue price of 3.9 cents per New Share and undiluted.

^(d) Following completion of the Proposed Transaction, assuming that the maximum of \$6m is raised under the Capital Raising at an issue price of 3.9 cents per New Share and undiluted.

^(e) Following completion of the Proposed Transaction, assuming that the minimum of \$4m is raised under the Capital Raising at an issue price of 3.9 cents per New Share and fully diluted.

^(f) Following completion of the Proposed Transaction, assuming that the maximum of \$6m is raised under the Capital Raising at an issue price of 3.9 cents per New Share and fully diluted.

Following completion of the Proposed Transaction and the Capital Raising, the maximum voting power of the Modern Medical Vendors (or their nominees) will range from 22.2% (maximum of \$6m raised under the Capital Raising, fully diluted) to 28.7% (minimum of \$4m raised under the Capital Raising, undiluted). This should not be taken as a representation that the Modern Medical Vendors (or their nominees) will collectively remain as or be associates post-completion of the Proposed Transaction.

Table 2 does not take into account the number of Earn-Out Shares that may be issued to the Modern Medical Vendors (or their nominees), as the quantum and issue price of the Earn-Out Shares (if any) will not be known until early 2017. In the event that the Earn-Out Payment is made, the relevant interests of each of the Modern Medical Vendors will increase (assuming their interest remains unchanged until then).

Details of the Sale Deed

Summary of the material terms of the Sale Deed are as follows:

General

The Sale Deed sets out the terms on which BGD Medical Centres Pty Ltd (ACN 608 964 049) (**BGDMC**), a wholly owned subsidiary of the Company, has agreed to purchase the whole of the business (**Sale Businesses**) and assets (**Sale Assets**) of the Initial Clinics from Modern Medical Pty Ltd (ACN 104 762 272) (**MMPL**) as trustee for the MMAT (ABN 69 466 866 957), the Modern Medical Balwyn Unit Trust (ABN 63 288 108 673), the Modern Medical Caroline Springs Unit Trust (ABN 74 423 684 076), Caroline Springs Specialist Centre Pty Ltd (ACN 138 468 729) (**CSSCPL**) as trustee for the Caroline Springs Specialist Centre Unit Trust (ABN 65 296 310 343) and MMGPL. Together, MMPL, CSSCPL and MMGPL are the **Sale Vendors** for the purposes of the Sale Deed and the Proposed Transaction.

The Sale Deed also contemplates the parties entering into a separate agreement (the **Option Agreement**) granting put and call MMG Options in favour of BGDMC (or its nominee) and the Sale Vendors (or their nominee) respectively to acquire the Remaining Clinics.

Under the Sale Deed, the Company is guarantor for BGDMC's obligations, and Dr Todd Cameron, Mr Jeremy Kirkwood and Mr Jarrod Schulz (together, the **Vendor Guarantors**) are guarantors for the Sale Vendors' obligations.

A period of exclusivity applies under the Sale Deed from the date of the deed until completion.

Details of Sale Businesses and Sale Assets

Sale Businesses refers to the businesses carried out by the Initial Clinics. Further details of MMCS and MMBN are set out on pages 16 and 17 of this Notice of Meeting. Across the two clinics, more than 23 GPs are engaged by MMG through service and sessional agreements. In addition, there are around 13 specialist and allied health sessional tenants at CSSC. In terms of general staff (which does not include any GPs or professionals), there are approximately 34 across the two clinics.

Sale Assets refers to all of the assets used or required to operate all the Sale Businesses other than the businesses of the Remaining Clinics, which includes intellectual property, business records, goodwill, and all of the assets of each of the trusts referred to above.

BGDMC will be assigned the agreements, quotes or offers in respect of the Sale Businesses to which any of the Sale Vendors is a party that are wholly or partly to be performed after completion including all contracts relating to the Assumed Liabilities, but excluding contracts with respect to the employees or contracts of insurance.

MMG leases premises to operate its clinics. Accordingly, the assigned agreements will include the existing leases and subleases for the premises in which the Initial Clinics currently operate in. The lease for the MMCS premises is due to expire on 31 August 2024 (with an option for 3 further terms of 5 years each) and the lease for the MMBL premises is due to expire on 12 July 2019 (with an option for 2 further terms of 5 years each).

Consideration

In consideration for the sale of the Sale Business and Sale Assets, BGDMC will:

- (a) pay the Initial Payment, which will comprise of:

- (i) \$1,755,000 (**Up Front Cash Consideration**), subject to adjustment, to the Sale Vendors at completion, of which \$555,000 (**Retention Amount**) will be held in escrow by an escrow agent until adjustment is made; and
- (ii) \$2,745,000 in fully paid ordinary shares in the Company (**Consideration Shares**) to the Sale Vendors or their nominees at an issue price determined by BGDMC, being:
 - (a) between 3.0 and 4.2 cents (on a post-Consolidation basis); and
 - (b) 0.6 cents (on a post-Consolidation basis) less than the issue price of the New Shares to be issued under the Capital Raising;
- (b) make payments under the Option Agreement;
- (c) assume liabilities of the Sale Businesses to pay various amounts payable to doctors and employees of the Sale Businesses, rent, creditor liabilities over 30 days, chattel mortgages, and statutory employee leave and superannuation entitlements in the aggregate amount of \$555,000 (**Assumed Liabilities**); and
- (d) pay or issue an earn out amount (**Earn-Out Payment**) to the Sale Vendors, 50% in cash and 50% in Shares in the Company (**Earn Out Shares**), calculated by reference to the Maintainable EBIT (defined below) of the Sale Businesses for the calendar year ending 31 December 2016 (**CY16**) in accordance with the table below (calculated on a pro rata basis):

CY16 EBIT Range		Earn-Out Payment Range	
<u>From</u>	<u>To</u>	<u>From</u>	<u>To</u>
-	894,109		-
894,110	1,094,110	417,605	1,517,605
1,094,111	1,294,111	1,517,611	2,617,611
1,294,112	1,494,112	2,617,616	3,717,616
1,494,113	1,694,113	3,717,622	4,817,622
1,694,114	1,894,114	4,817,627	5,917,627
1,894,115	2,094,115	5,917,633	7,017,633
2,094,116	2,294,116	7,017,638	8,117,638
2,294,117	2,494,117	8,117,644	9,217,644
2,494,118	2,694,118	9,217,649	10,317,649
2,694,119	2,894,119	10,317,655	11,417,655
2,894,120	3,094,120	11,417,660	12,517,660

Based on the table above, an Earn-Out Payment will be paid in the instance that the EBIT for CY16 is greater than \$894,109. In the instance that the EBIT for CY16 is less than \$894,810, no Earn-Out Payment will be paid.

The Earn-Out Payment is calculated pro-rata from the base amount of \$894,810 in accordance with the table above. For example:

- if CY16 EBIT = \$894,110, the Earn-Out Payment paid will be \$417,605 (the bottom of the first Earn-Out Payment range);
- if CY16 EBIT = \$1,094,110, the Earn-Out Payment paid will be \$1,517,605 (the top of the first Earn-Out Payment range); and
- if CY16 EBIT = \$994,110, the Earn-Out Payment paid will be \$967,605 (the mid-point of the first Earn Out Payment range).

This process can be applied to all the above ranges as identified in the table, and accordingly provides a clear indication as to the potential Earn-Out Payment (if any).

Where BGDMC ceases to operate the Sale Businesses in substantially the same manner as prior to completion, the Maintainable EBIT will be calculated on a run rate basis for the three month period preceding any closure of or substantial change to the Sale Businesses.

The issue price of the Earn Out Shares is to be calculated by reference to the volume weighted average price (**VWAP**) of Shares for the 40 trading day period ending on the trading day immediately prior to 31 March 2017 (the **Earn Out Issue Price**).

If BGD fails to pay the cash component of the Earn-Out Payment within 60 days of it being calculated, the Sale Vendors may elect to receive the value of the cash component in Shares, to be issued at a discount of 30% to the Earn Out Issue Price.

Shareholder approval for the issue of the Earn Out Shares will be sought at the time of issue. In the event that Shareholder approval is not obtained, the parties will negotiate in good faith as to the form of the Earn-Out Payment.

Maintainable EBIT means earnings before interest and tax, adjusted to remove non-recurring, abnormal or extraordinary revenue or expense items or to reflect increased operational cost, including but not limited to items derived outside the true operational activities of the Sale Businesses, related party transactions, effects of variation between prior and existing executive contracts, and revenue received in a prior accounting period but reflected as income in the current accounting period, calculated on an accruals basis in accordance with International Financial Reporting Standards, including specified items set out in the Sale Deed.

MMG Options over the Remaining Clinics

It is a condition precedent to completion under the Sale Deed that the parties enter into the Option Agreement on commercial terms substantially the same as terms of the Sale Deed at the Option Consideration, which is payable as a mixture of cash and Shares (to be agreed, but with an upper limit of 50% in Shares and a lower limit of 20% in Shares – however, in the event that the parties cannot agree to percentage within this range, a fixed amount of 30% in Shares will apply) in the Company, calculated as follows:

- (a) MMCB and MMBW: exercise price of 5x Maintainable EBIT for the calendar year ended 31 December 2017; and
- (b) MMHB and MMWV: exercise price of 5x Maintainable EBIT for the calendar year ended 31 December 2018.

The Share issue price under the Option Agreement is to be based on the lower of the 40 day VWAP prior to settlement under the Option Agreement, or the price of any Shares issued specifically to fund the cash component of the transaction under the Option Agreements.

The MMG Options will include a condition that EBIT for each medical centre must be in excess of \$100,000 in order to be exercised. The purpose of this condition is to trigger further negotiations in respect of a business that is not performing.

Closing and payment in full of exercise price will occur within 30 days of the options being exercised.

Conditions precedent

Completion under the Sale Deed is subject to a number of conditions precedent being satisfied or waived. The key conditions precedent still to be satisfied or waived (as of the date of this announcement include:

- (a) completion occurring by no later than 30 April 2016;
- (b) completion of due diligence to the Company's satisfaction in its absolute discretion;
- (c) all of the assets of MMAT being rolled up into MMGPL;
- (d) the total quantum of the Assumed Liabilities, other than specified chattel mortgages, not exceeding the retention amount of \$555,000 as at the Completion Date (meaning the later of 31 December 2015 and the last day of any other calendar month that falls 5 business days after notice has been served that all conditions precedent have been satisfied or waived, or any other agreed date on which completion is to occur);
- (e) entry into the Option Agreement;
- (f) entry into the Management Services Agreement, under which BGDMC will provide access to corporate staff in return for a management fee for the Sale Vendors;
- (g) the employees of MMAT entering into employment contracts with BGDMC on terms approved by BGDMC, which shall be terms no worse than their current employment with MMAT;
- (h) at least 60% of the general practitioner doctors in the Sale Businesses novating or entering into new agreements with the Sale Vendors;
- (i) the lessor of the premises of MMCS, CSSC and MMBL consenting to the assignment of the leases for those premises without the requirement for BGDMC's directors to give personal guarantees, provided that the Company offers to provide a guarantee;
- (j) assignment of the benefit of each contract pertaining to any of the Assumed Liabilities;
- (k) no material adverse change occurring, or becoming known to BGDMC, between the date of the date of the Sale Deed and the Completion Date;
- (l) the appointment of Dr Todd Cameron to the Board of BGD on the Completion Date;
- (m) the appointment of Mr Jeremy Kirkwood to the Board of BGD, as an alternate to Dr Todd Cameron on the Completion Date;

- (n) as at completion, BGD having a net cash position equal to \$1 million (excluding liabilities associated with the transactions contemplated in the Sale Deed;
- (o) BGD obtaining shareholder approval for all matters required to effect completion and which requires shareholder approval under the Corporations Act, the ASX Listing Rules or the Purchaser's constitution including:
 - (a) the capital raising of an amount no less than \$3.5 million by BGD;
 - (b) the purchase of the all the Sale Businesses and Sale Assets; and
 - (c) the issue of the Consideration Shares to the Sale Vendors (or their nominee);

and, with respect to any related party approval required for the issue of the Consideration Shares, provided that one month has not elapsed since the gaining of such shareholder approval (unless an ASX waiver has been obtained providing for an extension of this period);

- (p) BGD receiving written confirmation from ASX that it will have re-complied with Chapters 1 and 2 of the Listing Rules and that its Shares will be re-admitted to quotation on the ASX at completion;
- (q) BGD reasonably forming the view that any condition required to be fulfilled by the ASX as provided in any conditional approval under condition (p) is able to be satisfied by BGDMC;
- (r) the Company obtaining all other necessary regulatory approvals for the transaction or any aspect of the transaction as required by ASX and ASIC

In addition, BGD's completion obligations are conditional upon Dr Todd Cameron remaining in the Sale Businesses as a GP or in a management capacity until 31 March 2017 (except where any departure is caused by death or inability to work as a GP), and the Sale Vendors are only obliged to perform their completion obligations if Mr Shane Tanner remains Chairman of the Board of Directors of the Company, unless waived by the Sale Vendors.

Warranties and indemnities

The Sale Deed is subject to a number of warranties and indemnities, provided by the Sale Vendors and Vendor Guarantors to BGDMC, and from BGDMC and the Company to the Sale Vendors, respectively. These are standard and normal for a transaction of this nature and include warranties as to organisation, standing and power, capital structure, authority, execution and delivery, enforceability, adequacy of vendor disclosure, regulatory compliance, encumbrances, insolvency, no inducements, no litigation, preparation of accounts, indebtedness and loans, ownership and condition of assets, suppliers and customers, contracts and commitments, intellectual property rights, insurance, tax and stamp duty, sale as a going concern, validity and consent to assignment of real property rights, covenants and restrictions, employment related matters and material contracts. The Sale Vendors and each Vendor Guarantor jointly and severally indemnify BGDMC in respect of any loss arising from a breach of a Sale Vendor warranty, and BGDMC and the Company indemnify the Sale Vendors in respect of any loss arising from a breach of a Purchaser Warranty. The indemnities are limited to claims that separately or together with similar or related claims exceed \$25,000 and the Sale Vendors' and Vendor Guarantor's liability for breach of warranty is limited in aggregate to the amount of the Up Front Cash Consideration, Consideration Shares, Assumed Liabilities and Earn-Out Payment.

BGDMC also indemnifies the Sale Vendors for any claims in respect of the Assumed Liabilities and the chattel mortgages, and for any loss suffered or incurred for leave benefits due to or accrued by any transferring employee. The Sale Vendors indemnify BGDMC for any loss suffered or incurred in relation to any liabilities of the Sale Vendors in relation to the Sale Businesses other than the Assumed Liabilities. There also various indemnities given by BGDMC in relation to assignment or novation of contracts under the Sale Deed.

Escrow

All Consideration Shares will be voluntarily escrowed as follows:

- (a) All escrowed for 12 months from the date of issue;
- (b) Two thirds escrowed for 18 months from the date of issue; and
- (c) One third escrowed for 24 months from the date of issue.

In the event that any escrow requirements imposed by the ASX are more restrictive than the time frames stipulated above, the Sale Vendors (or their nominees) has agreed to be bound by the ASX imposed escrow requirements.

MMAT management services

MMAT has historically provided management services to the Sale Businesses and the Remaining Businesses. Under the Sale Deed, BGDMC will continue to provide management services to the Remaining Business until the expiration of each Option Term on the terms set out in a separate agreement (the **Management Services Agreement**) to be agreed between the Sale Vendors and BGDMC as a condition precedent under the Sale Deed. BGDMC also agrees to grant a non-exclusive licence of certain intellectual property back to the Sale Vendors for a nominal licence fee of \$1 per annum in order to operate the Remaining Businesses until the expiry of the option period for each Remaining Business.

Conduct prior to, and following, completion

The Sale Vendors have agreed to standard terms under the Sale Deed in relation to the conduct of the Sale Businesses until completion, including conducting the Sale Business in the ordinary course and consistent with past practice, not altering, terminating or entering into new service offerings or material commitments or obligations (including with respect to encumbrances, assets, indebtedness and financial accommodation, legal proceedings, business or asset acquisitions or disposing of the Sale Assets and intellectual property, and employment arrangements), preservation of goodwill, not merging or consolidating with any other corporation or acquiring shares in any corporation, accommodation, complying with applicable laws, not changing any accounting policies or practices or making any tax election or settlement maintaining all licences and consents.

Until the Earn-Out Payment has been paid, BGDMC must use all commercial endeavours to operate the Sale Business on substantially the same basis as they were operated prior to completion, and must not dispose of any substantial part of the Sale Businesses without the Sale Vendors' consent.

Employees

As soon as practicable after the date of the Sale Deed (and not less than 20 business days before the completion date), BGDMC must ensure that offers of employment are made to specified employees of the Sale Businesses for comparable or superior positions commencing

on completion. The Sale Vendors must release the employees who accept BGDMC's offer from their employment. BGDMC must pay or provide all leave benefits due to those employees and indemnify the Sale Vendors against any loss suffered or incurred by the Sale Vendors for those leave benefits.

Termination

BGDMC can terminate the Sale Deed prior to completion if:

- (a) the Sale Vendors or any Vendor Guarantor breach the Sale Deed in any material respect and the breach (if capable of remedy) is not remedied within 10 business days of notice being served by BGDMC, or the breach is not capable of remedy; or
- (b) an Insolvency Event occurs with respect the Sale Vendors or any Vendor Guarantor.

The Sale Vendors can also terminate the Sale Deed if any of the Purchaser warranties is found to have been incorrect or misleading when made or on the Completion Date.

Sunset date

The parties have agreed to a sunset date of 30 April 2016 unless waived by BGDMC.

Restraints

The Sale Vendors and Vendor Guarantors have agreed to non-solicit non-compete restrictions within a cascading period of up to 5 years from completion.

BGDMC has agreed:

- (a) not to be involved in any medical clinic within a 15 kilometre driving distance of each the Sale Businesses and Remaining Business, during the period between completion and the payment of the Earn-Out Payment; and
- (b) not to be involved in any medical clinic within a 15 kilometre driving distance of each of the Remaining Businesses or to solicit any practitioner, employee, landlord or tenant involved in the Remaining Business during the period from entry into an option deed in respect of the Remaining Business.

New Board of the Company

The Board currently consists of the following members:

- Mr Shane Tanner, Non-Executive Chairman
- Mr Faldi Ismail, Non-Executive Director
- Mr Jonathan Lim, Executive Director

Following completion of the Proposed Transaction, Mr Ismail will resign as a Director of the Company. In addition, following completion of the Proposed Transaction, Dr Todd Cameron proposes to join the Board as an Executive Director of the Company, and Mr Jeremy Kirkwood proposes to join the Board as an alternate Director to Dr Cameron. Notably, save for exceptional circumstances, Dr Cameron must remain with MMG until 31 March 2017, in order for the Earn-Out Payment to be paid by the Company to the Modern Medical Vendors.

The Company's Board following completion of the Proposed Transaction (**New Board**) will comprise of the following Directors:

- Mr Shane Tanner, Executive Chairman
- Dr Todd Cameron, Executive Director
- Mr Jeremy Kirkwood, Alternate Director to Dr Cameron
- Mr Jonathan Lim, Executive Director

Shareholder approval for the elections of Dr Cameron and Mr Kirkwood are being sought under Resolutions 11 and 12 of this Notice of Meeting respectively.

Mr Jonathan Lim joined the Board as an additional Director on 9 November 2015. Mr Lim is a Director of Liverpool Partners, which was instrumental in the recapitalisation of the Company in early 2015. Liverpool Partners has and continues to provide corporate advisory and investment services to the Company. Pursuant to the terms of their agreement with the Company, Liverpool Partners will be paid a success fee of \$300,000 in cash at completion of the Proposed Transaction.

Shareholder approval is being sought for the election of Mr Lim under Resolution 13 of this Notice of Meeting.

Proposed disposal of interest in Euroa Steel Plant Project

On 4 November 2014, the Company announced that the Directors of the Company (at the time) had executed a joint venture agreement and shareholder deed (**ESPP Shareholder Deed**) with Gladstone Steel Pty Ltd (**Gladstone Steel**) over the Euroa Steel Plant project in Gladstone, Queensland.

Under the terms of the joint venture agreement, all of the Company's assets were transferred to Euroa Steel Plant Project Pty Ltd (**ESPP**), a newly formed entity owned equally by the Company and Gladstone Steel.

In the same 4 November 2014 announcement, it was noted that the ESPP Shareholder Deed provided that if the Company entered into a transaction that would be regarded as a change in nature and/or scale of the Company's activities in accordance with Listing Rule 11.1.2, the Company is required to notify Gladstone Steel in writing of the transaction, and is deemed to have granted Gladstone Steel a call option to acquire all of the Company's shares in ESPP at the relevant time, for a total sale price of \$1.00 (**Call Option**).

In anticipation of the Call Option being exercised, the Company is seeking Shareholder approval for the sale of the Company's shares in ESPP to Gladstone Steel. Shareholder approval for the Proposed Disposal is being sought under Resolution 7 of this Notice of Meeting.

In the event that all the Resolutions in this Notice of Meeting is approved by Shareholders, the Company will notify Gladstone Steel pursuant to the terms of the ESPP Shareholder Deed, which will allow Gladstone Steel to exercise the Call Option if they wish to do so.

Summary of Reasons for Resolutions under this Notice of Meeting

Table 3 – Resolutions under this Notice of Meeting

Consequences from Completion of Proposed Transaction	Details	Resolution under this Notice of Meeting
Consolidation of Capital	A 1 for 3 consolidation is required to for the Company to successfully seek waivers from certain Listing Rules and satisfy Chapters 1 and 2 of the Listing Rules, which will allow the Company to apply for re-instatement to the Official List of ASX.	Resolution 1
Approval of change to nature and scale of activities	MMG operates in the primary healthcare industry. In the event that the Proposed Transaction completes, the Company will change its main undertaking and also change the scale of its activities.	Resolution 2
Acquisition of relevant interest	For the purposes of the Proposed Transaction and until its completion, the Modern Medical Vendors may collectively be considered as associates to each other, for the purposes of Chapter 6 of the Corporations Act. As the Modern Medical Vendors collectively will hold more than 20% of the issued capital in the Company, specific section 611 (item 7) Shareholder approval is required.	Resolution 3
Related party approval of future issue of Consideration Shares to Torac Pty. Ltd.	Torac Pty. Ltd., an entity associated with and controlled by Dr Todd Cameron, is a Modern Medical Vendor. Dr Cameron proposes to join the New Board as an Executive Director of the Company. Accordingly, Dr Cameron and Torac Pty. Ltd. are both considered to be “related parties” for the purposes of the Corporations Act and Listing Rules. This Resolution seeks related party Shareholder approval for the issue of Consideration Shares to Torac Pty. Ltd. (or its nominee).	Resolution 4
Related party approval of future issue of Consideration Shares to Como Group Holdings Pty. Ltd.	Como Group Holdings Pty. Ltd. is a Modern Medical Vendor who is not a related party of the Company. This Resolution seeks Shareholder approval for the issue of Consideration Shares to Como Group Holdings Pty. Ltd. (or its nominee).	Resolution 5
Approval of future issue of Consideration Shares to JKS Group Holdings Pty. Ltd.	JKS Group Holdings Pty. Ltd. is a Modern Medical Vendor who is not a related party of the Company. This Resolution seeks Shareholder approval for the issue of Consideration Shares to JKS Group Holdings Pty. Ltd. (or its nominee).	Resolution 6
Disposal of Interest in Euroa Steel Plant Joint Venture	As the Proposed Transaction triggers Listing Rule 11.1.2, pursuant to the terms of the ESPP Shareholder Deed, in anticipation of the Call Option being exercised, Shareholder approval is being sought for the Proposed Disposal.	Resolution 7
Approval of future issue of New Shares pursuant to Capital Raising	On a post-Consolidation basis, issue of up to 153,846,154 New Shares at an issue price of 3.9 cents (\$0.039) per New Share to investors who will be invited to apply for New Shares under a Prospectus that will be lodged by the Company with ASIC and ASX, to raise a minimum of \$4m and a maximum of up to \$6,000,000, before estimated	Resolution 8

	expenses.	
Related Party Approval For Mr Shane Tanner's Participation in Capital Raising	Mr Tanner (or his nominee), a Director of the Company wishes to subscribe for up to 2,405,953 New Shares pursuant to the Capital Raising.	Resolution 9
Related Party Approval For Mr Jonathan Lim's Participation in Capital Raising	Mr Lim (or his nominee), a Director of the Company wishes to subscribe for up to 15,523,077 New Shares pursuant to the Capital Raising.	Resolution 10
Election of Dr Todd Cameron as a Director of the Company	As part of the Proposed Transaction, it is proposed that Dr Todd Cameron be elected to the New Board as an Executive Director.	Resolution 11
Election of Mr Jeremy Kirkwood as an alternate Director of the Company	As part of the Proposed Transaction, it is proposed that Mr Jeremy Kirkwood be elected to the New Board as an alternate Director (to Dr Cameron).	Resolution 12
Re-election of Mr Jonathan Lim as a Director of the Company	Mr Jonathan Lim, who was appointed as an additional Director on 9 November 2015, seeks election as a Director of the Company under this Resolution pursuant to the terms of the Constitution.	Resolution 13

Indicative Timetable*

If all Resolutions under this Notice of Meeting are passed, the Company anticipates that it will undertake the Capital Raising and the application for re-instatement to ASX as follows:

Action	Date
Dispatch Notice of Meeting	8 December 2015
Lodgement of the Prospectus with ASIC	14 December 2015
Opening date for Offers under the Prospectus (which will be conditional upon receipt of Shareholder approval at the Extraordinary General Meeting)	21 December 2015
Suspension of the Company's Securities from trading on the ASX (at the close of trade)**	5 January 2016
Extraordinary General Meeting	7 January 2016
Closing date for Offers under the Prospectus	19 January 2016
Allotment of Securities under this Notice of Meeting and the Prospectus	20 January 2016
Completion of Proposed Transaction	20 January 2016
Pre-quotation disclosure to ASX	22 January 2016
Anticipated date the suspension is lifted and the Company's Securities re-commence trading on ASX	25 January 2016

*** Please note that parts of above timetable is indicative only and may be subject to change**

****** The Company's Securities will be suspended from the Official List of the ASX immediately prior to the meeting and until such time as the Proposed Transaction have been completed and the Company has complied with all pre-quotation requirements of ASX. Accordingly, there will be no trading in the Company's Securities until the Company has been reinstated to the Official List of the ASX.

RESOLUTION 1 – CONSOLIDATION OF CAPITAL

CONSOLIDATION OF CAPITAL

This Resolution seeks Shareholder approval to consolidate the total number of existing Securities on issue in the event that all the Resolutions under this Notice of Meeting is passed by Shareholders, on a 1 for 3 basis (**Consolidation**).

If the Consolidation is approved by Shareholders of the Company, the number of existing:

- (a) Shares on issue will be reduced from 312,013,675 to approximately 104,004,558; and
- (b) Options on issue will be reduced from 100,000,000 to approximately 33,333,334.

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.

The Listing Rules also require that the number of Options on issue be consolidated in the same ratio as the ordinary capital and the exercise price amended in inverse proportion to that ratio.

Fractional Entitlements

Not all Securityholders of the Company will hold a number of Shares and/or Options and/or other convertible Securities (as the case may be) that can be evenly divided by 3. Where a fractional entitlement occurs, the Company will round that fraction up or down (as the case may be) to the nearest whole Security.

Taxation

It is not considered that any taxation implications will exist for Securityholders of the Company that will arise directly from the Consolidation. However, Securityholders of the Company are advised to seek their own tax advice on the effect of the Consolidation and the Company does not accept any responsibility for the individual or collective taxation implications arising from the Consolidation.

Holding Statements

From the date of the Consolidation, all holding statements for Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Securities to be issued to Securityholders of the Company.

It is the responsibility of each and every affected Securityholder of the Company to check the number of Securities held prior to disposal or exercise (as the case may be).

Consolidation Effect on Existing Options

The effect which the Consolidation will have on the Company's Options is set out in the below Table.

Table 4 – Options

Pre-Consolidation Option terms	Pre-Consolidation numbers	Post-Consolidation Option terms	Post-Consolidation numbers (approximates)
Unlisted Options exercisable at \$0.01 per Option expiring 22 December 2018	50,000,000	Unlisted Options exercisable at \$0.03 per Option expiring 22 December 2018	16,666,667
Unlisted Options exercisable at \$0.01 per Option expiring 13 February 2018	45,000,000	Unlisted Options exercisable at \$0.03 per Option expiring 13 February 2018	15,000,000
Unlisted Options, exercisable at \$0.01 per Option by 8 September 2018	5,000,000	Unlisted Options exercisable at \$0.03 per Option expiring 8 September 2018	1,666,667
Total	100,000,000		33,333,334

RESOLUTION 2 – APPROVAL OF CHANGE TO NATURE AND SCALE OF ACTIVITIES

Information Required by ASX Listing Rule 11.1.2

Overview and Information of Proposed Transaction

As set out in Table 1, pursuant to the Proposed Transaction, the Company seeks to acquire the Initial Clinics, which comprise of the businesses and assets of Modern Medical Caroline Springs (**MMCS**), incorporating Caroline Springs Specialist Centre (**CSSC**), Modern Medical Balwyn (**MMBN**), Modern Medical Administration Unit Trust (**MMAT**) and Modern Medical Group Pty Ltd (**MMGPL**).

In addition, the Company will be granted the MMG Options over the Remaining Clinics, which comprise of the businesses and assets of Modern Medical Craigieburn (**MMCB**), Modern Medical Bayswater (**MMBW**), Modern Medical Hobsons Bay (**MMHB**) and Modern Medical Wyndham Vale (**MMWV**).

In summary, the Company will be acquiring two medical clinics based in Victoria, with options to acquire a further four medical clinics in surrounding suburbs. Further details of all of the MMG clinics are set out in Part A of the Explanatory Statement in this Notice of Meeting.

In the event that the Proposed Transaction completes, there will be a significant change to the nature of the Company's activities, as it moves away from mining and materials, to becoming a primary healthcare provider.

In addition, there will be a significant change to the Company's consolidated total assets, equity interests, revenue and profit. Therefore, the practical effect of completing the Proposed Transaction is that a significant change will take place with respect to the nature and scale of the Company's activities.

In the event that Shareholder approval is not obtained under this Notice of Meeting for all requisite approvals and the Proposed Transaction does not complete, the Company will not dispose of its interest in the ESPP Project and continue to undertake an operational review of its existing assets.

Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

On the basis that approval pursuant to Resolution 1 is obtained, the Company will seek to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules. Compliance with the admission requirements involves, amongst other things, the following:

- (a) having a structure and operations that are appropriate for a listed entity;
- (b) issuing a prospectus or information memorandum;
- (c) meeting the minimum spread requirements;
- (d) meeting the ASX's profit test or assets test;
- (e) complying with Chapter 9 of the ASX Listing Rules in relation to any "restricted securities" it has on issue or is proposing to issue;
- (f) having the entity's quoted securities (except options) issued or sold for at least 20 cents in cash;

- (g) having any options the entity has issued exercisable for at least 20 cents in cash; and
- (h) satisfying ASX that each director or proposed director, at the date of admission, is of good fame and character.

The Company notes that with respect to re-compliance conditions in paragraphs (f) and (g) above, the Company has obtained a conditional waiver from ASX, wherein the Company will be permitted to have securities that do not strictly comply with the relevant Listing Rules, provided that the issue price/exercise price of the securities are at least 2 cents.

Shareholders should be aware that following the Extraordinary General Meeting, the Company's Securities will be suspended by the ASX until it has re-complied with Chapters 1 and 2 of the ASX Listing Rules. It is the Company's intention to meet these requirements as soon as practicable after the Meeting pursuant to this Notice of Meeting is held, and following the completion of the Capital Raising.

Advantages of Change to Scale of Activities of the Company

The Board believes that the Proposed Transaction offers a number of advantages to Shareholders of the Company, which can be described as follows:

- (a) *Opportunity to acquire quality primary healthcare focused businesses:* The Proposed Transaction will provide the Company with an opportunity to immediately acquire two successful medical clinics in the primary healthcare industry, with option so acquire a further four medical clinics. Founded in 2003 with one medical clinic, MMG has grown organically to its current size and offerings. The acquisition of the Initial Clinics will serve as the Company's platform asset into this industry, which exhibit compelling macro-economic drivers such as a growing and ageing population. There are favourable government policies in place which are aimed at shifting healthcare services away from hospitals to primarily healthcare providers, such as MMG. The industry remains fragmented, with leading corporate medical groups accounting for less than 10% of the total market.
- (b) *Experienced New Board member with interest aligned with Shareholders:* As part of the Proposed Transaction, Dr Todd Cameron will be joining the New Board as an Executive Director of the Company. Dr Cameron brings a wealth of industry experience and business knowledge to the Company. Also, as he will be receiving Consideration Shares as part of the Proposed Transaction, he will become a significant Shareholder of the Company. These Consideration Shares will be subject to a tiered voluntary escrow arrangement, which will assist in aligning the interests of the Modern Medical Vendors with the Shareholders of the Company.

The existing members of the Board will remain as Directors of the New Board. These Directors collectively have a broad cross section of experience in the sectors in which the Company operates, which will allow the Company to seek out further acquisitions and other investment opportunities to achieve greater scale in its operations.

- (c) *Scalability of its operations:* The MMG and the Proposed Transaction will serve as the Company's platform asset to enter into the primary healthcare sector. Initially, the acquisition will comprise of the Initial Clinics which have active operations that will provide meaningful operational and financial contribution to the Company compared to its existing activities which are focused on the ESPP Project. The New Board's strategy will focus on the continued investigation and development of other suitable and synergistic acquisition opportunities, particularly those in the primary healthcare industry.

- (d) *Greater market capitalisation and trading liquidity in the Company's shares:* By virtue of the proposed issue of capital associated with the Proposed Transaction and Capital Raising there will be substantially more shares on issue in the Company and a larger market capitalisation for the Company. This provides potential for increased trading in the Company's shares alongside potential for greater interest by the investment community, improved access to equity capital markets and increased liquidity in the Company's shares.

Disadvantages of Change to Scale of Activities of the Company

The Board believes that the Proposed Transaction includes a number of disadvantages to Shareholders of the Company, which can be described as follows:

- (a) *Change to Nature and/or Scale of Activities of the Company:* The manner in which the change to the nature and/or the scale of the Company's activities are being achieved may not be consistent with the objective of all Shareholders of the Company.
- (b) *Dilution of existing Shareholdings in the Company:* If the Proposed Transaction completes and Shareholder approval is obtained by the Company under this Notice of Meeting for all the Resolutions, the issue of the Consideration Shares to the Modern Medical Vendors (or their nominees) will have a significant dilutionary effect on existing shareholdings of the current Shareholders of the Company. The proposed Capital Raising, which is a condition to the Proposed Transaction completing, will also further dilute Shareholders of the Company.
- (c) *Concentration of ownership within Modern Medical Vendors:* In the event that the Proposed Transaction completes, the Modern Medical Vendors will collectively hold approximately between 22.2% (maximum of \$6m raised under the Capital Raising, fully diluted) and 28.7% (minimum of \$4m raised under the Capital Raising, undiluted) of the Company's issued capital. Furthermore, in the event that the Earn-Out Payment is made to the Modern Medical Vendors (50% which will be in the form of Earn-Out Shares), the percentage of ownership within the Modern Medical Vendors will increase even further. Therefore, whilst no single Modern Medical Vendor is projected to hold more than 20% of the Company's issued capital, collectively, the Modern Medical Vendors (or their nominees) will hold more than 20%.

Following completion of the Proposed Transaction, the Modern Medical Vendors (or their nominees) will no longer be associates for the purpose of Chapter 6 of the Corporations Act. Therefore, this risk should not be taken as a representation that the Modern Medical Vendors (or their nominees) will act in concert with one another, likely exercise their voting rights as Shareholders in the same manner or that the Modern Medical Vendors (or their nominees) as a whole are associated parties, post-completion of the Proposed Transaction.

- (d) *Possibility of unrealised potential for future growth:* Whilst the Initial Clinics (and to a lesser degree, the Remaining Clinics) have demonstrated significant growth since their inceptions, there is no guarantee that the potential for future growth will ever be realised by any of the MMG clinics under ownership of the Company. Therefore, the potential of the Proposed Transaction to add significant value to the Company may never be realised by its Shareholders.
- (e) *Re-compliance with Chapters 1 and 2 of the ASX Listing Rules:* As noted previously, if Shareholder approval is obtained for all Resolutions under this Notice of Meeting, the Company will be suspended from the Official List of the ASX, and as soon as practical thereafter, the Company will seek to re-comply with the requirements of Chapters 1 and

2 of the ASX Listing Rules. There is no guarantee that the Company will successfully re-comply with the requirements or that the ASX will re-admit to quotation the Securities of the Company upon passing of all the Resolutions.

- (f) *Increased exposure to wider array of risks:* There are many risks associated with the proposed change to scale of activities of the Company. Some of these are explored in greater detail below.

Risks

- (a) *Changes to doctor/tenant agreements:* There is a risk that any one of or all of the MMG clinics will be unable to maintain or renew key agreements with the GPs and other medical professionals that they currently have in place. Any adverse changes to its commercial relationships with the customers would materially affect its financial position and prospects. Furthermore, if at least 60% of GPs do not novate or enter into new agreements with the Sale Vendors, there is a risk that the Proposed Transaction will be unable to complete.
- (b) *Changes in regulatory environment:* Changes to laws, regulations and accounting standards which apply to the MMG clinics from time to time could materially and adversely impact upon the operating and financial performance and cash flows of the Company.
- (c) *Economic and government:* There is a risk that the price of the Company's Shares may be affected by changes in local and world economic conditions, interest rates, taxation rates, government legislation or intervention, inflation or inflationary expectations, natural disasters, social upheaval or conflict in Australia or overseas, and other factors beyond the control of the Company. Specific risks associated with changes in government policies and regulations in relation to MMG's business include:
 - (i) Changes to the Medicare regime, including any reductions of Medicare rebates for GP services;
 - (ii) Changes to government incentive programs, including any related to GP services and GP medical centres; and
 - (iii) Changes to the licensing systems of medical centres.
- (d) *Relationship with General Practitioners:* GPs are the main source of patient attendances and revenue to MMG's clinics. The success of MMG's business relies on its ability to retain and recruit quality and experienced medical practitioners (especially GPs). There is a risk that GPs may cease to practice at MMG clinics due to a range of factors including competition, ageing of facilities or obsolescence of equipment or not wanting to be part of a listed organisation. The completion of the Proposed Transaction is conditional that at least 60% of GPs agreeing to new service agreements with the Company take will take effect from the Completion date.
- (e) *Threat of medical indemnity claims:* A risk faced by most healthcare companies is the threat of medical indemnity claims and litigation. In the normal course of business, patients may commence litigation for medical negligence against the medical practitioners contracted by the MMG clinics. Subject to arrangements of indemnity insurance and the outcome, any litigation against the medical practitioners may potentially impact MMG's reputation, which may in turn, impact its financial performance.

- (f) *Increased geographical competition:* MMG's surgeries compete with other general practitioner and corporate medical services in Australia. There is a risk that existing competitors or new entrants to the market which could cut into MMG's current market share. This is particularly notable risk in the event that new entrants open premises in proximity to existing MMG clinics.
- (g) *Damage to reputation:* MMG's reputation (or its relationship with patients, clinicians and staff) may be adversely affected by a number of factors beyond its control. These factors include clinical misadventure and failure of employees to adhere to health and safety requirements or provide services at the expected quality level or within expected timeframes. Such matters could significantly damage MMG's reputation and relationships upon which it depends. Consequences of this could result in reduced revenues or loss of customer trust in MMG's services, which may adversely impact its future financial performance and position.
- (h) *Future capital needs:* Further funding may be required to advance the business objectives of MMG, particularly if the MMG Options are exercised in the future. There can be no assurance that alternative funding will be available on satisfactory terms or at all. Any inability to obtain funding will adversely affect the financial condition of the Company and consequently, the value of its Shares.
- (i) *Reliance on key management:* The responsibility of overseeing the day to day operations and the strategic management of the Company is substantially dependent upon its management and its key personnel. As noted previously, certain key personnel will be joining the New Board of the Company. Whilst these key personnel will be entering into service agreements with the Company (wherever applicable), there can be no assurance given that there will no detrimental impact on the Company if one or a number of these key personnel cease their employment or involvement with the Company. The future success of the Company also depends upon its continuing ability to attract and retain highly qualified personnel. The ability to attract and retain the necessary personnel could have a material effect upon the Company's business, results of operations and financial condition.
- (j) *Share market conditions:* The price of the Company's Shares will be influenced by international and domestic factors affecting conditions in equity, financial and healthcare markets. These factors may affect the general level of prices for listed securities of healthcare service companies quoted on ASX.
- (k) *Non-completion of the Proposed Transaction:* There are number of conditions precedent to the Proposed Transaction and the Sale Deed. There is a risk that all of the conditions precedent are not satisfied and/or waived (as the case may be), which would result in the Proposed Transaction not completing or being unable to complete.

ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that if an entity proposes to make a significant change, either directly or indirectly, to the nature and/or scale of its activities, it must obtain the approval of its Shareholders and it must set out in detail the terms of the Proposed Transaction.

Pro-forma balance sheet

A pro-forma balance sheet of the Company and MMG following completion of the Proposed Transaction (which includes the Capital Raising) is contained in section 5.4.1 of the IER (Annexure A to this Notice of Meeting) and below.

Based on the same assumptions as set out in section 5.4.1 of the IER (which assumes minimum subscription under the Capital Raising of \$4m), the pro-forma balance of the Company and MMG (first column being the Company's position prior to the Proposed Transaction, the second column being the effect of the Proposed Transaction and the last column being the combined entity's position immediately after completion of the Proposed Transaction) is as follows:

	Audited Adjusted 30 June 2015 BGD \$000 "A"	Adjustments	Unaudited Pro-forma 30 June 2015 BGD (including the Medical Business) \$000 (B")
Current Assets			
Cash assets	1,204,140	756,832	1,960,972
Trade and other receivables/prepayments	50,232	-	50,232
Owing by various medical trusts	-	-	-
Investments accounted for using the equity method (refer to section 5.4.2 of the IER)	1	-	1
Total Current Assets	1,254,373	756,832	2,011,205
Non Current Assets			
Plant and equipment	-	360,783	360,783
Intangibles (majority goodwill)	-	4,750,030	4,750,030
Total Non Current Assets	-	5,110,813	5,110,813
Total Assets	1,254,373	5,867,645	7,122,018
Current Liabilities			
Trade and other payables	413,168	(413,168)	-
Financial liabilities – Loans from various medical trusts	-	-	-
Employee entitlements	-	-	-
Chattel Mortgages (secured)	-	362,852	362,852
Total Current Liabilities	413,168	(50,316)	362,852
Non-Current Liabilities			
Chattel Mortgages (secured)	-	247,961	247,961
Total non-current Liabilities	-	247,961	247,961
Total Liabilities	413,168	197,645	610,813
Net Assets (Liabilities)	841,205	5,670,000	6,511,205
Equity			
Issued Capital	56,437,509	6,470,000	62,907,509
Reserves	1,362,735	-	1,362,735
Accumulated Losses	(56,959,039)	(800,000)	(57,759,039)
Total Equity	841,205	5,670,000	6,511,205

Escrow of Consideration Shares to Modern Medical Vendors

Pursuant to the terms of the Proposed Transaction, the Modern Medical Vendors have agreed voluntarily escrow all of their Consideration Shares as follows:

- (a) All escrowed for 12 months from the date of issue;
- (b) Two thirds escrowed for 18 months from the date of issue; and

(c) One third escrowed for 24 months from the date of issue.

In the event that any escrow requirements imposed by the ASX are more restrictive than the time frames stipulated above, the Modern Medical Vendors (or their nominees) has agreed to be bound by the ASX imposed escrow requirements.

Prior to any ASX imposed mandatory escrow, approximately between 22.2% (following completion of the Proposed Transaction, assuming that the minimum of \$4m is raised under the Capital Raising and fully diluted) to 28.7% (following completion of the Proposed Transaction, assuming that the maximum of \$6m is raised under the Capital Raising and undiluted) of the Company's Shares will be subject to voluntary escrow on the terms described above.

Independent Expert's Report

The Corporations Act provides that an IER on the acquisition of the relevant interest in the Company by the Modern Medical Vendors (or their nominees) must be provided to Shareholders of the Company. Given the size of the Proposed Transaction, the Board of the Company has considered it appropriate for the scope of the IER to cover the Proposed Transaction as a whole, which provides an opinion on the fairness and reasonableness of the Proposed Transaction to the current non-associated Shareholders of the Company. A copy of the IER, prepared by Stantons, is contained in Annexure A of this Notice of Meeting.

This Notice of Meeting and IER can be accessed on the Company's website, www.bgdcorporation.com.au. Shareholders may request for a hard copy of the IER to be sent to them, at no cost to the Shareholder.

As part of its review, the IER has also provided a valuation of the Company pre and post completion of the Proposed Transaction. The IER has concluded that the Proposed Transaction is fair and reasonable to the current Shareholders of the Company.

Shareholders are urged to carefully read the IER before deciding how to vote on Resolution 2.

If you have any doubt or do not understand this Resolution, it is strongly recommended that you seek advice from an accountant, solicitor or other professional advisor.

Directors' recommendation

The Board considers that it is in the best interests of the Company that it completes the Proposed Transaction, and accordingly recommends that Shareholders vote in favour of Resolution 2.

Forward looking statements

The forward looking statements in this Notice of Meeting are based on the Company's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and its Board of Directors, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Notice of Meeting. These risks include but are not limited to, the risks referred to above. Forward looking statements include those containing words such as "anticipate", "estimates", "should", "will", "expects", "plans" or similar expressions.

RESOLUTION 3 – ACQUISITION OF RELEVANT INTEREST

Modern Medical Vendors

The Modern Medical Vendors consist of the following entities:

- Torac Pty. Ltd. (entity associated with Dr Todd Cameron) (**Cameron Entity**);
- Como Group Holdings Pty. Ltd. (entity associated with Jeremy Kirkwood) (**Kirkwood Entity**); and
- JKS Group Holdings Pty. Ltd. (entity associated with Jarrod Schulz) (**Schulz Entity**).

Under the terms of the Proposed Transaction and in consideration for the transfer of each of their respective ownership in MMG and granting of the MMG Options, each of the Modern Medical Vendors (or their nominees) will be issued a combination of Consideration Shares and cash by the Company.

As set out in Table 2, following completion of the Proposed Transaction and the Capital Raising, it is projected that whilst none of the Modern Medical Vendors will individually hold more than 20% of the Shares in the Company, collectively, they will hold more than 20% of the Shares in the Company.

As the Sale Deed sets out the composition of the proposed New Board of the Company, following completion of the Proposed Transaction, the Modern Medical Vendors may be considered to be “associates” for the purpose of Chapter 6 of the Corporations Act. Accordingly, Shareholder approval for the collective acquisition of this relevant interest by the Modern Medical Vendors is being sought under this Resolution 3.

Separate Shareholder approvals for each of the individual Modern Medical Vendors are being sought under Resolutions 4, 5 and 6 of this Notice of Meeting.

Information Required pursuant to Chapter 6 of the Corporations Act

Section 606(1) of the Corporations Act states that a person must not acquire a relevant interest in the 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 one or more of the following paragraph applies:

- (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 First 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;
- (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.

The following information is required to be provided to Shareholders pursuant to the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining Shareholder approval under the exception for the passing of this Resolution. Shareholders are also referred to Independent Expert's Report (**IER**) contained in Annexure A of this Notice of Meeting.

Why is approval under the exception in item 7 of section 611 of the Corporations Act needed?

Shareholder approval under item 7 of section 611 of the Corporations Act is required because the Modern Medical Vendors (or their nominees) may be associated with one another, as they have entered into a relevant agreement for the purpose of influencing the composition of the Company's Board.

Following completion of Proposed Transaction, the Modern Medical Vendors (or their nominees) will no longer be associates for the purposes of Chapter 6 of the Corporations Act. However, for present purposes and the terms of the Sale Deed it is arguable that the interests of the Modern Medical Vendors should be aggregated, thus triggering Chapter 6 of the Corporations Act. Accordingly, the collective relevant interest of the Modern Medical Vendors in the Company after implementation of all Resolutions (when aggregated) will exceed 20% of the issued capital of the Company.

Relevant interests, voting power and proposed capital structure of the Company

Table 2 (set out earlier in the Explanatory Statement to this Notice of Meeting) outlines the dilutive effect and the maximum number of Consideration Shares that each of the Modern Medical Vendors (or their nominees) will be entitled to under a different set of scenarios.

The following Table 5 outlines the individual and collective voting power of the Modern Medical Vendors (or their nominees) after implementation of all Resolutions under this Notice of

Meeting, and assuming that the Capital Raising has been completed at 3.9 cents per New Share. Two different scenarios are presented, where the minimum \$4m has been raised under the Capital Raising, and another, where the maximum \$6m has been raised under the Capital Raising.

It is important to ascertain the maximum voting power of the Modern Medical Vendors assuming the Capital Raising has completed, as the completion of the Capital Raising is a condition precedent to the completion of the Proposed Transaction.

As of the date of this Notice of Meeting, the Modern Medical Vendors do not have any existing shareholdings in the Company.

Table 5 – Maximum voting power

Modern Medical Vendors	No. of Consideration Shares ^(a)	Max. Voting Power (New Shares Offer raising \$4m & undiluted) ^(b)	Max. Voting Power (New Shares Offer raising \$6m & undiluted) ^(c)	Max. Voting Power (New Shares Offer raising \$4m & fully diluted) ^(d)	Max. Voting Power (New Shares Offer raising \$6m & fully diluted) ^(e)
Cameron Entity	37,431,818	12.9%	11.0%	11.6%	10.0%
Kirkwood Entity	20,795,455	7.2%	6.1%	6.4%	5.6%
Schulz Entity	24,954,545	8.6%	7.3%	7.7%	6.7%
Total	83,181,818	28.7%	24.4%	25.7%	22.2%

Notes:

^(a) All Consideration Shares will be subject to voluntary escrow.

^(b) Following completion of the Proposed Transaction, Capital Raising of \$4m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 289,750,479 Shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 102,564,103 (New Shares).

^(c) Following completion of the Proposed Transaction, Capital Raising of \$6m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 341,032,530 Shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 153,846,154 (New Shares).

^(d) Following completion of the Proposed Transaction, Capital Raising of \$4m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 323,083,813 Shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 102,564,103 (New Shares) + 33,333,334 (Exercise of all existing Options).

^(e) Following completion of the Proposed Transaction, Capital Raising of \$6m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 374,365,864 fully paid ordinary shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 153,846,154 (New Shares) + 33,333,334 (Exercise of all existing Options).

The maximum voting power the Modern Medical Vendors will hold after implementation of all Resolutions and completion of the Proposed Transaction, will range from 22.2% to 28.7%, depending on the quantum of capital raised under the Capital Raising and whether all outstanding Options are exercised.

Table 5 does not take into account the number of Earn-Out Shares that may be issued to the Modern Medical Vendors (or their nominees), as the quantum and issue price of the Earn-Out Shares (if any) will not be known until early 2017. In the event that the Earn-Out Payment is made, the relevant interests of each of the Modern Medical Vendors will increase (assuming their interest remains unchanged until then).

Intentions of the Modern Medical Vendors (or their nominees)

The Company understands that, in the event that all the Resolutions under this Notice of Meeting are passed by Shareholders, it is the Modern Medical Vendors' intention to:

- (a) continue the growth of the MMG clinics;
- (b) continue working with the Company's Board to build value in BGD over the medium term by leveraging their expertise and know-how to organically grow the existing MMG clinics within MMG as well as assisting in the identification and due diligence of potential target acquisitions and/or investments; and
- (c) not either transfer any property between the Company and any person associated with it, or change the Company's existing policies in relation to financial matters.

Of the Modern Medical Vendors, only Dr Cameron has an active role in the management of MMG. Following completion of the Proposed Transaction, Dr Cameron proposes to join the Board of the Company in an executive role, and also continue in his managerial and executive role in MMG.

The Modern Medical Vendors through the Consideration Shares that they will be issued as part of the Initial Payment and through the Earn-Out Payment, will retain a substantial interest in the Company. Accordingly, there will be an alignment of interests between the Modern Medical Vendors and the Shareholders of the Company.

Advantages, disadvantages and risks of the Proposed Transaction

The Directors consider that the Proposed Transaction poses a number of advantages, disadvantages and risks for the Company.

These are set in the Explanatory Statement for Resolution 2 under this Notice of Meeting.

Independent Expert's Report

The Corporations Act provides that an IER on the Modern Medical Acquisition (which forms part of the Proposed Transaction and includes the acquisition of the relevant interest in the Company by the Modern Medical Vendors (or their nominees)) must be provided to Shareholders of the Company. A copy of the IER, prepared by Stantons, is contained in Annexure A of this Notice of Meeting.

This Notice of Meeting and IER can be accessed on the Company's website, www.bgdcorporation.com.au. Shareholders may request for a hard copy of the IER to be sent to them, at no cost to the Shareholder.

The IER provides an opinion as to whether the Proposed Transaction as a whole (which includes the acquisition of the voting power and relevant interest by the Modern Medical Vendors (or their nominees)) is fair and reasonable to the current non-associated Shareholders of the Company.

The IER has concluded that the acquisition of the voting power and relevant interest by the Modern Medical Vendors (or their nominees) is fair and reasonable to the current Shareholders of the Company.

The advantages and disadvantages of the acquisition of the voting power and interest by the Modern Medical Vendors are outlined in the IER and are provided to assist the non-associated Shareholders of the Company in making their determination whether they are better off if the acquisition of the voting power and relevant interest by the Modern Medical Vendors (or their nominees) did not proceed.

Shareholders are urged to carefully read the IER before deciding how to vote on Resolution 3.

If you have any doubt or do not understand this Resolution, it is strongly recommended that you seek advice from an accountant, solicitor or other professional advisor.

Directors' recommendation

The Board considers that it is in the best interests of the Company that it completes the Proposed Transaction, and accordingly recommends that Shareholders vote in favour of Resolution 3.

RESOLUTION 4 – RELATED PARTY APPROVAL OF FUTURE ISSUE OF CONSIDERATION SHARES TO TORAC PTY. LTD.

The Company seeks approval for the issue and allotment of up to 37,431,818 fully paid ordinary shares of the Company, as part of the Consideration Shares pursuant to the Proposed Transaction, to Torac Pty. Ltd. (or its nominee), an entity associated with Dr Todd Cameron (**Cameron Entity**).

Dr Todd Cameron is the co-founder of MMG.

Todd is a Fellow of the Australia College of General Practitioners and has practiced as a GP in the Western Suburbs of Melbourne for over 18 years. He is a VMA accredited GP Registrar supervisor and served as a Board member for five years for PivotWest the Local Division of General Practice and is an ex-Chairman of the Board of the regional Medicare Local.

As a local GP with length of service and experience with establishing 6 GP clinics and 1 Specialist Centre in the past 10 years (most within the past 5 years) his commitment and passion to team building and systemising primary healthcare has serviced MM well to date especially in the area of capacity building.

In the event that the Proposed Transaction completes, Dr Cameron will join the New Board as an Executive Director and Chief Executive Officer of the Company. Shareholder approval for the election of Dr Cameron as a Director of the Company is being sought under Resolution 10 of this Notice of Meeting.

ASX Listing Rule 10.11 provides that a listed company must not issue equity securities to a related party without Shareholder approval. However, Shareholder approval is not required under Listing Rule 10.11, as the issue of the Consideration Shares to the Cameron Entity is considered in Resolution 3 of this Notice of Meeting, and as the Company relies on Listing Rule 10.12 (exception 6).

A “related party” for the purposes of the ASX Listing Rules and the Corporations Act is widely defined and includes a director of a public company or a spouse of a director of a public company. The definition of “related party” also includes a person whom there is reasonable grounds to believe will become a “related party” of a public company in the future, and an entity controlled by a “related party”.

Given that Dr Cameron is proposed to join the New Board, there are reasonable grounds to believe that he will become a “related party” of the Company. Furthermore, as Dr Cameron controls the Cameron Entity, for the purposes of Chapter 2E of the Corporations Act, Dr Cameron and the Cameron Entity are both related parties and the issue of securities to the Cameron Entity (or its nominee) constitutes the giving of a financial benefit.

As noted above, under this Resolution, the Company seeks approval for the issue and allotment of up to 34,312,500 Consideration Shares to the Cameron Entity (or its nominee) as part of the Consideration pursuant to the Proposed Transaction.

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) Shareholder approval is obtained prior to the giving of the financial benefit.

The Board believes that the issue of these Consideration Shares to the Cameron Entity (or its nominee) could fall within the “arm’s length terms” exception set out in section 210 of the Corporations Act. The Board have based their belief on the following fact:

- (a) Non-related parties are receiving the same consideration for their shareholdings in Modern Medical, on a pro-rata basis.

However, notwithstanding the above, the Board considered it prudent to seek related party approval for the issue of these Consideration Shares to the Cameron Entity (or its nominee). Furthermore, Shareholder approval is not required under Listing Rule 7.1, as the Company relies on Listing Rule 7.2 (exception 14).

Information Required by Chapter 2E of the Corporations Act

Identity of the related party

- (a) The Cameron Entity is a related party of the Company to whom Resolution 4 would permit the financial benefit to be given.

Nature of the financial benefit and other remuneration to be received by the Cameron Entity

- (b) The nature of the financial benefit to be given to the Cameron Entity (or its nominee) is the issue of 37,431,818 Consideration Shares.
- (c) As noted previously, Dr Cameron proposes to join the New Board in the event that the Proposed Transaction completes. For the 2015/2016 financial year, Dr Cameron will also receive remuneration as follows:
 - a. Director’s Salary (not including superannuation) of \$30,000.
 - b. Revenue share arrangements in his capacity as a medical practitioner in the MMG clinics.
- (d) As noted previously, the Consideration Shares that will be issued to the Cameron Entity (or its nominee) will be fully paid on issue and rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.
- (e) The Consideration Shares that will be issued to the Cameron Entity (or its nominee) forms part of the Consideration that is payable to it under the terms of the Sale Deed. As set out in Table 2, there are two cash components to the Consideration (which consists of the cash portions of the Initial Consideration and the Option Consideration). Therefore, in addition to the Consideration Shares noted above, the Cameron Entity (or its nominee) will receive up to \$765,000 as part of its cash portion of the Consideration.

Directors’ recommendation and basis of financial benefit

- (a) Non-related parties are receiving the same consideration for their shareholdings in MMG, on a pro-rata basis. Therefore, the Board believes that the issue of these Consideration Shares to the Cameron Entity (or its nominee) could arguably fall within the “arm’s length terms” exception set out in section 210 of the Corporations Act.
- (b) The Board’s view is supported by the Independent Expert’s Report prepared by Stantons to determine if the Proposed Transaction is fair and reasonable to the current Shareholders of the Company (**IER**). A copy of the IER is located at Annexure A of this Notice of Meeting. The IER has concluded that the Proposed Transaction, which

includes the issue of Consideration Shares to the Cameron Entity (or its nominee), is fair and reasonable to the current non-associated Shareholders of the Company.

- (c) The Board believes that completion of the Proposed Transaction is in the best interests of the Company. Accordingly, the Board believes that the issue of the Consideration Shares to the Cameron Entity (or its nominee) is also in the best interests of the Company. The Board recommends that Shareholders vote in favour of Resolution 4.

Dilutionary effect to existing Shareholders' interests

Table 6 – Dilutionary effect (Consideration Shares)

Degree of dilution	Shares
Current number of Shares	104,004,558
Issue of all Consideration Shares	83,181,818
<u>Total number of Shares upon completion of Proposed Transaction</u>	187,186,377
<u>Percentage of dilution of existing Shareholders' interests</u>	<u>44.44%</u>

Table 7 – Dilutionary effect (Consideration Shares to the Cameron Entity)

Degree of dilution	Shares
Current number of Shares	104,004,558
Issue of Consideration Shares to the Cameron Entity (or its nominee)	37,431,818
<u>Total number of Shares upon completion of Proposed Transaction</u>	187,186,377
<u>Percentage of dilution of existing Shareholders' interests</u>	<u>20.00%</u>

- (d) Consideration Shares will not be issued to the Cameron Entity (or its nominee) as a standalone transaction, and will only be issued in the event that all Resolutions under this Notice of Meeting are passed by Shareholders and the Proposed Transaction completes. Therefore, the Board considers that the calculation in Table 6 above is more accurate for the purposes of calculating the projected dilutionary effect on existing Shareholders' interests, compared to the standalone dilutionary effect calculation noted in Table 7. In addition, the Consideration Shares will only be issued if the minimum under the Capital Raising is achieved. Accordingly, the dilutionary effect of the issue of Consideration Shares to the Modern Medical Vendors (which includes the Cameron Entity) will be lower than as set out in Table 6. Potential relevant interests which incorporate the effect of the Capital Raising is set out below in Table 8.

Existing and potential relevant interests

- (e) The Cameron Entity currently does not, either directly or indirectly, hold any Shares or Options in the Company.
- (f) Table 8 below outlines its potential interest in the Company:

Table 8 – Potential interest (Cameron Entity)

Modern Medical Vendor	No. of Consideration Shares ^(a)	Max. Voting Power (New Shares Offer raising \$4m & undiluted) ^(b)	Max. Voting Power (New Shares Offer raising \$6m & undiluted) ^(c)	Max. Voting Power (New Shares Offer raising \$4m & fully diluted) ^(d)	Max. Voting Power (New Shares Offer raising \$6m & fully diluted) ^(e)
Cameron Entity)	37,431,818	12.9%	11.0%	11.6%	10.0%

Notes:

(a) All Consideration Shares will be subject to voluntary escrow.

(b) Following completion of the Proposed Transaction, Capital Raising of \$4m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 289,750,479 Shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 102,564,103 (New Shares).

(c) Following completion of the Proposed Transaction, Capital Raising of \$6m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 341,032,530 Shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 153,846,154 (New Shares).

(d) Following completion of the Proposed Transaction, Capital Raising of \$4m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 323,083,813 Shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 102,564,103 (New Shares) + 33,333,334 (Exercise of all existing Options).

(e) Following completion of the Proposed Transaction, Capital Raising of \$6m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 374,365,864 fully paid ordinary shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 153,846,154 (New Shares) + 33,333,334 (Exercise of all existing Options).

The fully diluted percentages are based on the assumption that all Options are exercised and should be treated with caution as there is no certainty that any of the Options will be exercised.

Furthermore, the above Table 8 does not take into account the number of Earn-Out Shares that may be issued to the Cameron Entity (or its entity), as the quantum and issue price of the Earn-Out Shares (if any) will not be known until early 2017. In the event that the Earn-Out Payment is made, the relevant interest of the Cameron Entity will increase (assuming its interest remains unchanged until then).

Independent Expert's Report and valuation of the financial benefit

- (g) Given the size of the Proposed Transaction, the Board of the Company has considered it appropriate for the scope of the IER to cover the Proposed Transaction as a whole (which includes a valuation of the financial benefit being provided to the vendors of the Proposed Transaction (which includes related parties)), which provides an opinion on the fairness and reasonableness of the Proposed Transaction to the current non-associated Shareholders of the Company. A copy of the IER, prepared by Stantons, is contained in Annexure A of this Notice of Meeting. The IER has concluded that the Proposed Transaction is fair and reasonable to the current non-associated Shareholders of the Company.
- (h) Valuation of MMG is set out in section 11 of the IER. The IER has concluded that the Proposed Transaction is fair and reasonable to the current Shareholders of the Company.

Shareholders are urged to carefully read the IER before deciding how to vote on Resolution 4.

If you have any doubt or do not understand this Resolution, it is strongly recommended that you seek advice from an accountant, solicitor or other professional advisor.

RESOLUTION 5 – RELATED PARTY APPROVAL OF FUTURE ISSUE OF CONSIDERATION SHARES TO COMO GROUP HOLDINGS PTY. LTD.

The Company seeks approval for the issue and allotment of up to 20,795,455 fully paid ordinary shares of the Company, as part of the Consideration Shares pursuant to the Proposed Transaction, to Como Group Holdings Pty. Ltd. (or its nominee), an entity associated with Mr Jeremy Kirkwood (**Kirkwood Entity**).

Mr Jeremy Kirkwood is an early investor in MMG.

Jeremy has 26 years of investment banking experience, which includes tenure as Managing Director at Credit Suisse and Morgan Stanley. Prior to that, he served as Chief of Staff to the Honourable Alan Stockdale, Treasurer of Victoria.

Currently, he is the Principal of Pilot Advisory Group. Jeremy also sits on the Board as Chairman of Independent Schools Victoria and Geelong Grammar School.

In the event that the Proposed Transaction completes, Mr Kirkwood will join the New Board as an alternate Director of the Company (to Dr Cameron). Shareholder approval for the election of Mr Kirkwood as an alternate Director of the Company is being sought under Resolution 11 of this Notice of Meeting.

ASX Listing Rule 10.11 provides that a listed company must not issue equity securities to a related party without Shareholder approval. However, Shareholder approval is not required under Listing Rule 10.11, as the issue of the Consideration Shares to the Kirkwood Entity is considered in Resolution 3 of this Notice of Meeting, and as the Company relies on Listing Rule 10.12 (exception 6).

A “related party” for the purposes of the ASX Listing Rules and the Corporations Act is widely defined and includes a director of a public company (including alternate directors) or a spouse of a director of a public company. The definition of “related party” also includes a person whom there is reasonable grounds to believe will become a “related party” of a public company in the future, and an entity controlled by a “related party”.

Given that Mr Kirkwood is proposed to join the New Board, there are reasonable grounds to believe that he will become a “related party” of the Company. Furthermore, as Mr Kirkwood controls the Kirkwood Entity, for the purposes of Chapter 2E of the Corporations Act, Mr Kirkwood and the Kirkwood Entity are both related parties and the issue of securities to the Kirkwood Entity (or its nominee) constitutes the giving of a financial benefit.

As noted above, under this Resolution, the Company seeks approval for the issue and allotment of up to 20,795,455 Consideration Shares to the Kirkwood Entity (or its nominee) as part of the Consideration pursuant to the Proposed Transaction.

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) Shareholder approval is obtained prior to the giving of the financial benefit.

The Board believes that the issue of these Consideration Shares to the Kirkwood Entity (or its nominee) could fall within the “arm’s length terms” exception set out in section 210 of the Corporations Act. The Board have based their belief on the following fact:

- (a) Non-related parties are receiving the same consideration for their shareholdings in Modern Medical, on a pro-rata basis.

However, notwithstanding the above, the Board considered it prudent to seek related party approval for the issue of these Consideration Shares to the Kirkwood Entity (or its nominee). Furthermore, Shareholder approval is not required under Listing Rule 7.1, as the Company relies on Listing Rule 7.2 (exception 14).

Information Required by Chapter 2E of the Corporations Act

Identity of the related party

- (a) The Kirkwood Entity is a related party of the Company to whom Resolution 5 would permit the financial benefit to be given.

Nature of the financial benefit and other remuneration to be received by the Kirkwood Entity

- (b) The nature of the financial benefit to be given to the Kirkwood Entity (or its nominee) is the issue of 20,795,455 Consideration Shares.
- (c) As noted previously, Mr Kirkwood proposes to join the New Board as an alternate Director to Dr Todd Cameron in the event that the Proposed Transaction completes. In consideration for his role as an alternate Director, Mr Kirkwood has agreed to receive a nominal sum as remuneration from the Company.
- (d) As noted previously, the Consideration Shares that will be issued to the Kirkwood Entity (or its nominee) will be fully paid on issue and rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.
- (e) The Consideration Shares that will be issued to the Kirkwood Entity (or its nominee) forms part of the Consideration that is payable to it under the terms of the Sale Deed. As set out in Table 2, there are two cash components to the Consideration (which consists of the cash portions of the Initial Consideration and the Option Consideration). Therefore, in addition to the Consideration Shares noted above, the Kirkwood Entity (or its nominee) will receive up to \$425,000 as part of its cash portion of the Consideration.

Directors' recommendation and basis of financial benefit

- (i) Non-related parties are receiving the same consideration for their shareholdings in MMG, on a pro-rata basis. Therefore, the Board believes that the issue of these Consideration Shares to the Kirkwood Entity (or its nominee) could arguably fall within the "arm's length terms" exception set out in section 210 of the Corporations Act.
- (j) The Board's view is supported by the Independent Expert's Report prepared by Stantons to determine if the Proposed Transaction is fair and reasonable to the current Shareholders of the Company (**IER**). A copy of the IER is located at Annexure A of this Notice of Meeting. The IER has concluded that the Proposed Transaction, which includes the issue of Consideration Shares to the Kirkwood Entity (or its nominee), is fair and reasonable to the current non-associated Shareholders of the Company.
- (k) The Board believes that completion of the Proposed Transaction is in the best interests of the Company. Accordingly, the Board believes that the issue of the Consideration Shares to the Kirkwood Entity (or its nominee) is also in the best interests of the Company. The Board recommends that Shareholders vote in favour of Resolution 5.

Dilutionary effect to existing Shareholders' interests

Table 9 – Dilutionary effect (Consideration Shares)

Degree of dilution	Shares
Current number of Shares	104,004,558
Issue of all Consideration Shares	83,181,818
<u>Total number of Shares upon completion of Proposed Transaction</u>	187,186,377
<u>Percentage of dilution of existing Shareholders' interests</u>	<u>44.44%</u>

Table 10 – Dilutionary effect (Consideration Shares to the Kirkwood Entity)

Degree of dilution	Shares
Current number of Shares	104,004,558
Issue of Consideration Shares to the Kirkwood Entity (or its nominee)	20,795,455
<u>Total number of Shares upon completion of Proposed Transaction</u>	187,186,377
<u>Percentage of dilution of existing Shareholders' interests</u>	<u>11.11%</u>

- (l) Consideration Shares will not be issued to the Kirkwood Entity (or its nominee) as a standalone transaction, and will only be issued in the event that all Resolutions under this Notice of Meeting are passed by Shareholders and the Proposed Transaction completes. Therefore, the Board considers that the calculation in Table 9 above is more accurate for the purposes of calculating the projected dilutionary effect on existing Shareholders' interests, compared to the standalone dilutionary effect calculation noted in Table 10. In addition, the Consideration Shares will only be issued if the minimum under the Capital Raising is achieved. Accordingly, the dilutionary effect of the issue of Consideration Shares to the Modern Medical Vendors (which includes the Kirkwood Entity) will be lower than as set out in Table 9. Potential relevant interests which incorporate the effect of the Capital Raising is set out below in Table 11.

Existing and potential relevant interests

- (m) The Kirkwood Entity currently does not, either directly or indirectly, hold any Shares or Options in the Company.
- (n) Table 11 below outlines its potential interest in the Company:

Table 11 – Potential interest (Kirkwood Entity)

Modern Medical Vendor	No. of Consideration Shares ^(a)	Max. Voting Power (New Shares Offer raising \$4m & undiluted) ^(b)	Max. Voting Power (New Shares Offer raising \$6m & undiluted) ^(c)	Max. Voting Power (New Shares Offer raising \$4m & fully diluted) ^(d)	Max. Voting Power (New Shares Offer raising \$6m & fully diluted) ^(e)
Kirkwood Entity)	20,795,455	7.2%	6.1%	6.4%	5.6%

Notes:

^(a) All Consideration Shares will be subject to voluntary escrow.

^(b) Following completion of the Proposed Transaction, Capital Raising of \$4m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 289,750,479 Shares of the

Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 102,564,103 (New Shares).

^(c) Following completion of the Proposed Transaction, Capital Raising of \$6m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 341,032,530 Shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 153,846,154 (New Shares).

^(d) Following completion of the Proposed Transaction, Capital Raising of \$4m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 323,083,813 Shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 102,564,103 (New Shares) + 33,333,334 (Exercise of all existing Options).

^(e) Following completion of the Proposed Transaction, Capital Raising of \$6m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 374,365,864 fully paid ordinary shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 153,846,154 (New Shares) + 33,333,334 (Exercise of all existing Options).

The fully diluted percentages are based on the assumption that all Options are exercised and should be treated with caution as there is no certainty that any of the Options will be exercised.

Furthermore, the above Table 11 does not take into account the number of Earn-Out Shares that may be issued to the Kirkwood Entity (or its entity), as the quantum and issue price of the Earn-Out Shares (if any) will not be known until early 2017. In the event that the Earn-Out Payment is made, the relevant interest of the Kirkwood Entity will increase (assuming its interest remains unchanged until then).

Independent Expert's Report and valuation of the financial benefit

- (o) Given the size of the Proposed Transaction, the Board of the Company has considered it appropriate for the scope of the IER to cover the Proposed Transaction as a whole (which includes a valuation of the financial benefit being provided to the vendors of the Proposed Transaction (which includes related parties)), which provides an opinion on the fairness and reasonableness of the Proposed Transaction to the current non-associated Shareholders of the Company. A copy of the IER, prepared by Stantons, is contained in Annexure A of this Notice of Meeting. The IER has concluded that the Proposed Transaction is fair and reasonable to the current non-associated Shareholders of the Company.
- (p) Valuation of MMG is set out in section 11 of the IER. The IER has concluded that the Proposed Transaction is fair and reasonable to the current Shareholders of the Company.

Shareholders are urged to carefully read the IER before deciding how to vote on Resolution 5.

If you have any doubt or do not understand this Resolution, it is strongly recommended that you seek advice from an accountant, solicitor or other professional advisor.

RESOLUTION 6 – APPROVAL OF FUTURE ISSUE OF CONSIDERATION SHARES TO JKS GROUP HOLDINGS PTY. LTD.

The Company seeks approval for the issue and allotment of 24,954,545 fully paid ordinary shares of the Company, as part of the Consideration Shares pursuant to the Proposed Transaction, to JKS Group Holdings Pty. Ltd. (or its nominee), an entity associated with Mr Jarrod Schulz (**Schulz Entity**).

Mr Jarrod Schulz is the co-founder of MMG. He does not propose to join the Board of the Company.

Neither Mr Schulz nor the Schulz Entity are not considered to be related parties for the purposes of the Corporations Act and ASX Listing Rules. The Schulz Entity's projected shareholding in the Company and the dilutionary effect it will have on existing Shareholders is set out in Table 2 and the Table below.

Table 12 – Potential interest (Schulz Entity)

Modern Medical Vendor	No. of Consideration Shares ^(a)	Max. Voting Power (New Shares Offer raising \$4m & undiluted) ^(b)	Max. Voting Power (New Shares Offer raising \$6m & undiluted) ^(c)	Max. Voting Power (New Shares Offer raising \$4m & fully diluted) ^(d)	Max. Voting Power (New Shares Offer raising \$6m & fully diluted) ^(e)
Schulz Entity (or its nominee)	24,954,545	8.6%	7.3%	7.7%	6.7%

Notes:

^(a) All Consideration Shares will be subject to voluntary escrow.

^(b) Following completion of the Proposed Transaction, Capital Raising of \$4m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 289,750,479 Shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 102,564,103 (New Shares).

^(c) Following completion of the Proposed Transaction, Capital Raising of \$6m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 341,032,530 Shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 153,846,154 (New Shares).

^(d) Following completion of the Proposed Transaction, Capital Raising of \$4m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 323,083,813 Shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 102,564,103 (New Shares) + 33,333,334 (Exercise of all existing Options).

^(e) Following completion of the Proposed Transaction, Capital Raising of \$6m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 374,365,864 fully paid ordinary shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 153,846,154 (New Shares) + 33,333,334 (Exercise of all existing Options).

In addition to the Consideration Shares noted above, the Schulz Entity (or its nominee) will receive up to \$510,000 as part of its cash portion of the Consideration.

The effect of this Resolution is for Shareholders to approve the issue of the Consideration Shares to the Schulz Entity (or its nominee) and for the issue of these Shares to fall within an exception to ASX Listing Rule 7.1, which will allow the Directors to issue these Shares without using the Company's annual 15% placement capacity.

Given the size of the Proposed Transaction, the Board of the Company has considered it appropriate for the scope of the IER to cover the Proposed Transaction as a whole (which

includes the issue of Consideration Shares to the Schulz Entity (or its nominee)), which provides an opinion on the fairness and reasonableness of the Proposed Transaction to the current non-associated Shareholders of the Company. A copy of the IER, prepared by Stantons, is contained in Annexure A of this Notice of Meeting. The IER has concluded that the Proposed Transaction is fair and reasonable to the current Shareholders of the Company.

Shareholders are urged to carefully read the IER before deciding how to vote on Resolution 6.

If you have any doubt or do not understand this Resolution, it is strongly recommended that you seek advice from an accountant, solicitor or other professional advisor.

Information Required by ASX Listing Rule 7.3

The following information in relation to the issue of the Consideration Shares, on a post-Consolidation basis, to the Schulz Entity (or its nominee) is provided to Shareholders for the purposes of ASX Listing Rule 7.3:

- (a) The maximum number of Consideration Shares to be issued is 24,954,545.
- (b) These Consideration Shares will be issued on completion of the Sale Deed, which will take place no later than 7 April 2016 (3 months from date of Meeting) (or otherwise, as determined by the ASX in the exercise of their discretion).
- (c) These Consideration Shares are deemed to have an issue price of 3.3 cents per Consideration Share.
- (d) The allottee is the Schulz Entity (or its nominee), who is receiving these Consideration Shares as part of the Consideration pursuant to the Proposed Transaction. The Schulz Entity is not a related party of the Company for the purposes of the Corporations Act and the Listing Rules.
- (e) These Consideration Shares will be fully paid on issue and rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.
- (f) These Consideration Shares are being issued as part of the Consideration to enable the Company to acquire the Initial Clinics and be granted the MMG Options over the Remaining Clinics, pursuant to the Proposed Transaction.
- (g) All Consideration Shares (including these being issued to the Schulz Entity (or its nominee)) will be voluntarily escrowed as follows:
 - (i) All escrowed for 12 months from the date of issue;
 - (ii) Two thirds escrowed for 18 months from the date of issue; and
 - (iii) One third escrowed for 24 months from the date of issue.

In the event that any escrow requirements imposed by the ASX are more restrictive than the time frames stipulated above, the Schulz Entity (or its nominee) has agreed to be bound by the ASX imposed escrow requirements.

RESOLUTION 7 – DISPOSAL OF INTEREST IN EUROA STEEL PLANT JOINT VENTURE

Information Required by ASX Listing Rule 11.1.2

Overview and Information of the Proposed Disposal

As the Proposed Transaction triggers Listing Rule 11.1.2, pursuant to the terms of the ESPP Shareholder Deed, in anticipation of Gladstone Steel exercising the Call Option, which allows it to, subject to Shareholder approval being obtained by the Company, acquire the Company's 50% interest in ESPP for \$1.00 (**Proposed Disposal**), Shareholder approval is being sought under this Resolution 7.

Listing Rule 11.2 provides that where an entity proposes to make a significant change in the nature or scale of its activities which involves the disposal of its main undertaking, it must first obtain the approval of its Shareholders.

The Proposed Disposal is consistent with the Company's intention to acquire MMG and re-focus its business strategy moving forward by predominantly operating in the primary healthcare industry. However, as the Company's interest in ESPP currently represents the Company's main undertaking, the Company is required to seek Shareholder approval for its disposal.

Accordingly, this Resolution 7 seeks Shareholder approval to proceed with the Proposed Disposal.

Impact on the Company

A pro-forma balance sheet of the Company and MMG following completion of the Proposed Transaction (which includes the Capital Raising) and the Proposed Disposal is contained in section 5.4.1 of the IER. Further commentary on the valuation of the Company's interest in ESPP is set out in Section 5.4.2 of the IER.

No equity securities are set to be issued in connection with the Proposed Disposal, accordingly, there will be no direct impact to the capital structure of the Company nor the interests of securityholders of the Company.

Reason for the Disposal

If Shareholders approve of the Proposed Transaction, as it triggers Listing Rule 11.1.2, Gladstone Steel will have the right exercised the Call Option which allows it to acquire the Company's interest in ESPP. Therefore, effectuation of the Proposed Disposal is intrinsically tied to the Company proceeding with the Proposed Transaction.

The Board considers that the Proposed Transaction is in the best interest of Shareholders, as it represents a more compelling opportunity for Shareholder value to be created in the Company. By focusing on the MMG clinics, the Company will be able to position itself to take advantage of the favourable macro-economic drivers such as an ageing population and a shift in role primary healthcare, which in time may allow the Company to solidify its presence in the primary healthcare industry through further acquisitions and investments.

Advantages of the Disposal

The Board believes that the Proposed Disposal offers a number of advantages to Shareholders of the Company, which can be described as follows:

- (a) *Company no longer required to invest further resources to ESPP:* The ESPP has not yet been constructed or approved for construction and is subject to a variety of unfulfilled requirements including government and regulatory approvals, project and construction planning, access to raw materials to steep production, environmental and technical expertise and advice.
- (b) *By proceeding with the Proposal Disposal, the Company will be reducing its exposure to the mining and materials industry:* As commodity prices continue to soften, margins have been cut and profitability of materials companies is declining.
- (c) *Company in a position to focus its efforts on primary healthcare:* Acquisition of the MMG clinics will serve as the platform asset into the primary healthcare industry. The Board considers that there are a number of factors in support of a move into the primary healthcare sector as follows:
 - (i) Compelling macroeconomic growth drivers in healthcare including a growing and ageing population and an increased incidence of chronic disease;
 - (ii) Favourable government funding policies pushing supply from public to private service providers;
 - (iii) Significant scope for ongoing industry consolidation with incumbent corporate groups accounting for less than 10% of the acquirable market; and
 - (iv) Opportunity to provide a differentiated point of care in the clinics by way of acquiring and building out integrated medical clinics which house both primary healthcare and a range of allied health services (e.g. physiotherapy, mental health and optometry).

Disadvantages of the Disposal

The Board believes that the Proposed Disposal offer a number of disadvantages to Shareholders of the Company, which can be described as follows:

- (a) *Change to Nature and/or Scale of Activities of the Company:* The manner in which the change to the nature and/or the scale of the Company's activities are being achieved may not be consistent with the objective of all Shareholders of the Company.
- (b) *Company unable to participate or derive any future potential profits from ESPP:* Whilst the ESPP has not yet been constructed or approved for construction, the ESPP had the potential for future profits, which will not be realised in the event that the Proposed Disposal is approved by Shareholders of the Company.
- (c) *Written down value of ESPP:* Once Gladstone Steel exercises the Call Option, it has the right to acquire the Company's 50% interest in ESPP for \$1. Accordingly, the Company's investment in ESPP will be written down to \$1. Despite this being triggered by the Company's entry into the Proposed Transaction and the primary healthcare sector, this may not be consistent with the objective of all Shareholders of the Company.

Future activities and direction upon Disposal

In the event the Proposal Disposal is approved by Shareholders of the Company and the Proposed Transaction completes, the New Board proposes to oversee the continued operation and growth of the MMG. As the MMG is intended to be the platform asset of the

Company's entry into the primary healthcare sector, the New Board will continue to review other strategic investment and acquisition opportunities.

Directors' recommendation

The Board considers that it is in the best interests of the Company that it completes the Proposed Disposal, and accordingly recommends that Shareholders vote in favour of Resolution 7.

Part B: Capital Raising and Directors' Participation

Background to Capital Raising

As part of the Proposed Transaction, the Company proposes to fund the cash components of the Acquisition by raising a minimum of \$4m and a maximum of \$6m via a Prospectus that will be issued by the Company, in the event that Shareholder approval is obtained for all the Resolutions under this Notice of Meeting.

On a post-Consolidation basis, the Company proposes to make the following offer under the Prospectus:

Table 13 – Details of Offer

Type of Offer	Terms of Offer
New Shares Offer	For the offer of up to 153,846,154 Shares (New Shares) at an issue price of 3.9 cents (\$0.039) per New Share, to investors who are invited to subscribe for New Shares under the Prospectus pursuant to the Capital Raising, to raise a minimum of \$4m and a maximum of \$6m. There may be a minimum subscription under the Prospectus, which has not yet been determined as of the date of this Notice of Meeting.

Shareholder approval for the issue of the New Shares is considered in Resolution 8 of this Notice of Meeting.

Mr Shane Tanner, a Director of the Company, wishes to subscribe for New Shares under the Capital Raising. Specific related party Shareholder approval for the issue of these New Shares to him (or his nominee) is being sought under Resolution 9 of this Notice of Meeting.

Mr Jonathan Lim, a Director of the Company, wishes to subscribe for New Shares under the Capital Raising. Specific related party Shareholder approval for the issue of these New Shares to him (or his nominee) is being sought under Resolution 10 of this Notice of Meeting.

The pro-forma capital structure of the Company will depend on the level of subscription achieved by the Company under the Prospectus. The following Table sets out the pro-forma capital structure of the Company depending on the level of subscription achieved. Two different scenarios are presented, where a minimum \$4m has been raised under the Capital Raising, and another, where the maximum \$6m has been raised under the Capital Raising.

Table 14 – Pro-forma capital structure

Capital Structure	Shares
Post-Consolidation of existing issued capital (approximate)	104,004,558
Issue of Consideration Shares to Modern Medical Vendors	83,181,818
New Shares Offer raising \$4m	102,564,103
<u>Total number of Shares on issue (\$4m Capital Raising)</u>	<u>289,750,479</u>
New Shares Offer raising \$6m	153,846,154
<u>Total number of Shares on issue (\$6m Capital Raising)</u>	<u>341,032,530</u>
	Options
Post-Consolidation of existing issued capital (approximate)	33,333,334

Table 15 – Maximum voting power for participating Directors

Participating Director	Max. number of New Shares ^(a)	Existing Securities ^(a)	Max. Voting Power (New Shares Offer raising \$4m & undiluted) ^(c)	Max. Voting Power (New Shares Offer raising \$6m & undiluted) ^(d)	Max. Voting Power (New Shares Offer raising \$4m & fully diluted) ^(e)	Max. Voting Power (New Shares Offer raising \$6m & fully diluted) ^(f)
Shane Tanner	2,405,953	158,149 Shares 2,500,000 Options	0.9%	1.1%	0.8%	0.9%
Jonathan Lim	15,523,077	10,496,397 Shares 31,800,000 Options	9.0%	7.6%	11.3%	9.8%

Notes:

(a) Maximum number of New Shares that each of the Directors may subscribe for. The actual number may be less.

(b) On a post-Consolidation basis (estimates).

(c) Following completion of the Proposed Transaction, Capital Raising of \$4m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 289,750,479 Shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 102,564,103 (New Shares).

(d) Following completion of the Proposed Transaction, Capital Raising of \$6m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 341,032,530 Shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 153,846,154 (New Shares).

(e) Following completion of the Proposed Transaction, Capital Raising of \$4m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 323,083,813 Shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital)

(f) Following completion of the Proposed Transaction, Capital Raising of \$6m at 3.9 cents per New Share) and undiluted. These percentages are based on a total sum of 374,365,864 fully paid ordinary shares of the Company (post-Consolidation), which have been calculated as follows: 104,004,558 (current Share capital) + 83,181,818 (Consideration Shares) + 153,846,154 (New Shares) + 33,333,334 (Exercise of all existing Options).

The Company's proposed use of funds, based on a minimum and maximum subscription amounts being raised is as follows:

Table 16 – Proposed use of funds

Description	\$4m raised	\$6m raised
Initial Payment	\$1,200,000	\$1,200,000
Retention Amount	\$555,000	\$555,000
Option Consideration	\$500,000	\$500,000
Transaction costs	\$250,000	\$250,000
Capital Raising fees	\$200,000	\$300,000
Advisory fee to Liverpool Partners	\$300,000	\$300,000
Additional working capital	\$995,000	\$2,895,000
Total	\$4,000,000	\$6,000,000

RESOLUTION 8 – APPROVAL FOR FUTURE ISSUE OF NEW SHARES PURSUANT TO CAPITAL RAISING

This Resolution seeks Shareholder approval to issue and allot up to, on a post-Consolidation basis, 153,846,154 New Shares to investors who are invited to subscribe for New Shares in the Company, at an issue price of 3.9 cents (\$0.039) per New Share, to raise a minimum of \$4m and a maximum of \$6m under the Prospectus pursuant to the Capital Raising.

The effect of this Resolution is for Shareholders to approve the issue of these New Shares to fall within an exception to ASX Listing Rule 7.1, which will allow the Directors to issue these New Shares without using the Company's annual 15% placement capacity.

Information Required by ASX Listing Rule 7.3

The following information in relation to these New Shares, on a post-Consolidation basis, is provided to Shareholders for the purposes of ASX Listing Rule 7.3:

- (a) The maximum number of New Shares to be issued is 153,846,154.
- (b) These New Shares will be progressively issued by no later than 7 April 2016 (3 months from date of Meeting) (or otherwise, as determined by the ASX in the exercise of their discretion).
- (c) These New Shares will be offered at an issue price of 3.9 cents (\$0.039) per New Share.
- (d) The allottees are investors invited to subscribe for New Shares under the Prospectus pursuant to the Capital Raising.
- (e) These New Shares will be fully paid on issue and rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.
- (f) Funds raised pursuant to this Resolution will primarily be used by the Company towards the cash components of the Initial Consideration, Option Consideration, Earn-Out Payment and/or the exercise of the MMG Options. Any remaining funds will be applied by the Company towards general working capital purposes. Refer to Table 16 for further details.

RESOLUTION 9 – RELATED PARTY APPROVAL FOR SHANE TANNER’S PARTICIPATION IN CAPITAL RAISING

Shane Tanner is a current Director of the Company. Mr Tanner intends to remain on the Board following completion of the Proposed Transaction, however his role will change from a Non-Executive Chairman to an Executive Chairman

Mr Tanner (or his nominee) wishes to participate in the Capital Raising and subscribe for up to, on a post-Consolidation basis, up to 2,405,953 New Shares at an issue price of at 3.9 cents per New Share.

Listing Rule 10.11 provides that the Company, as an ASX listed entity, must not issue equity securities to a related party without Shareholder approval.

A “related party” for the purposes of the Listing Rules is widely defined and includes a director of a public company or a spouse of a director of a public company. The definition of “related party” also includes a person whom there is reasonable grounds to believe will become a “related party” of a public company in the future.

Given that Mr Tanner is a current Director and proposed Director of the New Board, he is a “related party” of the Company. Therefore, for the purposes of Chapter 2E of the Corporations Act, Mr Tanner is a related party and the issue of securities to him (or his nominee) constitutes the giving of a financial benefit.

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior Shareholder approval is obtained prior to the giving of the financial benefit.

The Board believes that the issue of these New Shares to Mr Tanner (or his nominee) falls within the “arm’s length terms” exception set out in section 210 of the Corporations Act, as Mr Tanner is proposing to participate in the Capital Raising on the same terms as being offered to all other non-related investors who will be invited by the Company to subscribe for New Shares under the Prospectus.

Accordingly, specific Shareholder approval for the issue of these New Shares to Mr Tanner (or his nominee) will only be sought under Listing Rule 10.11. Furthermore, Shareholder approval is not required under Listing Rule 7.1, as the Company relies on Listing Rule 7.2 (exception 14).

Information Required by Listing Rule 10.13

The following information in relation to the issue of the New Shares, on a post-Consolidation basis, to Mr Tanner (or his nominee) is provided to Shareholders for the purposes of Listing Rule 10.13:

- (a) The related party is Mr Shane Tanner (or his nominee), a current Director and proposed Director of the Company.
- (b) The maximum number of New Shares to be issued is 2,405,953.

- (c) These New Shares will be issued by no later than 7 February 2016 (1 month from date of Meeting) (or otherwise, as determined by the ASX in the exercise of their discretion).
- (d) These New Shares will be offered at an issue price of 3.9 cents (\$0.039) per New Share.
- (e) These New Shares will be fully paid on issue and rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.
- (f) Funds raised pursuant to this Resolution will primarily be used by the Company towards the cash components of the Initial Consideration, Option Consideration, Earn-Out Payment and/or the exercise of the MMG Options. Any remaining funds will be applied by the Company towards general working capital purposes. Refer to Table 16 for further details.

RESOLUTION 10 – RELATED PARTY APPROVAL FOR JONATHAN LIM’S PARTICIPATION IN CAPITAL RAISING

Jonathan Lim is a current Director of the Company. Mr Lim intends to remain on the Board following completion of the Proposed Transaction, and remain as an Executive Director.

Mr Lim (or his nominee) wishes to participate in the Capital Raising and subscribe for up to, on a post-Consolidation basis, up to 15,523,077 New Shares at an issue price of at 3.9 cents per New Share (or \$605,400 in total).

Listing Rule 10.11 provides that the Company, as an ASX listed entity, must not issue equity securities to a related party without Shareholder approval.

A “related party” for the purposes of the Listing Rules is widely defined and includes a director of a public company or a spouse of a director of a public company. The definition of “related party” also includes a person whom there is reasonable grounds to believe will become a “related party” of a public company in the future.

Given that Mr Lim is a current Director and proposed Director of the New Board, he is a “related party” of the Company. Therefore, for the purposes of Chapter 2E of the Corporations Act, Mr Lim is a related party and the issue of securities to him (or his nominee) constitutes the giving of a financial benefit.

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (c) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (d) prior Shareholder approval is obtained prior to the giving of the financial benefit.

The Board believes that the issue of these New Shares to Mr Lim (or his nominee) falls within the “arm’s length terms” exception set out in section 210 of the Corporations Act, as Mr Lim is proposing to participate in the Capital Raising on the same terms as being offered to all other non-related investors who will be invited by the Company to subscribe for New Shares under the Prospectus.

Accordingly, specific Shareholder approval for the issue of these New Shares to Mr Lim (or his nominee) will only be sought under Listing Rule 10.11. Furthermore, Shareholder approval is not required under Listing Rule 7.1, as the Company relies on Listing Rule 7.2 (exception 14).

Information Required by Listing Rule 10.13

The following information in relation to the issue of the New Shares, on a post-Consolidation basis, to Mr Lim (or his nominee) is provided to Shareholders for the purposes of Listing Rule 10.13:

- (a) The related party is Mr Jonathan Lim (or his nominee), a current Director and proposed Director of the Company.
- (b) The maximum number of New Shares to be issued is 15,523,077.
- (c) These New Shares will be issued by no later than 7 February 2016 (1 month from date of Meeting) (or otherwise, as determined by the ASX in the exercise of their discretion).

- (d) These New Shares will be offered at an issue price of 3.9 cents (\$0.039) per New Share.
- (e) These New Shares will be fully paid on issue and rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.
- (f) Funds raised pursuant to this Resolution will primarily be used by the Company towards the cash components of the Initial Consideration, Option Consideration, Earn-Out Payment and/or the exercise of the MMG Options. Any remaining funds will be applied by the Company towards general working capital purposes. Refer to Table 16 for further details.

Part C: Election of Director to New Board

New Board of the Company

The Board currently consists of the following members:

- Mr Shane Tanner, Non-Executive Chairman
- Mr Faldi Ismail, Non-Executive Director
- Mr Jonathan Lim, Executive Director

Following completion of the Proposed Transaction, Mr Ismail will resign as a Director of the Company. In addition, following completion of the Proposed Transaction, Dr Todd Cameron proposes to join the Board as an Executive Director of the Company, and Mr Jeremy Kirkwood proposes to join the Board as an alternate Director to Dr Cameron. Notably, save for exceptional circumstances, Dr Cameron must remain with MMG until 31 March 2017, in order for the Earn-Out Payment to be paid by the Company to the Modern Medical Vendors.

The Company's Board following completion of the Proposed Transaction (**New Board**) will comprise of the following Directors:

- Mr Shane Tanner, Executive Chairman
- Dr Todd Cameron, Executive Director
- Mr Jeremy Kirkwood, Alternate Director to Dr Cameron
- Mr Jonathan Lim, Executive Director

Shareholder approval for the elections of Dr Cameron and Mr Kirkwood are being sought under Resolutions 11 and 12 of this Notice of Meeting respectively.

Mr Jonathan Lim joined the Board as an additional Director on 9 November 2015. Accordingly, Shareholder approval is being sought for the election of Mr Lim under Resolution 13 of this Notice of Meeting.

RESOLUTION 11 – ELECTION OF DR TODD CAMERON AS A DIRECTOR OF THE COMPANY

The Company's Constitution allows a Director to be elected to the Board by resolution passed in a general meeting.

As part of the Proposed Transaction, Dr Cameron will join the New Board. Accordingly, having consented to act, under this Resolution, Dr Cameron seeks election as a Director of the Company.

Background details of Dr Cameron are set out below:

Dr Todd Cameron is the co-founder of MMG.

Todd is a Fellow of the Australia College of General Practitioners and has practiced as a GP in the Western Suburbs of Melbourne for over 18 years. He is a VMA accredited GP Registrar supervisor and served as a Board member for five years for PivotWest the Local Division of General Practice and is an ex-Chairman of the Board of the regional Medicare Local.

As a local GP with such length of service and experience with establishing 6 GP clinics and 1 Specialist Centre in the past 10 years (most within the past 5 years) his commitment and passion to team building and systemising primary healthcare has serviced MM well to date especially in the area of capacity building.

Directors' Recommendation

Given Dr Cameron's industry experience and relationship with the MMG clinics, the Board considers that the election of Dr Cameron to the New Board is in the best interests of the Company.

The Board unanimously recommends that Shareholders vote in favour of Resolution 11.

RESOLUTION 12 – ELECTION OF MR JEREMY KIRKWOOD AS AN ALTERNATE DIRECTOR OF THE COMPANY

The Company's Constitution allows a Director to be elected to the Board by resolution passed in a general meeting.

As part of the Proposed Transaction, Mr Kirkwood will join the New Board. Accordingly, having consented to act, under this Resolution, Mr Kirkwood seeks election as an alternate Director of the Company.

Background details of Mr Kirkwood are set out below:

Jeremy has 26 years of investment banking experience, which includes tenure as Managing Director at Credit Suisse and Morgan Stanley. Prior to that, he served as Chief of Staff to the Honourable Alan Stockdale, Treasurer of Victoria.

Currently, he is the Principal of Pilot Advisory Group. Jeremy also sits on the Board as Chairman of Independent Schools Victoria and Geelong Grammar School.

Directors' Recommendation

Given Mr Kirkwood's investment banking and executive experience, the Board considers that the election of Mr Kirkwood to the New Board is in the best interests of the Company.

The Board unanimously recommends that Shareholders vote in favour of Resolution 12.

RESOLUTION 13 – ELECTION OF MR JONATHAN LIM AS A DIRECTOR OF THE COMPANY

Mr Jonathan Lim was appointed as a Director as an additional Director on 9 November 2015.

The Company's Constitution requires that any Director appointed during the year either to fill a casual vacancy or as an addition to existing Directors, to hold office until the next general meeting and is then eligible for election as a Director of the Company.

Following completion of the Proposed Transaction, Mr Lim will remain on the Board as a Director. Accordingly, having consented to act, under this Resolution, Mr Lim seeks election as a Director of the Company.

Background details of Mr Lim are set out below:

Jonathan's background is in mergers and acquisitions, private equity and corporate finance. He is currently the Managing Director at Liverpool Partners, a boutique investment and advisory company located in Sydney.

At Liverpool Partners, Jonathan led the recapitalisation of BGD and has established a strong track record in the healthcare sector (as both an investor and advisor) including acting as a trusted advisor to a range of listed healthcare companies.

Jonathan was previously the Investment Director at Arowana, an investment and private equity group where he was responsible for leading the investment team, originating and executing deals and investment management.

Jonathan holds a Bachelor of Business (with majors in Accounting and Finance) from the University of Technology Sydney, where he graduated on the Dean's Academic Merit List. He also holds post-graduate qualifications in Applied and Corporate Finance.

Directors' Recommendation

Given Mr Lim's corporate advisory and investment experience, the Board considers that the election of Mr Lim to the New Board is in the best interests of the Company.

The Board unanimously recommends that Shareholders vote in favour of Resolution 13.

ENQUIRIES

Shareholders are asked to contact the Company Secretary, on +61 419 473 925 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

AEDT means Australian Eastern Daylight Time as observed in Sydney, New South Wales.

ASIC means Australian Securities and Investment Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires, of 20 Bridge Street, Sydney, NSW 2000.

ASX Listing Rules or **Listing Rules** means the official listing rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

BGDMC means BGD Medical Centres Pty Ltd (ACN 608 964 049), a wholly owned subsidiary of the Company.

Board means the current board of Directors of the Company.

Business Day means a day on which trading takes place on the stock market of ASX.

Call Option means the call option that was granted to Gladstone Steel under the ESPP Shareholder Deed, which could be exercised for \$1.00 in the event that the Company enters into a transaction that triggers Listing Rule 11.1.2.

Cameron Entity means Torac Pty. Ltd., an entity associated with Dr Todd Cameron, a co-founder of MMG.

Capital Raising means the capital raising that will be conducted by the Company via the Prospectus, under which the Company will raise a minimum of \$4m and a maximum of \$6m.

CCSC means the Caroline Springs Specialist Centre, which forms part of MMCS.

CCSCPL means Caroline Springs Specialist Centre Pty Ltd (ACN 138 468 729).

Company or **BGD** means BGD Corporation Limited (ACN 009 074 588) of Suite 202, Level 2, 50 Clarence Street, Sydney NSW 2000.

Consideration means the Modern Medical Consideration and the Option Consideration.

Consideration Shares means up to 83,181,818 fully paid ordinary shares that will be issued to the Modern Medical Vendors as part consideration of the Initial Payment.

Consolidation means the 1 for 3 consolidation of its issued capital that will be undertaken by the Company, prior to the issue of any Securities subject of this Notice of Meeting.

Corporations Act means the *Corporations Act* 2001 (Cth) as amended or replaced from time to time.

Director means a current director of the Company.

Dollar or “\$” means Australian dollars.

Earn-Out Shares means the share component of the Earn-Out Payment.

Earn-Out Payment means part of the consideration that will be payable by the Company for the Initial Clinics, which will be calculated in accordance with the terms of the Sale Deed.

ESPP means Euroa Steel Plant Project Pty Ltd, a jointly owned subsidiary that holds assets over the Euroa Steel Plant project in Gladstone, Queensland.

ESPP Shareholder Deed means the shareholder deed between the Company, Gladstone Steel and ESPP dated 2 July 2014.

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

Extraordinary General Meeting or **Meeting** means the meeting of the Company's members convened by this Notice of Meeting.

Gladstone Steel means Gladstone Steel Pty Ltd, the Company's joint venture partner over the Euroa Steel Plant project in Gladstone, Queensland.

IER means an Independent Expert's Report prepared by Stantons which is contained in Annexure A of this Notice of Meeting.

Initial Clinics means the businesses and assets of MMCS (which incorporates CSSC), MMBN, MMAT and MMGPL.

Initial Payment means part of the consideration that will be payable by the Company for the Initial Clinics, of which 61% will be paid by the Company via the issue of the Consideration Shares, with the balance to be paid by the Company in cash.

Kirkwood Entity means Como Group Holdings Pty. Ltd., an entity associated with Mr Jeremy Kirkwood, an early investor in MMG.

MMAT means the Modern Medical Administration Unit Trust (ABN 69 466 866 957).

MMBN means the MMG clinic at Office 1, 379-381 Whitehorse Road, Balwyn, Victoria 3103.

MMBW means the MMG clinic at Shop 28 (Lower Level), Mountain High Shopping Centre, 7-13 High Street, Bayswater, Victoria 3153.

MMCB means the MMG clinic at 6/1-9 Mareeba Way, Craigieburn, Victoria 3064.

MMCS means the MMG clinic at 1042 Western Highway, Caroline Springs, Victoria 3023, which also incorporates the CSSC.

MMG Options means the call and put options that are granted over each of the Remaining Clinics pursuant to the terms of the Proposed Transaction.

MMGPL means Modern Medical Group Pty Ltd (ACN 104 762 272).

MMHB means the MMG clinic at 196-200 Hall Street, Spotswood, Victoria 3015.

MMPL means Modern Medical Pty Ltd (ACN 104 762 272).

MMWV means the MMG clinic at 504-510 Ballan Road, Wyndham Vale, Victoria 3024.

Modern Medical Consideration means the Initial Payment and the Earn-Out Payment.

Modern Medical Group or **MMG** means the businesses and assets owned and operated by Modern Medical Pty Ltd, which includes MMAT, MMBN, MMBW, MMCB, MMCS, MMGPL, MMHB and MMWV.

Modern Medical Vendors means the Cameron Entity, the Kirkwood Entity and the Schulz Entity.

New Board means the proposed board of the Directors of the Company, following completion of the Proposed Transaction.

New Shares means up to 153,846,154 Shares at an issue price of 3.9 cents (\$0.039) per New Share that will be offered as part of the New Shares Offer, which will be conducted under the Prospectus.

New Shares Offer means the offer of New Shares to investors who are invited to subscribe for New Shares under the Prospectus pursuant to the Capital Raising, to raise a minimum of \$4m and a maximum of \$6m.

Notice of Meeting or **Notice of Extraordinary General Meeting** means this notice of extraordinary general meeting dated 8 December 2015 including the Explanatory Statement.

Option Consideration means the consideration of \$500,000 which payable by the Company in cash to the Modern Medical Vendors for the granting of the call options over the Remaining Clinics.

Proposed Disposal means the proposed disposal of the Company's interests in ESPP to Gladstone Steel, following the exercise of the Call Option and pursuant to the terms of the ESPP Shareholder Deed.

Proposed Transaction means the proposed acquisition of certain businesses and assets of MMG by the Company, with options granted for the Company to acquire the remaining businesses and assets of MMG.

Prospectus means the prospectus that will be issued by the Company to conduct the Capital Raising, pursuant to terms of the Sale Deed.

Proxy Form means the proxy form attached to this Notice of Meeting.

Remaining Clinics means the businesses and assets of MMBW, MMCB, MMHB and MMWV.

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

Retention Amount means \$555,000 of the Up Front Cash Consideration which will be held in escrow until an adjustment is made in accordance with the Sale Deed.

Sale Assets means the assets of the Initial Clinics agreed to be acquired by the Company pursuant to the Sale Deed.

Sale Businesses means the businesses of the Initial Clinics agreed to be acquired by the Company pursuant to the Sale Deed.

Sale Deed means the sale of business deed executed by the parties to effect the terms of the Proposed Transaction on 11 November 2015.

Sale Vendors means MMPL, CSSCPL and MMGPL, for the purposes of the Sale Deed and the Proposed Transaction.

Schulz Entity means JKS Group Holdings Pty. Ltd., an entity associated with Jarrod Schulz, a co-founder of MMG.

Stantons means Stantons International Securities Pty Ltd (ABN 42 128 908 289) of Level 12, 60 Castlereagh Street, Sydney NSW 2000.

Securities mean Shares and/or Options (as the context requires).

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

Shareholder means a holder of a Share.

Up Front Cash Consideration means \$1,755,000 which is the cash component of the Initial Payment.

Vendor Guarantors means Dr Todd Cameron, Mr Jeremy Kirkwood and Mr Jarrod Schulz.

ANNEXURE A – INDEPENDENT EXPERT’S REPORT

2 December 2015

The Directors
BGD Corporation Ltd
Suite 12, 50 Clarence Street
SYDNEY NSW 2000

The Independent Expert has concluded that the transactions related to the issues of a total of up to 83,181,818 post consolidated ordinary shares in BGD Corporation Limited (as part consideration for the Acquisition of the Modern Medical Pty Ltd Businesses) to the Vendors, the subject of Resolution 3 (and Resolutions 4 to 6) as outlined in the Notice of General Meeting are fair and reasonable to the shareholders of the Company (not associated with the Vendors and their associates) as at the date of this report.

Dear Sirs

Re: BGD CORPORATION LTD (ABN 78 009 074 588) ON THE PROPOSAL TO ISSUE A TOTAL OF UP TO 83,181,818 POST CONSOLIDATED ORDINARY SHARES AS PART CONSIDERATION TO ACQUIRE 100% OF TWO OF THE MEDICAL BUSINESSES OPERATED BY MODERN MEDICAL PTY LTD (“MMG”) - SHAREHOLDERS’ MEETING PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001 (“TCA”)

1. Introduction

- 1.1 We have been requested by the Directors of BGD Corporation Ltd (“BGD” or “the Company”) to prepare an Independent Expert’s Report to determine the fairness and reasonableness as noted in Resolution 3 (the issue of a total of up to 83,181,818 post consolidated ordinary shares (refer below) to the vendors (“Vendors”) of various unit trusts managed by MMG and as referred to in the Notice of Meeting of Shareholders (“Notice”) and Sections A and B of the Explanatory Statement (“ES”) attached to the Notice to be forwarded to shareholders in December 2015. Resolutions 4 to 6 also cover the individual allocation of Consideration Shares to the three Vendors or their Nominees.
- 1.2 On 8 October 2015, the Company announced that it had entered into various agreements to acquire two medical clinics operated by the Modern Medical Group (“MMG”) in Caroline Springs and Balwyn in Victoria and has been granted options (“Options”) to acquire a further 4 medical clinics at Craigieburn, Bayswater, Spotswood and Wyndham Vale in Victoria (the “Options”).

Furthermore, BGD will additionally acquire the business of Modern Medical Administration Trust (“MMAT”), but not the legal structure. The MMAT undertook administration activities on behalf of the medical clinics operated via various unit trusts managed by MMG. MMG manages seven medical practices operating in Victoria owned by 7 separate unit trusts. There are two unit trusts involved at Caroline Springs, one being a normal medical clinic and the other being a specialist medical clinic but for the purposes of this report the two clinics at Caroline Springs are treated as one business.

The two medical clinics to be acquired (Caroline Springs and Balwyn) are currently operated via unit trusts but BGD (via a wholly owned subsidiary specifically set up called BGD Medical Centres Pty Ltd) intends to acquire the operating business assets ("Medical Businesses") (and the business of MMAT, referred to as MMAT) subject to the following conditions precedent:

- Execution of a business sale agreement;
- Completion of satisfactory due diligence;
- Successful completion of a capital raising to fund the cash consideration;
- The retention of at least 60% of doctors engaged by MMG; and
- Receipt of required approvals, including that of Australian Securities Exchange ('ASX') and BGD shareholders.

1.3 The proposals to acquire the Medical Businesses operated at Caroline Springs and Balwyn (and the acquisition of MMAT) are known in this report as the Acquisitions. Further details are outlined below on MMG and the Medical Businesses and in the ES attached to the Notice.

1.4 The Consideration for the Acquisitions (of the Medical Businesses) has been calculated at approximately 4.78 times maintainable year ended 30 June 2015 earnings before interest, tax, depreciation and amortisation ("EBITDA") after normalisation and other adjustments and consists of:

- an upfront payment of \$4,500,000 to the vendors (subject to adjustment as referred below) payable as to:
 - 61% of the upfront payment will be satisfied in shares in BGD ("Consideration Shares"), which subject to ASIC approval, will be subject to escrow conditions (the number of post consolidated Consideration Shares to be issued will be 83,181,818 (value \$2,745,000);
 - 39% of the upfront payment (maximum of \$1,755,000 but subsequently may be adjusted downwards as noted below) payable in cash and additionally;
- Approximately \$610,813 of chattel mortgages from the two clinics being acquired will be assumed by BDG. This is the estimated chattel mortgage principal amounts outstanding at the end of December 2015.

The upfront purchase price will be potentially reduced at completion of the Acquisition to account for certain employee entitlements of transitioning employees and to ensure a minimum amount of working capital. It has been estimated that the employee entitlements liabilities will total approximately \$187,000 and thus the \$4,500,000 Up-Front Payment is reduced to approximately \$4,313,000 (cash \$1,568,000 and shares to a value of \$2,745,000). The final up-front cash to be paid will be determined at Completion, once the employee entitlement liability amount is finalised. The Consideration Shares are being issued at a 0.6 cents (post consolidated) discount to the capital raising issue price of 3.9 cents – i.e. the Consideration Shares are deemed to be issued at 3.3 cents each on a post consolidated basis.

At completion of the Acquisition, Dr Todd Cameron, the founding doctor of MMG will be appointed to the BGD Board of Directors. Mr Jeremy Kirkwood will be appointed as an alternate director for Dr Todd Cameron.

An earn-out will also be payable on the Caroline Springs and Balwyn clinics in March 2017, 50% of which is to be satisfied by the issue of BGD shares and issued at the 40 day volume weighted average share price ("VWAP") of a BGD share trading on ASX to 31 March 2017 ("Performance Consideration Shares") and 50% cash. The quantum of the earn-out payment ("Earn-Out Payment") will be dependent on the clinics actual financial performance for the 12 months ended 31 December 2016. The Earn-Out Payment, which is dependent upon Todd Cameron remaining in the business as a General Practitioner or in a management capacity until 31 March 2017, will be calculated on a sliding scale from nil to approximately 4.046 times earnings before interest and tax ("EBIT") for the calendar year ended 31 December 2016 less \$4,500,000.

The BGD Directors estimate the Earn-Out Payment to be between \$2,800,000 and \$3,200,000 based on financial forecasts provided by MMG for the relevant period which anticipates circa 35% to 40% growth in EBITDA compared to the year ended 30 June 2015 normalised EBITDA. In the event that Dr Todd Cameron should leave the business prior to 31 March 2017, the Earn-Out Payment will not be payable (except in specific circumstances which prevents him from working).

The table in the draft Share Purchase Agreement, provided a sliding scale range of EBIT's and Earn-Out Payments (Performance Considerations) and as examples if the EBIT range was between \$894,110 and \$1,094,110 the Earn-Out Payments would lie in the range of \$417,605 and \$1,517,605; if the EBIT range was between \$1,294,112 and \$1,494,112 the Earn-Out Payments would lie in the range of \$2,617,616 and \$3,717,616 and the top range of EBIT is between \$2,894,120 and \$3,094,120 the Earn-Out Payments would lie in the range of \$11,417,660 and \$12,517,660.

We cannot be assured that the growth prospects envisaged above will be met. Thus, for the purposes of this report, we have taken the potential Earn-Out Payment (in cash and shares) as a contingent liability.

In relation to the Options (to acquire a further 4 clinics –refer paragraph 1.2 above), BGD is to pay MMG the sum of \$500,000 as consideration of granting the Options. The Options will be granted in two tranches and be exercisable prior to March 2018 and March 2019 respectively. The exercise of the Options will be dependent on the financial performance of the 4 clinics in the 12 month period prior to them being exercised. If exercised, the Company will pay 5 times 30 June 2017 or 30 June 2018 EBIT. Refer Part A of the ES for further details.

BGD will provide management services to the Option clinics until all Options have been exercised or lapsed. BGD will charge a management fee, to recover the costs of supplying such services.

1.5 The Vendors of the Medical Businesses (and MMAT) at the date of Acquisitions will be:

- Como Group Holdings Pty Ltd – 25% (currently owns 0%);
- Torac Pty Ltd – 45% (currently owns 60%); and
- JKS Holdings Pty Ltd – 30% (currently owns 40%)

Collectively on completion of the Acquisitions and assuming the issue of 102,564,103 post consolidated shares at 3.9 cents each ("Capital Raising Shares") to raise a gross \$4,000,000 ("Capital Raising"), the Vendors could have a maximum collective relevant interest in approximately 28.71% of the expanded issued capital of BGD. If \$6,000,000 is raised from the Capital Raising at 3.9 cents per share, the shareholding of the Vendors will have a collective relevant interest in approximately 24.39% of the expanded issued capital of BGD. These percentages assume the maximum number of Consideration Shares will be issued.

- 1.6 Individually, none of the Vendors will own over 20% of the expanded issued capital of BGD, however, pursuant to the Acquisitions Agreements, the Vendors have agreed with BGD as to the near future make up of the BGD Board and thus it may be argued the Vendors are acting together to complete the Acquisitions and are deemed associates of each other.
- 1.7 The minimum Capital Raising is \$4,000,000 (before costs) and if this is the amount raised, the Company will issue 102,564,103 post-consolidated Capital Raising Shares (at 3.9 cents each). The maximum Capital Raising is \$6,000,000 (before costs) and if this is the amount raised, the Company will issue 153,846,154 post-consolidated Capital Raising Shares (at 3.9 cents each). Resolution 8 refers to the issue of Capital Raising Shares.

Shareholders at the upcoming General Meeting are being asked to approve a new consolidation of capital on a 1 for 3 basis, so that for every 3 shares held a shareholder will post consolidation then own 1 share in BGD (Resolution 1 refers as noted below).

- 1.8 Post issue of all post consolidation shares as noted above and assuming the minimum Capital Raising of \$4,000,000 is achieved (and the number of Consideration Shares issued is 83,181,818), there would be 289,750,479 post-consolidated ordinary shares on issue. Post issue of all post consolidation shares as noted above and assuming the maximum Capital Raising of \$6,000,000 is achieved and number of Consideration Shares issued is 83,181,818, there would be 341,032,530 post-consolidated ordinary shares on issue.
- 1.9 In addition, there will be 16,666,667 post consolidated share options outstanding, exercisable at 3 cents each, on or before 22 December 2018, 15,000,000 post-consolidated share options exercisable at 3 cents each on or before 13 February 2018 and 1,666,667 post consolidated share options exercisable at 3 cents each on or before 8 September 2018. The 15,000,000 class of share options may only be exercised when the volume weighted average share price ("VWAP") is 6 cents or above for 20 consecutive trading days on or before 13 December 2017 and the 1,666,667 class of share options may only be exercised when the volume weighted average share price ("VWAP") is 6 cents or above for 20 consecutive trading days on or before 8 September 2017.
- 1.10 There are thirteen resolutions being put to the shareholders. Resolution 1 refers to the proposed 1 for 3 consolidation of capital; Resolution 2 relates to the change of nature and scale of activities of the Company; Resolution 3 relates to the proposal to the issue of up to 83,181,818 Consideration Shares to the Vendors; Resolution 4 relates to the issue of up to 37,431,818 Consideration Shares (part of the up to 83,181,818 Consideration Shares) to Torac Pty Ltd (a company associated with Dr Todd Cameron) or Nominee as one of the Vendors; Resolution 5 relates to the issue of up to 20,795,455 Consideration Shares (part of the up to 83,181,818 Consideration Shares) to Como Group Holdings Pty Ltd (a company associated with Jarrod Schulz) or Nominee as one of the Vendors; Resolution 6 relates to the issue of up to 24,954,545 Consideration Shares (part of the up to 83,181,818 Consideration Shares) to JKS Group Holdings Pty Ltd (a company associated with Jeremy Kirkwood) or Nominee as one of the Vendors; Resolution 7 relates to the approval to dispose of the 50% interest in the Euroa Steel Plant Joint Venture; Resolution 8 relates to the issue of up to 153,846,154 post consolidated shares to raise up to a gross \$6,000,000 (and a minimum of \$4,000,000) as part of the Capital Raising; Resolution 9 relates to the approval of a future issue of up to 2,405,953 post consolidation shares to Shane Tanner or Nominee (to take Tanners relevant interest to 2,564,103 post consolidated shares); Resolution 10 relates to the proposed issue of up to 15,523,077 post consolidated shares in the Company to Jonathan Lim or nominee as part of the issue of shares under the Capital Raising.; Resolution 11 relates to the proposal to appoint Dr Todd Cameron to the Board of Directors of BGD following completion of the Acquisitions and Resolution 12 relates to the appointment of Jeremy Kirkwood as an alternate director to Dr Todd Cameron; and Resolution 13 relates to the re-election of Mr Jonathan Lim as a Director of the Company.

We are not reporting on the merits or otherwise of Resolutions 1, 2 and 4 to 13 but do note that to arrive at our conclusions on Resolution 3, we are required to consider Resolutions 4 to 6 as they also relate to the Considerations offered to acquire 100% of the Medical Businesses (and MMAT).

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

- Summary of opinion
- Implications of the proposals
- Corporate history and nature of business of BGD and MMG (and the Medical Businesses being acquired)
- Future direction of BGD
- Basis of valuation of BGD shares
- Value of consideration
- Basis of valuation of the Medical Businesses
- Fairness of the Acquisitions
- Conclusion as to fairness
- Reasonableness of the Acquisitions
- Conclusion as to reasonableness
- Sources of information
- Appendix A and our Financial Services Guide

1.12 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 the fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

1.13 As noted above, the Vendors may be deemed associates of each other and acting in concert to complete the Acquisitions. Collectively, the Vendors may acquire an initial shareholding interest of up to approximately between 24.39% and 28.71% depending on the amount raised under the Capital Raising.

Furthermore, BGD may be required to issue Performance Consideration Shares as noted in paragraph 1.4 above and thus the collective shareholding of the Vendors may increase further (may fall in the range of approximately 36.57% and 37.55% assuming a minimum Capital Raising of \$4,000,000 and approximately 31.89% to 32.51% assuming a maximum Capital Raising of \$6,000,000 (all percentages assume the maximum number of 83,181,818 Consideration Shares are issued to the Vendors and the issue price of the Performance Consideration Shares is 3.9 cents)). The latter percentages assume Earn-Out Payments of between \$2,800,000 and \$3,200,000 and 50% is paid out as Performance Consideration Shares at 3.9 cents each. We cannot be assured that there will be increases in EBIT and thus we have treated any Earn-Out Payment as contingent (a contingent liability).

Therefore, an independent expert's report pursuant to Section 611 (Item 7) of TCA is required to report on the fairness and reasonableness of the transactions pursuant to Resolution 3 (issue a total of up to 83,181,818 Consideration Shares to the Vendors. There is no resolution or resolutions being put to the shareholders for the potential issue of Performance Consideration Shares to the Vendors).

- 1.14 An independent expert's report should accompany the Notice stating whether the proposals to issue a total of up to 83,181,818 post-consolidated Consideration Shares to the Vendors as noted above are fair and/or reasonable to the shareholders of BGD not associated with the Vendors. To assist shareholders in making a decision the directors of BGD have requested that Stantons International Securities Pty Ltd prepare an Independent Expert's Report.

This report addresses the issues of whether the proposal to issue a total of 83,181,818 post-consolidated Consideration Shares to the Vendors as part of the Consideration to acquire the Medical Businesses are fair and reasonable to the shareholders of BGD not associated with the Vendors. In order for us to arrive at a conclusion on the proposal to issue Consideration Shares, we in effect need to arrive at an opinion as to whether the Acquisitions themselves for the Considerations offered are fair and reasonable.

- 1.15 In determining the fairness and reasonableness of the acquisition of the 2 Medical Businesses and MMAT, we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". Regulatory Guide 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.
- 1.16 An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. Although in this case the proposed Acquisitions (of the Medical Businesses) are not takeover offers, we have considered the general principals noted above to determine our opinions on fairness and reasonableness.
- 1.17 **In our opinion, the proposal as outlined in paragraph 1.4 and Resolution 3 specifically may, on balance, taking into account the factors referred to in 11 below and elsewhere in this report, be considered to be fair and reasonable to the shareholders of BGD (not associated with the Vendors) as at the date of this report.**
- 1.18 The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

2. Implications of the Proposals

- 2.1 As at 30 November 2015, there are 312,013,675 ordinary fully paid pre-consolidated shares on issue in BGD. The top 20 shareholders list as at 14 October 2015 discloses the following:

Shareholder	No. of fully paid shares	% of issued fully paid shares
Almike Pty Ltd	60,000,000	19.23
Liverpool Holdings Pty Ltd	31,489,191	10.09
Gracemere Pty Ltd	20,000,000	6.41
Peter Curry	20,000,000	6.41
	<u>151,489,191</u>	<u>42.14</u>

- 2.2 The top 20 shareholders as per the top 20 shareholders list at 14 October 2015 owned approximately 75.67% of the ordinary issued capital of the Company.
- 2.3 The movement in the issued capital of the Company on the basis of a minimum Capital Raising of \$4,000,000 at 3.9 cents per share may be:

	Minimum Number
Shares on issue at 30 November 2015	<u>312,013,675</u>
1 for 3 consolidation of capital	
Post consolidated ordinary shares on issue	104,004,558
Capital Raising Shares	102,564,103
Consideration Shares	<u>83,181,818</u>
Ordinary shares on Issue post Acquisition but before the issue of Performance Consideration Shares and exercise of existing share options	<u>289,750,479</u>

Furthermore, BGD may be required to issue Performance Consideration Shares as noted in paragraph 1.4 above. The BGD Directors and Vendors estimate the Earn-Out Payment to be between \$2,800,000 and \$3,200,000 based on financial forecasts provided by MMG for the relevant period which anticipates circa 35% to 40% growth in EBIT compared to the year ended 30 June 2015 normalised EBITDA. In the event that Dr Todd Cameron should leave the business prior to 31 March 2017, the Earn-Out Payment will not be payable (except in specific circumstances which prevents him from working). We cannot be assured that the growth prospects envisaged above will be met. Thus, for the purposes of this report, we have taken the potential Earn-Out Payment (in cash and shares) as a contingent liability.

The number of shares on hand post the issue of Performance Consideration Shares could be 330,776,120 shares in the event that the maximum expected Performance Consideration Shares were issued (say 41,025,641 Performance Consideration Shares are issued assuming an earn out of \$3,200,000) and an issue price of 3.9 cents.

In the event that \$6,000,000 is raised from the Capital Raising at 3.9 cents each (post consolidated), the number of shares on hand prior to the issue of the Performance Consideration Shares could be 341,032,530 shares. The number of shares on hand post the issue of Performance Consideration Shares could be 382,058,171 shares in the event that the maximum expected Performance Consideration Shares were issued (say 41,025,641 Performance Shares) and the maximum Capital Raising was undertaken and an issue price of 3.9 cents.

As noted, the final number of Performance Consideration Shares to be issued (if any) and Performance Consideration Cash to be paid (if any) cannot be determined at this stage.

- 2.4 The current Board of Directors is expected to change in the near future as a result of the Acquisitions. The Board is currently Shane Tanner (Non-Executive Chairman), Jonathan Lim (Non-Executive Director, appointed on 6 November 2015) and Faldi Ismail (Non-executive Director). Dr Todd Cameron will become a new director of the Company from Completion (as defined) of the Acquisitions. Mr Jeremy Kirkwood will act as his alternate. Mr Craig Higgins resigned as a director on 6 November 2015.
- 2.5 The Medical Businesses (at Caroline Springs and Balwyn) will be wholly owned businesses of BGD. BGD will also assume the chattel mortgages of the Medical Businesses estimated to be \$610,813 at the date of Completion of the Acquisitions (assumed to be at the end of December 2015). Interest on the chattel mortgages varies between 6.00% and 10.65%.

There are 6 chattel mortgage contracts expiring between 31 May 2016 and 30 June 2020. The amount due between 1 January 2016 and to 31 December 2016 approximates \$362,852.

BGD (via BGD Medical Centres Pty Ltd) will also assume the employee entitlements of staff working in the medical administration company estimated to be \$187,000 at the date of Completion of the Acquisitions.

The Company will have the Options to acquire 4 other medical clinics as noted in paragraph 1.4 above (after having paid \$500,000 to the Vendors as consideration to enter the Options Agreements).

- 2.6 In the event that the Consideration Shares are issued to the Vendors, the collective Vendors could own approximately between 24.39% and 28.71% of the expanded issued ordinary capital of the Company, depending on the amount of the Capital Raising but assumes the maximum number of Consideration Shares to be issued (excludes any Performance Consideration Shares that may be issued- refer above for details).
- 2.7 Share Options (on a post consolidated basis) outstanding will be as follows:
- 16,666,667 unlisted share options, exercisable at 3 cents each, on or before 22 December 2018;
 - 15,000,000 unlisted share options, exercisable at 3 cents each, on or before 13 February 2018; and
 - 1,666,667 unlisted share options, exercisable at 3 cents each, on or before 8 September 2018.

The 15,000,000 class of share options may only be exercised when the volume weighted average share price ("VWAP") is 6 cents or above for 20 consecutive trading days on or before 13 December 2017 and the 1,666,667 class of share options may only be exercised when the volume weighted average share price ("VWAP") is 6 cents or above for 20 consecutive trading days on or before 8 September 2017.

3. Corporate History and Nature of Businesses

BGD

3.1 Principal Activities and Significant Assets

BGD is an ASX listed company and was formerly called Boulder Gold Limited. On 13 July 2013, the Board resolved to place the Company into voluntary administration. At its request the Company was suspended from trading on the ASX on 22 July 2013. Following

appointment of the administrators, the powers of the Company's officers (including Directors) were suspended and the administrators assumed control of the Company's business, property and affairs. On 29 October 2013, at an adjourned meeting of creditors of the Company, the creditors of the Company agreed to end the voluntary administration and control was handed back to the Directors. On 30 October 2013, a new administrator was appointed as administrator to the Company. Following appointment of the new administrator, the powers of the Company's officers (including Directors) were again suspended and the administrator assumed control of the Company's business, property and affairs.

The administrator subsequently advertised, sought and negotiated proposals to reconstruct the Company with interested parties. Otsana Capital's recapitalisation proposal was accepted at a meeting of creditors of the Company on 4 February 2014.

The Deed of Company Arrangement ("DOCA") was executed on 27 February 2014, as was the Boulder Creditors Trust Deed ("Creditors Trust"). The DOCA provided for the creation of a Creditors Trust and an opportunity for the Company to be restructured for a "cash consideration".

Under the DOCA, the claims of the creditors of the Company as at 10 September 2014 now reside with the Creditors Trust. The voluntary administrators were appointed as Deed Administrators and Trustees of the Creditors Trust. The purpose of the DOCA was to facilitate a reconstruction and recapitalisation of the Company with a view to having the Company relisted on the ASX.

The effectuation of the DOCA on 10 September 2014 had the following effect:

- claims of the creditors of the Company as at 10 September 2014 now reside in the Creditors Trust;
- all cash on hand or at bank as at 10 September 2014 was transferred to the Creditors Trust; and
- the Company was required to pay the final promoter contribution of \$100,000.

On 4 September 2014, the Company's shareholders approved at its General Meeting:

- consolidation of existing fully paid shares on a 1 for 46 basis together with the consolidation of its existing share options in the same ratio as the shares;
- issue up to 50,000,000 new post consolidated shares at an issue price of 0.001 cents each to raise up to \$500;
- issue up to 50,000,000 post consolidated share options with an exercise price of 1 cent each, expiring 4 years after issue date, at an issue price of 0.001 cents each to raise up to \$500; and
- issue up to 250,000,000 post consolidated shares at an issue price of 1 cent each to raise up to \$2,500,000.

The Company sought the reinstatement to trading of its shares on the ASX following effectuation of the DOCA on 10 September 2014 and this was granted on 24 December 2014. On 22 July 2015, the Company completed an unmarketable share parcel sale.

Further to the recapitalisation proposal as noted above, the Company:

- incorporated Euroa Steel Plant Project Pty Ltd, a company jointly owned by the Company and Gladstone Steel Plant Pty Ltd ("GSPL"); and
- transferred all assets of the Company to Euroa Steel Plant Project Pty Ltd which comprised of the intellectual property associated with the development of the Gladstone Steel Plant. The transfer occurred as consideration of GSPL making a payment of 50% of the Creditors Payment as outlined in the DOCA of \$300,000.

As at 30 November 2015, the Company continues to hold a 50% shareholding interest in Euroa Steel Plant Project Pty Ltd (refer below for value).

MMG (and its businesses)

3.2 Information provided by MMG

MMG was established in 2003 by Dr Todd Cameron and Mr Jarrod Schulz, and has expanded to include six integrated primary healthcare clinics providing general practice services and sub-letting clinical space to a range of other healthcare service including allied health and pathology.

MMG provides the consulting facilities, nursing and support services to medical practitioners (predominantly to general practitioners) providing healthcare services within MMG clinics. The bulk of general practice services performed by doctors within MMG facilities are funded by the Australian government via Medicare.

The combined MMG clinics provide services to around 10,000 to 14,000 patients per month. The percentage of services bulk billed (funded by Medicare) varies from clinic to clinic and ranges between 60%-99% of total patients.

It is proposed that BGD will acquire two of the six MMG clinics, being Caroline Springs and Balwyn, and is being granted an option to acquire the remaining four clinics in Craigieburn, Bayswater, Hobson's Bay and Wyndham Vale.

Further details are outlined in the ES attached to the Notice and announcements made by BGD in October 2015 and November 2015. All shareholders should read the ES and in particular Part A to gain a fuller picture of the MGM business model before voting on Resolution 3 (and all other resolutions).

- 3.3 A summary unaudited 30 June 2015 balance sheet (statement of financial position) of the Modern Medical Administration Trust is disclosed in section 5.4 of this report. It is noted that the assets and liabilities of the MMAT will not be acquired but the business (of managing the administration of the MMG businesses will be assumed by BGD Medical Centres Pty Ltd).

4. Future Directions of BGD

- 4.1 We have been advised by the directors and management of BGD that:

- Other than the Options to acquire a further 4 medical clinics as alluded to above, there are no proposals currently contemplated either whereby BGD will acquire any further assets from the Vendors (however BGD will issue Consideration Shares and potentially Performance Consideration Shares to the Vendors as outlined above in relation to the Acquisitions) or where BGD will transfer any of its property or assets to the Vendors;
- The composition of the Board will change in the short term as noted above;
- The Company will undertake a 1 for 3 consolidation of capital;
- The Company is to shortly raise a minimum of \$4,000,000 and a maximum of \$6,000,000 (before capital raising costs) via a Capital Raising with such funds being primarily used to develop and progress the Medical Businesses and pay the cash portions of the Considerations payable;
- No dividend policy has been set; and

- The Company will endeavour to sell the Euroa Steel Plant Joint Venture and will concentrate on its investments in the Medical Businesses, once acquired (and seek to acquire new medical clinics and investments in healthcare businesses). Due to the put option and call option with GSPL, it is expected that the realisable value will be \$1. On 29 October 2015, the Company announced that it had entered into a non-binding conditional term sheet to acquire physiotherapy healthcare provider, Health Networks Australia Investments (“HNAI”). If all conditions precedent are met, BGD would pay 5 times HNAI’s EBITDA as initial consideration with an earn-out to be paid in September 2016, contingent on the performance of the HNAI business on the financial year ended 30 June 2016. Further discussions are being held with other healthcare providers for BGD to acquire their businesses. No further term sheets have been entered into as at 4 November 2015. The Company, to fund such potential acquisitions, may need to issue a further prospectus in 2016 to raise between \$10,000,000 and \$15,000,000 but the final amount has yet to be settled as it depends on the outcome of negotiations to acquire new businesses in healthcare.

5. **Basis of Valuation of BGD Shares**

5.1 Shares

5.1.1 In considering the proposal to acquire the Medical Businesses (and the business of MMAT), we have sought to determine if the considerations payable by BGD to the Vendors are fair and reasonable to the existing non-associated shareholders of BGD.

5.1.2 The offer would be fair to the existing non-associated shareholders if the value of the Medical Businesses acquired by BGD is greater than the implicit value of the Consideration Shares (ordinary shares), cash and assumption of chattel mortgages being offered as consideration. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on BGD shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining a theoretical value of a BGD ordinary share are:

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

5.2 Capitalised maintainable earnings and discounted cash flows.

5.2.1 Due to BGD’s current operations, a lack of a reliable long term profit history arising from business undertakings and the lack of a reliable future cash flow from current business activities, we have considered these methods of valuation not to be relevant for the purpose of this report. BGD made a loss of \$1,255,519 for the year ended 30 June 2015 and as at that date has accumulated losses of \$56,309,040.

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for BGD could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of BGD have formed the view that there are unlikely to be any takeover bids made for BGD in the immediate future. However, if the agreements to acquire the Medical Businesses are completed, the collective shareholdings of the Vendors could initially collectively control approximately between 24.39% and 28.71% of the expanded ordinary issued capital of BGD assuming the

maximum number of Consideration Shares are issued (excluding the issue of any Performance Consideration Shares).

5.4 Adjusted Net Asset Backing

5.4.1 We set out below an unaudited balance sheet (statement of financial position) of BGD (Balance Sheet “A”) as at 30 June 2015, adjusted for incurring estimated administration, due diligence and other costs of \$350,000 for the period 1 July 2015 to 31 December 2015 and the writing down of the investment in Euroa Steel Plant Pty Ltd from \$300,000 to \$1.

In addition, we disclose a pro-forma consolidated Balance Sheet “B” assuming the following:

- The 1 for 3 consolidation of capital;
- The completion of the Capital Raising assumed to be the minimum gross amount of \$4,000,000, incurring capital raising costs and associated due diligence costs of \$275,000 and the payment of advisory fees of \$300,000;
- The acquisition of the 2 Medical Businesses (and MMAT) for an initial Up-Front cost of up to \$4,500,000 and the assumption of chattel mortgages of \$610,813 (the plant and leasehold improvements taken over have an estimated 31 December 2015 written down value of \$360,783). The \$4,500,000 is to be extinguished by way of the issue of 83,181,818 Consideration Shares at a deemed 3.3 cents each (\$2,745,000) and the payment of \$1,755,000 cash to the Vendors. Initially, a working capital retention amount of \$555,000 will be withheld until the Employee Entitlements liability amount is determined (may approximate \$187,000) and after determining the Employee Liability amount, the balance of the retention amount will be paid to the Vendors. However, for the purposes of the pro-forma consolidated statement of financial position, we have disclosed the maximum Cash Consideration payable of \$1,755,000;
- The payment of \$500,000 to enter into the Option Agreements (and expensing the Option Fee); and
- The payment of BGD creditors of an estimated \$413,168.

In addition, we disclose a summary statement of financial position of the Modern Medical Administration Trust (“MMAT”) as at 30 June 2015 (after writing off cash on hand of \$120). The assets and liabilities of MMAT are not to be acquired at Settlement, however MMAT will cease business and BGD Medical Centres Pty Ltd will assume the business undertakings of MMAT.

	Unaudited Adjusted 30 June 2015 BGD \$000 “A”	Unaudited Pro-forma 30 June 2015 BGD (including the Medical Businesses) \$000 “B”	Unaudited Adjusted MMAT 30 June 2015 \$000
Current Assets			
Cash assets	1,204,140	1,960,972	1,889
Trade and other receivables/prepayments	50,232	50,232	-
Owing by various medical trusts	-	-	266,205
Investments accounted for using the equity method (refer below in paragraph 5.4.2)	1	1	-
Total Current Assets	1,254,373	2,011,205	268,094

	Unaudited Adjusted 30 June 2015 BGD \$000 “A”	Unaudited Pro-forma 30 June 2015 BGD (including the Medical Businesses) \$000 “B”	Unaudited Adjusted MMAT 30 June 2015 \$000
Non Current Assets			
Plant and equipment	-	360,783	-
Intangibles	-	4,750,030	-
Total Non Current Assets	-	5,110,813	-
Total Assets	1,254,373	7,122,018	268,094
Current Liabilities			
Trade and other payables	413,168	-	44,816
Financial liabilities – Loans from various medical trusts		-	249,374
Employee entitlements	-	-	14,923
Chattel Mortgages (secured)	-	362,852	-
Total Current Liabilities	413,168	362,852	309,113
Non-Current Liabilities			
Chattel Mortgages (secured)	-	247,961	-
Total non-current Liabilities	-	247,961	-
Total Liabilities	413,168	610,813	309,113
Net Assets (Liabilities)	841,205	6,511,205	(41,019)
Equity			
Issued Capital	56,437,509	62,907,509	120
Reserves	1,362,735	1,362,735	-
Accumulated Losses	(56,959,039)	(57,759,039)	(41,139)
Total Equity	841,205	6,511,205	(41,019)

The net asset (book value) backing per fully paid (pre acquisition of the Medical Businesses) ordinary BGD share as at 30 June 2015 based on the unaudited adjusted balance sheet (Balance Sheet “A”) and 312,013,675 pre-consolidated ordinary shares on issue is approximately 0.270 cents (refer paragraph 5.4.3 below). This equates to approximately 0.809 cents on a post consolidated basis.

Based on the unaudited pro-forma consolidated net asset book values assuming a minimum Capital Raising of \$4,000,000, resulting in 289,750,479 post consolidated ordinary shares on issue), this equates to a value per fully paid ordinary share post the Acquisition of approximately 2.24 cents per post-consolidated share (ignoring the value, if any, of non-booked tax benefits).

Based on the unaudited pro-forma consolidated net asset book values and assuming a maximum Capital Raising of \$6,000,000 at 3.9 cents per share and capital raising costs of around \$400,000, resulting in 341,032,530 post consolidated ordinary shares on issue), this equates to a value per fully paid ordinary share post the Acquisition of approximately 2.45 cents per post-consolidated share (ignoring the value, if any, of non-booked tax benefits).

- 5.4.2 We have accepted the BGD amounts as disclosed for all current assets and non-current assets. We have been advised by the management of BGD that they believe the carrying value of all current assets, fixed assets and liabilities at 30 June 2015 (as adjusted as noted above) are fair and not materially misstated. No formal valuation has been made of the

Euroa Steel Plant Project Pty Ltd, but it has been written down to a sale value of \$1. It is noted that the Euroa Steel Plant Pty Ltd Shareholder Deed provided that if the Company entered into a transaction that would be regarded as a change in nature and/or scale of the Company's activities in accordance with Listing Rule 11.1.2, the Company is required to notify GSPL in writing of the transaction, and is deemed to have granted GSPL a call option to acquire all of the Company's shares in Euroa Steel Plant Pty Ltd at the relevant time, for a total sale price of \$1.00 ("Call Option"). If the Call Option is exercised, the Company must obtain shareholder approval for the sale of its shares in Euroa Steel Plant Pty Ltd to GSPL. It is our opinion that it would be unlikely that the investment in Euroa Steel Plant Pty Ltd would realise any material amount and as the Company is changing its nature and scale of activities, it is highly likely that the call option will be exercised option (and BGD has a put option to sell to GSPL for \$1 that in the absence of GSPL exercising the call option, BGD would activate the put option and sell the investment for \$1). It is noted that there is a significant and material fall in metal prices and that many companies in the minerals industry have little cash resources that would affect the ability of another company to make an offer for the shares in Euroa Steel Plant Pty Ltd. It is our view that the fair market value of the investment is \$1 and we have used \$1 in assessing the fair value of a share in BGD prior to the proposals with MMG.

- 5.4.3 Thus, we conclude that on a post consolidated basis the value of a BGD share prior to the Acquisitions approximates 0.809 cents (0.270 cents on a pre-consolidation basis). See comments below on ASX share prices.
- 5.4.4 We note that the market has been informed of all of the current projects, and joint ventures entered into between BGD and other parties. We also note it is not the present intention of the Directors of BGD to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in BGD based on the market perceptions of what the market considers a BGD share to be worth. It is noted that as BGD is to divest itself of all investments, the potential value of a BGD share would be the issue price that the Capital Raising is to be undertaken (to finance the Acquisitions and to provide new working capital), being 3.9 cents per post consolidated share.
- 5.4.5 The market has either generally valued the vast majority of small cap companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that there is an orderly market for BGD shares (since January 2015) and the market is kept fully informed of the activities of the Company. However, it is noted that from BGD's point of view as the legal parent company, the value ascribed to the 83,181,818 post consolidated ordinary Consideration Shares to be issued to the Vendors would be accounted for at the market value of a BGD share at date of issue.

The actual share price at the date of acquisition of the Medical Businesses cannot be determined at this point of time. For accounting purposes under Australian Equivalents to International Financial Reporting Standards ("A-IFRS"), the consideration for the issue of BGD shares to acquire the Medical Businesses will be booked at the fair value of the Medical Businesses or at the share price of a BGD share at the date of Acquisitions and not any perceived technical value. It is noted that the Up-Front value (before any adjustments relating to Employee Entitlements liabilities as noted above) has been set at \$4,500,000 plus the assumption of chattel mortgages of approximately \$610,813. 61% of the \$4,500,000 is to be settled by the issue of 83,181,818 Consideration Shares (\$2,745,000) and the balance (\$1,755,000) in cash. The cash component may be reduced by the assumption of the Employee Liabilities.

In the event that the Employee Liabilities to be assumed totalled \$187,000, the initial Up-Front cash component of the Consideration would decrease from \$1,755,000 to \$1,568,000, further liabilities assumed of \$187,000 and the value of Up-Front Consideration Shares

would remain at \$2,745,000. Initially, a working capital retention amount of \$555,000 will be withheld until the Employee Entitlements liability amount is determined (may approximate \$187,000) and after determining the Employee Liability amount, the balance of the retention amount will be paid to the Vendors.

5.5 Market Price of BGD Fully Paid Ordinary Shares

5.5.1 Share prices in BGD as recorded on the ASX since 1 April 2015 up to and including 8 October 2015 (last sale before the announcement of the proposed Acquisition on 8 October 2015) (on a pre-consolidated basis) have been as follows:

	High Cents	Low Cents	Closing Price Cents	Volume 000's
April 2015	1.6	1.1	1.6	13,007
May 2015	1.9	1.4	1.5	8,439
June 2015	1.5	1.2	1.4	3,566
July 2015	1.4	1.0	1.3	5,505
August 2015	1.6	1.2	1.5	5,889
September 2015	1.3	1.1	1.3	1,431
October 2015 (to 8 th)	1.2	1.1	1.1	200

As can be seen from the trading volume on ASX, there was very little trading of the BGD shares before the announcement of the proposed Acquisitions. The Acquisitions were announced to the market on 8 October 2015. There were many trading days over the 6 months to 8 October 2015 where there were no trades of BGD shares on ASX.

As can be seen above, the price at which shares traded varied considerably and it is difficult to arrive at a fair value for a BGD share, particularly in light of the modest trading volumes. Due to the modest volumes (no Deep Market exists), varying share price and the Company's relatively low cash position and lack of business assets that may be affecting the share price, we have considered that the listed share price methodology is not the most appropriate methodology to use in this instance.

Subsequent to the announcement of the Acquisitions, the shares in BGD have traded on ASX mainly between 1.2 cents and 1.9 cents with a last sale on 27 November 2015 of 1.5 cents (all on a pre-consolidation basis). This equates to a post consolidated share price of between approximately 3.6 cents and 5.7 cents (last sale approximately 4.5 cents).

6. **Preferred valuation method of valuing a BGD Share**

6.1 In assessing the fair value of BGD and a BGD ordinary share pre the Acquisitions, we have selected the net assets on a going concern methodology as the preferred methodology as:

- BGD does not generate revenues or profits and per the audited accounts has incurred significant losses in the financial years ended 30 June 2015 and 2014. Therefore the capitalisation of future maintainable earnings and discounted future cash flows are not appropriate; and
- Although the shares of BGD are listed, as there is only moderate trading volumes on ASX and the share prices in recent times may be affected by the lack of cash resources and in particular the lack of a sustainable business activity it is arguably inappropriate to use market share prices to value the Company and the shares in the Company for the purposes of this report. We note share prices as a secondary methodology and have considered share prices in assessing reasonableness of the proposals with the Vendors.

- 6.2 As stated at paragraph 5.4.3 we have assessed the value of a BGD share (post-consolidated) prior to the proposed Acquisitions on a net asset basis on a going concern basis as follows:

Preferred

Net asset per share (cents)	<u>0.270 (pre-consolidated cents) (0.809 on a post consolidated basis)</u>
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We note that, the technical net asset value may not necessarily reflect fair values in the current economic circumstances of the Company. The value of a BGD share pre Acquisitions is dependent on the final sale price achieved (and timing of sale proceeds) relating to the Euroa Steel Plant Joint Venture (as noted above), which is valued at \$1 based upon the Shareholder Deed.

- 6.3 As noted above the estimated preferred net asset price per post-consolidated share approximates 0.809 cents which is less than the last ASX share price (after adjusting for the 1 for 3 proposed consolidation of capital) of approximately 3.3 cents on 6 October 2015 (the last trading share price date before of the announcement of the Acquisition on 8 October 2015).
- 6.4 The future value of a BGD share will depend upon, inter alia:
- * the future success of the Medical Businesses being obtained via the Acquisitions;
 - * the successful sale of the Euroa Steel Plant Joint Venture investment;
 - * the state of Australian and overseas stock markets;
 - * the strength and performance of the Board and management and/or who makes up the Board and management;
 - * Foreign exchange rates;
 - * general economic conditions;
 - * the liquidity of shares in BGD; and
 - * possible ventures and acquisitions entered into by BGD.

7. Premium for Control

- 7.1 Premium for control for the purposes of this report, has been defined as the difference between the price per share, which a buyer would be prepared to pay to obtain or improve a controlling interest in the Company and the price per share which the same person would be required to pay per share, which does not carry with it control or the ability to improve control of the Company.
- 7.2 Under the Corporations Act 2001 (“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, no individual Vendor will obtain a shareholding interest of greater than 20% and thus technically, the issue of premium for control is not that relevant. However, collectively, the Vendors voting shareholding in BGD could potentially increase from approximately nil% as at 24 November 2015 to approximately 24.39% to 28.71% each after the issue of the maximum number of Consideration Shares and Capital Raising Shares (and may increase further if any Performance Consideration Shares are issued).
- 7.3 It is generally accepted that premium for control may vary from nil to 40% or more depending on many different factors including the nature of the business, the financial position of a company, and shareholding percentages. It is our view that a control premium of 20% is reasonable.

- 7.4 Our preferred methodology is to value BGD and a BGD share on a technical net asset basis which assumes a 100% interest in the Company. Therefore no adjustment is considered necessary to the book asset value determined under paragraph 5.4.1 as this already represents the fair value of the Company or a share in the Company on a pre Proposed Transactions (Acquisitions) control basis.
- 7.5 We set out below the comparison of the book value of a BGD share compared to the potential issue price for the ordinary Consideration Shares based on ASX share prices in January 2015 and to 8 October 2015.

	Para.	Low (cents)	Mid (cents)	High (cents)
Estimated fair value of a BGD ordinary Share	6.2	0.270	0.270	0.270
Issue price of the ordinary Consideration Shares on a pre-consolidation basis		1.100	1.500	1.900
Excess/(shortfall) between Issue Price and fair value		0.830	1.230	1.630

On a pre Acquisition control basis, the book value (not market value based on ASX share trades) of a BGD share approximates 0.270 cents per pre-consolidated share.

On a post 1 for 3 consolidation basis, this equates to approximately 0.809 cents.

- 7.6 As noted below, we have assessed the current fair value of the Medical Businesses (combined) to fall in the range of \$4,000,000 to \$6,100,000 with a preferred fair value of \$4,500,000. It is noted that BGD is to assume Chattel Mortgages of approximately \$610,813 and acquire plant and equipment with an estimated book value of approximately \$360,783.

The deemed value of the Up-Front Consideration may be made up of:

83,181,818 Consideration Shares	\$616,863 (at 0.809 cents as noted above)
Cash payment to Vendors	\$1,755,000 (maximum)
Chattel Mortgages assumed	<u>\$610,813</u>
Total Deemed Consideration	<u>\$2,982,676</u>

- 7.7 We note that the Vendors do not have Board control of BGD before the Proposed Transactions pursuant to Resolutions 3 to 6. Post the Acquisitions, Dr Todd Cameron who is the founder of MMG will be appointed to the Board (and Mr Jeremy Kirkwood will act as his alternate). Board control will initially remain with the existing Board as Dr Todd Cameron will be one Board member out of four Board Members.

8. Value of Consideration

- 8.1 Based on the pre-announcement assessed preferred fair value of an ordinary share in BGD (not ASX share prices), the ordinary share consideration would be:

83,181,818 post-consolidated Consideration Shares	<u>\$672,941</u>
Assumed post consolidated share issue price based on assessed fair value (paragraph 6.1)	<u>0.809 cents</u>

We have excluded the indirect costs and legal and other fees.

- 8.2 It is noted that at the time of negotiation of the Acquisitions, the BGD directors considered that the fair market value of a BGD ordinary share may have been around the 1.2 cents to 1.3 cents (pre-consolidation) range.
- 8.3 If we used the 1.2 cent to 1.9 cent ASX share price since the announcement of the proposed Acquisition as noted above but adjusted for the planned 1 for 3 consolidation of capital, the amounts attributable to the ordinary Consideration Shares would lie in the range of approximately \$2,745,000 to \$4,346,250. Based on the last sale price on 27 November 2015 adjusted for the planned 1 for 3 consolidation of capital, the deemed accounting consideration (for the ordinary Consideration Shares only) may approximate \$3,743,182 (4.5 cents per post consolidated share and 1.5 cents on a pre-consolidated share basis). Using a 3.9 cents Capital Raising issue price, the deemed Consideration attributable to the 83,181,818 Consideration Shares would be \$3,244,091.
- 8.4 In addition to the 83,181,818 Consideration Shares with an attributable value of \$2,745,000 as agreed with the Vendors, the Company is to pay the Vendors, a cash payment of \$1,755,000, so that the agreed Up-Front Consideration is up to \$4,500,000 (less the Employee Entitlements liabilities that may total around \$187,000) plus the assumption of chattel mortgages of approximately \$610,813). Only the cash component of the Up-Front Consideration is altered by the assumption of Employee Entitlements.
- 8.5 In addition to the 83,181,818 ordinary post consolidated Consideration Shares, the Company may make further earn-out payments in March 2017, depending on the financial performance of the Caroline Springs and Balwyn Clinics - 50% of which is to be satisfied by the issue of BGD shares ("Performance Consideration Shares") and 50% cash. The quantum of the earn-out payment ("Earn-Out Payment") will be dependent on the clinics actual financial performance for the 12 months ended 31 December 2016.

The BGD Directors estimate the Earn-Out Payment to be between \$2,800,000 and \$3,200,000 based on financial forecasts provided by MMG for the relevant period which anticipates circa 35% to 40% growth in EBITDA compared to the year ended 30 June 2015 EBITDA. In the event that Todd Cameron should leave the business prior to 31 March 2017, the Earn-Out Payment will not be payable (except in specific circumstances which prevents him from working).

We cannot be assured that the growth prospects envisaged above will be met. Thus, for the purposes of this report, we have taken the potential Earn-Out Payment (in cash and shares) as a contingent liability. Refer above, for the number of Performance Consideration Shares that could be issued if certain EBITDA performance targets were achieved and the issue price of such shares was 3.9 cents each.

- 8.6 Using the assessed fair value of an ordinary pre-consolidated share in BGD at 0.270 cents (equivalent to approximately 0.809 cents on a post consolidated basis), results in a possible undiscounted value attributable to any Performance Consideration Shares using the 35,897,436 to 41,025,641 numbers noted above at between \$290,410 and \$331,897.

If we used the range of share prices of a BGD share as traded on ASX post the announcement of the proposed Acquisition and adjusted for the 1 for 3 consolidation of capital, the values (undiscounted) of issuing Performance Consideration and using the 35,897,436 to 41,025,641 numbers noted above, may range between \$1,292,308 to \$2,338,462 (35,897,436 shares) and \$1,476,923 to \$2,338,462 (41,025,641 shares).

If any Performance Consideration Cash is paid out and Performance Consideration Shares are issued (and there is no guarantee that any will be issued), it would be expected that the issue price of such shares would be in excess of the 3.9 cents post-consolidated Capital Raising issue price. We are unable to quantify the amount of any Performance Cash Consideration payable and the number of Performance Consideration Shares that may be issued (if any).

9. **Fairness of the proposals with the Vendors**

9.1 In arriving at our conclusion on fairness, we considered whether the transaction is “fair” by comparing:

- (a) the fair market value of a BGD share pre-transaction on a control basis; versus
- (b) the fair market value of a BGD share post-transaction on a minority basis, taking into account the additional cash raised via the Capital Raising and the associated dilution resulting from the issue of new ordinary shares and payment of cash under the proposed Acquisitions (refer below).

9.2 The preferred value of a BGD share **pre the Proposed Acquisitions on a control basis** (but after the 1 for 3 consolidation of capital) as noted in paragraph 6.2 is 0.809 cents (0.270 cents pre-consolidation).

9.3 We set out below the range of estimated technical net asset values of BGD based on Pro-forma Balance Sheet A as detailed in paragraph 5.4.1 and after adjusting for the following transactions:

- The 1 for 3 consolidation of capital;
- The completion of the Capital Raising assumed to be the maximum gross amount of \$4,000,000 (issue of 102,564,103 post consolidated shares) and incurring capital raising costs and other costs of \$275,000 and advisory fees of \$300,000;
- The acquisition of the Medical Businesses (and MMG) by way of an issue of 83,181,818 ordinary post consolidated Consideration Shares (deemed value \$2,745,000) and cash of \$1,755,000 and the assumption of chattel mortgages of approximately \$610,813 – total book value of \$5,110,813 (includes plant and leasehold improvements with an estimated 31 December 2015 written down value of \$360,783) (refer below for a range of possible market values for the Medical Business and we have adopted the preferred value of \$4,230,000); and
- The Payment of the Option Fee of \$500,000.

	Preferred \$
Net assets at fair values pre Acquisitions and other transactions	841,205
Net Cash raised from the Capital Raising (after payment of Capital Raising and Advisor fees)	3,425,000
Value of the Medical Businesses (refer to paragraph 10.8)	4,500,000
Plant and leasehold improvements	360,783
Less: Chattel Mortgage liabilities assumed	(610,813)
Less: Up-Front Cash Payment	(1,755,000)
Less: Option fee payable	<u>(500,000)</u>
Total post Acquisition Value	<u>6,261,175</u>
Number of post consolidated ordinary shares on issue (see below)	289,750,479

Assumed no issue of Performance
Consideration Shares

Net asset value per share (not book value)	2.16
Minority interest discount	16.67%
Minority value per share (cents)	1.80

If the number of Capital Raising Shares issued was 153,846,154 to raise a net \$5,300,000 after Capital Raising costs and Advisory Fees (instead of a net \$3,425,000), the net Minority Value per share (341,032,530 shares) would approximate 1.98 cents.

Both of the above calculations take into account the Capital Raisings as part and parcel of the Acquisitions. Shareholders must approve the Capital Raising and Acquisitions before the Capital Raising can proceed. In the absence of the Acquisitions approval, the Acquisitions will not proceed and BGD will end up as virtually a cash box with possible ownership of the Euroa Steel Plant Joint Venture investment (that is planned to be disposed of as noted above).

- 9.4 We have also excluded the Performance Consideration Shares as they are subject to Performance Conditions that are not guaranteed to be met. If met, the value of the Medical Businesses would have increased (as the financial Performance Conditions are based on significantly improved EBIT's being achieved to December 2016).

We have also excluded the potential exercise of 33,333,334 post consolidated share options in the Company, exercisable at 3 cents each between February 2018 and December 2018 and the Company raising new cash funds of \$1,000,000. The 15,000,000 class of share options may only be exercised when the volume weighted average share price ("VWAP") is 6 cents or above for 20 consecutive trading days on or before 13 December 2017 and the 1,666,667 class of share options may only be exercised when the volume weighted average share price ("VWAP") is 6 cents or above for 20 consecutive trading days on or before 8 September 2017. The remaining 16,666,667 share options may be exercised at any time.

If we had assumed all share options were exercised, the Company would receive further funds of \$1,000,000 and assuming all other assumptions as noted above, the value of a BGD share (diluted for the exercise of all share options) to a minority shareholder would approximate 1.87 cents (2.03 cents if maximum Capital Raising made). This compares with the current value of a BGD share of approximately 0.809 cents on a post consolidated basis.

- 9.5 In order to reflect the minority interest value we have applied a minority interest discount to the technical net asset value. The minority interest discount has been calculated as the inverse of the premium for control of 20% as discussed in paragraph 7.3.
- 9.6 Using the preferred net asset fair values, the estimated fair value of a BGD share pre the Proposed Acquisition on a control basis (0.809 cents on a post consolidated basis) is less than the estimated fair value of a BGD share post the proposals on a minority basis (1.80 cents or 1.98 cents) (on an undiluted basis that excludes the exercise of the 33,333,334 share options and issue of any Performance Consideration Shares) and on the preferred methodology basis, the issue of 83,181,818 Consideration Shares (and the total Up-Front Consideration for the Medical Businesses) would be fair.

10. **Basis of Valuation of the Medical Businesses**

- 10.1 The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market.

10.2 Completion of the Acquisitions is conditional on all necessary due diligence being successfully completed on the Medical Businesses and MMG. We advise that we have not undertaken any further steps to ascertain ownership of the Medical Businesses (and MMAT) and their assets and liabilities.

10.3 The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market. To estimate the fair market value of the Medical Businesses, we have considered valuation methodologies recommended by ASIC Regulatory Guideline 111 regarding valuation reports of independent experts and common market practice. These are discussed below.

10.4 Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or market value of comparable companies. Market based methods include:

- Capitalisation of maintainable earnings; discounted cash flows and multiples of EBITDA or EBIT;
- Analysis of a company's recent share trading history; and
- Industry specific methods.

The capitalisation of maintainable earnings methods estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings is appropriate where the company's earnings are relatively stable. The most recent share trading history provides evidence on the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. Industry-specific methods estimate market value using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence on market value of a company, since they may not account for company-specific factors.

10.5 Discounted cash flow method

The discounted cash flow method estimates market value by discounting a company's future cash flows to their present value. This method is appropriate where a projection or forecast of future cash flows can be made with a reasonable degree of confidence.

The discounted cash flow method is commonly used to value early stage companies or projects with a finite life.

10.6 Asset-based methods

Asset-based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset-based methods include:

- Orderly realisation of assets method;
- Liquidation of assets method; and
- Net asset on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter timeframe.

Since winding up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis, estimates the market values of the net assets of the company but does not take account of realisation costs.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets. Asset-based methods are appropriate when companies are not profitable or a significant proportion of a company's assets are liquid.

10.7 Selection of Valuation Methodologies

The Medical Businesses have been in operation since 2003 (Caroline Springs) and 2009 (Balwyn) and thus have had time to develop a trading history. It is noted that the units in the Unit Trusts that own the Medical Businesses are not being acquired. In effect, what is being acquired is the business themselves that comprise patient files and the ability to generate earnings from servicing patients. It is our view that the capitalisation of maintainable earnings is the most appropriate methodology to use in assessing values for each Medical Business and in particular the capitalisation of maintainable EBITDA.

10.8 Valuation of Medical Businesses

We have been provided with unaudited financial statements of the unit trusts that operate the Medical Businesses for the years ended 30 June 2014 and 2015. In addition, we have been provided with detailed profit and loss accounts in a spread sheet format that splits the profit and loss between Gross Revenues, Cost of Services Sold, EBITDA, depreciation and amortisation, EBIT, interest and profits before tax. Liverpool Partners, the advisers to MMG have prepared the spread sheets and reconciled figures to the unit trust unaudited financial statements.

The consolidated EBITDA for the Medical Businesses combined (Caroline Springs and the Caroline Springs Special Centre and Balwyn) for the years ended 30 June 2015 and 2014 (before normalisation and other adjustments as noted below) are disclosed below. The EBITDA figures have then been adjusted by Liverpool Partners to take into account items of income and expenditure that are "one off" and adjustments to income and expenditure to account for certain income and expenditure items on an accruals basis. No further adjustments were deemed necessary by us after a review of the financial information provided to us.

	30 June 2015	30 June 2014
	\$	\$
EBITDA as per spread sheets	638,152	709,913
Adjustments made by Liverpool Partners (reviewed by us and appear valid adjustments)	<u>430,934</u>	<u>301,982</u>
ADJUSTED EBITDA	<u>1,069,086</u>	<u>1,011,895</u>

The average of the past two years after adjustments approximates \$1,040,490 and we have rounded down the normalised maintainable EBITDA at \$1,000,000.

From research undertaken by us on a range of medical businesses in Australia and overseas, the EBITDA multiples paid by acquiring companies generally were in the range of 4 times to 8 times but the median EBITDA was 6.1 times (for transactions below \$20,000,000). In some cases the EBITDA multiple for the healthcare sector was higher. For example, Capitol Health in November 2014 purportedly paid a 9 times EBITDA to acquire a radiology group

and recently Pulse Health paid an 8.5 times multiple to acquire the Hills Group of hospitals and day surgeries.

Applying a range of EBITDA multiples to a \$1,000,000 normalised EBITDA discloses a value of between \$4,000,000 and \$8,000,000 and using the 6.1 times EBITDA multiple, the value would be \$6,100,000. In view of the small number of clinics being acquired by acquiring the Medical Businesses, our preferred EBITDA multiple to value the Medical Businesses is 4.5 times EBITDA and thus we consider a preferred fair to the Medical Businesses to be \$4,500,000 (low \$4,000,000 and high \$6,100,000). In addition, BGD is assuming Chattel Mortgages that are estimated to total \$610,813 and thus the Enterprise Value may range between \$4,610,000 (rounded) and \$6,710,000 (rounded).

The MMAT business being acquired is designed to break even and thus no value has been ascribed specifically to the business of the MMAT.

11. **Conclusion as to Fairness**

- 11.1 The proposals pursuant to Resolution 3 is believed fair to BGD's non-associated shareholders if the value of the consideration offered is equal to or less than the value of the Medical Businesses to be acquired.
- 11.2 We have assessed the current fair value of the Medical Businesses (combined) to fall in the range of \$3,760,000 to \$5,734,000 with a preferred fair value of \$4,230,000.

The deemed value of the Up-Front Consideration may be made up of:

83,181,818 Consideration Shares	\$672,941 (at 0.809 cents as noted above)
Cash payment to Vendors	\$1,755,000 (maximum)
Chattel Mortgages assumed	<u>\$610,813</u>
Total Deemed Consideration	<u>\$2,993,754</u>

- 11.3 The preferred fair value of a share in BGD post Acquisitions on a minority basis has been assessed at 1.80 cents compared with a value of a share pre Acquisitions of approximately 0.809 cents (post consolidated basis).

Thus, we conclude that the proposal pursuant to Resolution 3 is fair.

12. **Reasonableness of the Acquisitions**

- 12.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposed Acquisitions that we considered in arriving at our conclusion on the reasonableness of the Acquisitions and in particular the proposals pursuant to Resolutions 3 to 6.

Advantages

- 12.2 The Company, in effect moves from a near-cash box company with only one investment asset (to be sold) to a medical services driven company with opportunities to move into the earning of profits and positive cash flows. There is a clear body of evidence that there are compelling macroeconomic growth drivers in healthcare including a growing and ageing population and an increased incidence of chronic disease. There appear to be favourable government funding policies pushing supply from public to private service providers. The Medical Businesses being acquired (and possibly further medical clinic businesses) are in the private sector. There is an opportunity by acquiring the Medical Businesses to expand and acquire ancillary healthcare practices at a later stage.

- 12.3 The Company may be better placed to raise further funds by way of share equity as a result of acquiring the Medical Businesses. It is noted that a minimum gross \$4,000,000 (and up to a gross \$6,000,000) is being raised on the back of the proposed Acquisitions and if the Medical Businesses continue to expand, BGD may be able to raise further funds for expansion of the medical services business. It is noted that BGD has paid \$500,000 in Option fees to acquire a further 4 medical practices. The Options will be granted in two tranches and be exercisable prior to March 2018 and March 2019 respectively. The exercise of the Options will be dependent on the financial performance of the 4 clinics in the 12 month period prior to them being exercised. BGD will provide management services to the Option clinics until all Options have been exercised or lapsed. BGD will charge a management fee, to recover the costs of supplying such services.
- 12.4 There is an incentive to BGD and the Vendors to successfully exploit the Medical Businesses as the Vendors collectively will or may have collectively significant shareholding interests in BGD. The Performance Consideration Shares as noted above that may be issued vest on meeting the Performance Conditions and the Vendors parties associated collectively will then increase their ordinary shares held in BGD. All shareholders would benefit from an increased share price which would be expected if the Performance Conditions were achieved.
- 12.5 BGD currently has one remaining investment asset (the Euroa Steel Plant Joint Venture, which is carried at \$1) and this project will soon be sold. Diversification into the medical healthcare services sector by acquiring the Medical Businesses may reduce the risk of the Company being suspended from trading and remaining in effect a cash box. Currently capital raisings for small junior companies are extremely difficult and by diversifying into other businesses, increases the scope for new capital raisings.
- 12.6 Existing shareholders may be given the opportunity to sell their shares in excess of the share prices existing prior to the Acquisitions announcement. However, those shareholders who consider the risk of entering into a new business to be too high may wish to sell their shareholdings in BGD.
- 12.7 The proposed Acquisitions provides the Company with a clear strategic direction as compared with the existing position of shareholders owning shares in a near dormant company with minimal cash and no clear vision. The Company requires a business (via the Acquisitions) that will provide it with the opportunity to sustain a viable business and allow the Company to be a going concern in the longer term.
- 12.8 The net book assets of BGD prior to the Capital Raising and Acquisitions are estimated at \$841,205 whilst post the Acquisitions, the net book assets of the BGD Group is estimated to be an initial \$6,511,205 (assumes a Capital Raising of a gross \$4,000,000). The value attributable to the existing shareholders approximates \$2,337,000 (assumes a gross \$4,000,000 Capital Raising) compared with a current shareholding book interest of approximately \$841,205.

Disadvantages

- 12.9 Currently, the Vendors collective shareholding in BGD is nil% and if Resolutions 3 to 6 are passed between 24.39% and 28.71% (assuming the maximum number of Consideration Shares are issued) (and may be more if Performance Consideration Shares are issued). The existing shareholders will be diluted from owning a current 100% shareholding interest in BGD and its underlying assets to a smaller shareholding of approximately 30.50% to 35.89% post the Acquisition and Capital Raising (ignoring the issue of any Performance Consideration Shares). The new investors from the Capital Raising will own approximately

between 35.40% and 45.11% of the expanded issued capital of BGD (excluding any issue of Performance Consideration Shares or the exercise of any existing share options).

- 12.10 The Medical Businesses earnings in the future cannot be guaranteed although BGD believes that earnings will improve over time. The Company is assuming the Chattel Mortgages of approximately \$610,813 and these lease loans are required to be repaid over a period of time as noted above. Sufficient cash flows from operations will be required to service interest and principal repayments.

Other Factors

- 12.11 It is noted that for accounting purposes in the books of BGD, the ordinary Consideration Shares will be booked at the market value of the ordinary shares in BGD at the date the ordinary Consideration Shares are issued to the Vendors. BGD as the legal parent entity will account for the value of the ordinary Consideration Shares at the market value of the ordinary shares in BGD that may be considered to be around 3.6 cents to 5.7 cents per share (after adjusting for the 1 for 3 consolidation of capital) but noting that the agreed issue price of the Consideration Shares will now be 3.3 cents. In this report, we have noted a potential undiscounted cost to the Performance Consideration Shares (if issued) but there is some risk that the Performance Condition will not be met. The ultimate fair value of an investment in the Medical Businesses may alter depending upon financial performance.
- 12.12 The number of post consolidated fully paid ordinary shares on issue rises to as noted in paragraph 2.3 of this report. This represents a substantial increase in the ordinary shares of the Company based on the number of shares on issue at the time of the announcement of the Acquisitions on 8 October 2015 (after allowing for the planned 1 for 3 consolidation of capital). In addition, if the Performance Conditions are met, the Company in March 2017 may be required to issue further ordinary shares (the Performance Consideration Shares), however, if this was to occur, it would be expected that the share prices of a BGD share would be substantially higher than September/October/ November 2015 share prices (after allowing for the 1 to 3 consolidation of capital) and thus the existing shareholders would benefit.
- 12.13 The proposed new board member, being Dr Todd Cameron brings healthcare, technical and business experience. Further detail on the proposed new director (and his alternate) has been included in Part C of the ES. Furthermore certain key management personal experienced in operating medical clinics will be with the expanded BGD Group.
- 12.14 The ultimate value ascribed to the Performance Consideration Shares may be higher at the time of meeting the Performance Conditions, than at the date of this report, based upon the share trading price of a BGD ordinary Share. Further Performance Cash Consideration may also be payable (unquantifiable at this point of time).
- 12.15 It is the view of the existing Board of BGD that the investment in the Medical Businesses is in the best interests of all shareholders.
- 12.16 In relation to the Options (to acquire a further 4 clinics), BGD is to pay MMG the sum of \$500,000 as consideration of granting the Options. The Options will be granted in two tranches and be exercisable prior to March 2018 and March 2019 respectively. The exercise of the Options will be dependent on the financial performance of the 4 clinics in the 12 month period prior to them being exercised. There is always a risk that the Options are not exercised and thus BGD will lose the benefit of having to pay the \$500,000 Options Fee.

13. Conclusion as to Reasonableness

- 13.1 After taking into account the factors referred to in 12 above and elsewhere in this report we are of the opinion that the advantages to the existing shareholders outweigh the disadvantages and thus the proposed Acquisitions as noted in paragraphs 1.4 and Resolution 3 (and Resolutions 4 to 6) in the Notice may be considered, on balance, to be reasonable to the existing non-associated shareholders of BGD at the date of his report.

14. Shareholder Decision

- 14.1 Stantons International Securities Pty Ltd has been engaged to prepare an independent expert's report setting out whether in its opinion the issue of up to 83,181,818 Consideration Shares as part consideration to acquire the Medical Businesses (and the assets and liabilities of the MMAT) are fair and reasonable and state reasons for that opinion. Stantons International Securities Pty Ltd has not been engaged to provide a recommendation to shareholders in relation to the proposals under Resolution 3 (and Resolutions 4 to 6) but we have been requested to determine whether the proposals pursuant to Resolution 3 are fair and/or reasonable to those shareholders not associated with the Vendors. The responsibility for such a voting recommendation lies with the directors of BGD.

- 14.2 In any event, the decision whether to accept or reject Resolution 3 (and all other Resolutions) is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position.

If in any doubt as to the action they should take in relation to the proposals under Resolution 3 (and all other Resolutions), shareholders should consult their own professional adviser.

- 14.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in BGD. This is an investment decision upon which Stantons International Securities Pty Ltd does not offer an opinion and is independent on whether to accept the proposals under Resolution 3 (and all other Resolutions). Shareholders should consult their own professional adviser in this regard.

15. Sources of Information

- 15.1 In making our assessment as to whether the proposed Acquisitions as noted in paragraphs 1.4 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company, MMG and the Medical Businesses that is relevant to the current circumstances. In addition, we have held discussions with the management of BGD about the present and future operations of the Company. 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 the directors and management of BGD.

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

- a) Drafts of the Notice of BGD and ES of October, November and to 2 December 2015;
- b) Discussions with management of BGD and MMG;
- c) Details of historical market trading of BGD ordinary fully paid shares recorded by ASX for the period 1 April 2015 to 1 December 2015 (last sale was on 27 November 2015);

- d) Shareholding details of BGD as supplied by the Company's share registry as at 15 October 2015;
- e) Audited balance sheet of BGD as at 30 June 2015 and 30 June 2014;
- f) Appendix 4C of BGD for the quarter ended 30 September 2015;
- g) Announcements made by BGD to the ASX from 1 January 2014 to 1 December 2015;
- h) The unaudited financial statements of the MMAT for the three years ended 30 June 2015;
- i) The unaudited financial statements of the two trusts that currently operate the two clinics at Caroline Springs and the trust that operates the Balwyn clinic for the two years ended 30 June 2015 and spreadsheets and work papers that normalise EBITDA's of the Medical Businesses;
- j) Cash flow forecasts of the Medical Businesses for the period 1 July 2015 to 31 December 2016;
- k) The Binding Heads of Agreement;
- l) The draft Share Sale Agreement ("SSA") of October 2015 for the proposed acquisitions of the Medical Businesses and the final signed SSA of November 2015;
- m) The Commercial Overview Report on MMG dated 23 September 2015;
- n) Chattel Mortgage contracts and spread sheets on repayment requirements;
- o) Other financial information on the Medical Businesses that assisted us in ascribing fair values to the Medical Businesses; and
- p) The Shareholders Agreement between BGD and GSPL

15.3 Our report includes Appendix A and our Financial Services Guide attached to this report.

Yours faithfully

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



J P Van Dieren - FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd dated 2 December 2015, relating to the issue of a total of up to 83,181,818 Consideration Shares to be issued to the Vendors as outlined in Section 1 of the report and Resolution 3 (and by extension Resolutions 4 to 6) in the Notice of Meeting to Shareholders and the Explanatory Statement proposed to be distributed to the BGD shareholders in December 2015.

At the date of this report, Stantons International Securities Pty Ltd does not have any interest in the outcome of the proposals. There are no relationships with BGD and MMG (and associated trusts and entities) other than acting as an independent expert for the purposes of this report. Before accepting the engagement Stantons International Securities Pty Ltd considered all independence issues and concluded that there were no independence issues in accepting the assignment to prepare the Independent Experts Report. There are no existing relationships between Stantons International Securities Pty Ltd 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 \$25,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities Pty Ltd 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 Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) do not hold any securities in BGD and MMG (and the associated entities). There are no pecuniary or other interests of Stantons International Securities Pty Ltd that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities Pty Ltd, Mr J Van Dieren and Mr Martin Michalik 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 Pty Ltd is the holder of an Australian Financial Services Licence (no 448697) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. The directors of Stantons International Audit and Consulting Pty Ltd are the directors of Stantons International Securities Pty Ltd. Stantons International Securities Pty Ltd has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, and Mr Martin Michalik, ACA, the persons responsible for the preparation of this report, have 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 the Directors of BGD in order to assist them to assess the merits of the proposals as outlined in Resolution 3 (and by extension Resolutions 4 to 6) to the Explanatory Statement (to shareholders) to which this report relates. This report has been prepared for the benefit of BGD's shareholders and does not provide a general expression of Stantons International Securities Pty Ltd's opinion as to the longer term value of BGD and the Medical Businesses. Stantons International Securities Pty Ltd 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 BGD and MMG (and the associated entities), though it has carried out an audit review of MMAT. 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 Pty Ltd to the form and context in which it appears.

DUE CARE AND DILEGENCE

This report has been prepared by Stantons International Securities Pty Ltd with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposals set out in Resolution 3 (and by extension Resolutions 4 to 6) to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolution 3 (and by extension Resolutions 4 to 6).

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities Pty Ltd may rely on information provided by BGD and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities Pty Ltd experience and qualifications), BGD has agreed:

- (a) To make no claim by it or its officers against Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which BGD may suffer as a result of reasonable reliance by Stantons International Securities Pty Ltd on the information provided by BGD; and
- (b) To indemnify Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from BGD or any of its officers providing Stantons International Securities Pty Ltd any false or misleading information or in the failure of BGD or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities Pty Ltd

A draft of this report was presented to BGD directors 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.

**FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)
Dated 2 December 2015**

1. Stantons International Securities Pty Ltd ABN 42 128 908 289 and Financial Services Licence 448697 (“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: 448697;
- 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 licensed to provide**

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

- Securities (such as shares, options and notes)

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 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**

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd 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 ultimately a wholly subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. Stantons International Audit and Consulting Pty Ltd trades as Stantons International that provides audit, corporate services, internal audit, probity, management consulting, accounting and IT audits.

From time to time, SIS and Stantons International Audit and Consulting Pty Ltd and/or their related entities may provide professional services, including audit, accounting 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 Pty Ltd
Level 2
1 Walker Avenue
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.

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 or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

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

10. Contact details

You may contact us using the details set out above.

Telephone 08 9481 3188
Fax 08 9321 1204
Email jvdieren@stantons.com.au



BGD CORPORATION LTD | ABN 78 009 074 588

All registry communications to:
Automatic Registry Services
PO Box 223
West Perth WA 6872

Holder Number

Security Holder Appointment of Proxy – Extraordinary General Meeting

I/We being a Shareholder entitled to attend and vote at the Meeting, hereby appoint

OR

The Chair as my/our proxy

(Name of Proxy)

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Extraordinary General Meeting to be held at 10.00am (AEDT) on Thursday, 7 January 2016 at Level 5, 137-139 Bathurst Street, Sydney NSW 2000 and at any adjournment thereof.

VOTING DIRECTIONS ON ALL RESOLUTIONS

You may direct your proxy (which may be the Chairman, if so appointed) on how to vote on Resolutions 1 to 13 (inclusive) by marking one of the boxes with an "X" for each Resolution. If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that particular Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

The Chair of the Extraordinary General Meeting intends to vote undirected proxies IN FAVOUR ("FOR") of all Resolutions.

Unless indicated otherwise by ticking the "for", "against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

VOTING ON BUSINESS OF THE MEETING

Resolutions	For	Against	Abstain	Resolutions	For	Against	Abstain
1 Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Approval of Future Issue of New Shares Pursuant to Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval of Change to Nature and Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Related Party Approval for Shane Tanner's Participation in Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Acquisition of Relevant Interest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Related Party Approval for Jonathan Lim's Participation in Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Related Party Approval of Future Issue of Consideration Shares to Torac Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 Election of Dr Todd Cameron as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Related Party Approval of Future Issue of Consideration Shares to Como Group Holdings Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12 Election of Mr Jeremy Kirkwood as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Related Party Approval of Future Issue of Consideration Shares to JKS Group Holdings Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13 Re-election of Mr Jonathan Lim as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Disposal of Interest in Euroa Steel Plant Joint Venture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

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

SIGNATURE OF SHAREHOLDER(S):

Individual or Shareholder 1

Sole Director or
Sole Director / Company Secretary

Shareholder 2

Director

Shareholder 3

Director / Company Secretary

INSTRUCTIONS FOR COMPLETING 'APPOINTMENT OF PROXY' FORM

APPOINTING A PROXY

A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. The appointed proxy may be an individual or body corporate.

If a Body Corporate is appointed to act as your proxy then a representative of that Body Corporate must be appointed to act as its representative. When attending the meeting, the representative must bring a formal notice of appointment as per section 250D of the Corporations Act. Such notice must be signed as required by section 127 of the Corporations Act or the Body Corporate's Constitution.

If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll.

The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.

Note: If you wish to appoint a second proxy, you may copy this form but you must return both forms together.

VOTING ON BUSINESS OF MEETING

A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the number of votes that the proxy may exercise by writing the number of Shares next to the box marked for the relevant item of business.

Where a box is not marked the proxy may vote as they choose subject to the relevant laws.

Where more than one box is marked on an item the vote will be invalid on that item.

SIGNING INSTRUCTIONS

- **Individual:** Where the holding is in one name, the Shareholder must sign.
- **Joint holding:** Where the holding is in more than one name, all of the Shareholders should sign.
- **Power of attorney:** If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
- **Companies:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

ATTENDING THE MEETING

Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

LODGE MENT OF VOTES

To be effective, a validly appointed proxy must be received by the Company **not less than 48 hours** prior to commencement of the Meeting.

Proxy appointments can be lodged by:

- a) **Hand Delivery** – to Automic Registry Services Suite 1a, Level 1 7 Ventnor Avenue West Perth WA 6005; or
- b) **Post** - to Automic Registry Services, PO Box 223, West Perth WA 6872; or
- c) **Facsimile** - to the Company on facsimile number +61 8 9360 2899; or
- d) **Online** – via our share registry @ <https://automic.7g.com.au/loginlisted.aspx> and follow the below instructions:
 1. Security Code – using the dropdown box select "BGD Corporation Ltd"
 2. SRN/HIN – enter your personal holder number
 3. Enter your postcode if your holding has a registered address in Australia or your Country if it is registered overseas
 4. Click the "Login" button
 5. Click on the "Voting" tab to commence registering your voting intention

Proxy Forms received later than this time will be invalid