

8 October 2015

Market Announcements
Australian Securities Exchange
Level 5, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam,

SIGNIFICANT ACQUISITION OF LEADING PRIMARY HEALTHCARE MEDICAL CLINIC GROUP – MODERN MEDICAL

BGD Corporation Limited (ASX:BGD) (**BGD** or **the Company**), is pleased to announce it has entered into a binding Heads of Agreement to acquire certain businesses and assets of Modern Medical Pty Ltd (MMG), a leading provider of primary healthcare services ('The Transaction'). The Transaction is still subject to various conditions precedent including satisfactory due diligence, BGD conducting a capital raising, regulatory and shareholder approvals.

Highlights

- Subject to shareholder approval, BGD intends to dispose of its stake in the Euroa Steel Plant Joint Venture ("ESPP") and revise its corporate strategy to establish a primary healthcare business in general practice and allied health. The strategy will be implemented through a combination of acquisitions and expansion of service offerings.
- The Board sees the attraction of entering into the primary healthcare sector as follows:
 - a) Compelling macroeconomic growth drivers in healthcare including a growing and ageing population and an increased incidence of chronic disease;
 - b) Favourable government funding policies pushing supply from public to private service providers;
 - c) Significant scope for ongoing industry consolidation with incumbent corporate groups accounting for less than 10% of the acquirable market; and
 - d) 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. physio, mental health, and optometry).
- The MMG acquisition will serve as BGD's platform asset to enter into the sector. Investment highlights of the MMG business include:
 - a) Patient growth of circa 18% per annum (CAGR) over the past 3 years.*
 - b) Platform asset is of scale which comprises up to six clinics which may be acquired in three tranches providing future growth for BGD; and
 - c) MMG has heavily invested capital in both systems and processes with the business now primed for growth.
- MMG founder, Dr Todd Cameron, will join the BGD board on completion of the Transaction, enhancing the board's expertise in the primary healthcare sector.
- For further detail on BGD's proposed primary healthcare strategy and the acquisition of MMG please refer to the attached presentation.

*Please note this is based on information provided by MMG and has not been independently verified by BGD. As such BGD accepts no responsibility for its error, misstatement or inaccuracy.

CAPITAL RAISING

The purchase consideration for MMG will be comprised of a combination of cash and script. BGD is currently in discussions with a number of additional acquisition opportunities in the primary healthcare industry. Details of the capital raising amount will be disclosed in due course.

MATERIAL TRANSACTION TERMS

BGD proposes to acquire two clinics operated by MMG (in Caroline Springs and Balwyn), with options to be granted over a further 4 MMG clinics (**Options**). Key details contained in the Heads of Agreement for the Transaction are as follows:

- Conditions precedent to completion of the Transaction include the following:
 - Execution of business sale agreement in a form satisfactory to the relevant parties;
 - Completion of satisfactory legal, accounting, operational, and tax 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 ASX and BGD shareholders.
- Subject to due diligence, the upfront purchase price for the Caroline Springs and Balwyn clinics is 4.7x maintainable FY15 EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) and consists of:
 - \$4,500,000 in consideration paid to the vendors;
 - 61% of the upfront payment will be satisfied in shares in BGD, which subject to ASIC approval, will be subject to escrow restrictions; and
 - Approximately \$610,000 of chattel mortgage from the clinics which will be assumed by BGD

The upfront purchase price will be potentially reduced at completion of the Transaction to account for certain employee entitlements of transitioning employees and to ensure a minimum amount of working capital.

- At completion of the initial transaction, Todd Cameron, the founding doctor of MMG will be appointed to the BGD Board adding a wealth of experience growing businesses in the primary healthcare sector.
- 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. The quantum of the earn-out payment will be dependent on the clinics actual financial performance for the 12 month period ending 31 December 2016. We estimate the earn-out consideration to be between \$2,800,000 and \$3,200,000 based on financial forecast provided by MMG for the relevant period which anticipate circa 35% to 40% growth in EBITDA compared to FY15.
- In the event Todd Cameron should leave the business prior to 31 March 2017, the earn-out will not be payable (except in specific circumstances which prevents him from working).
- The MMG vendors will receive \$500,000 in cash consideration in return for the granting of the Options.
- The Options over the additional four additional clinics will be granted in two tranches and be exercisable prior to March 2018 and 2019. The exercise price of the options will be dependent on the financial performance of the 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 cost of supplying such services.

SHAREHOLDER APPROVALS

The transactions contemplated are subject to BGD shareholders' approval and a number of other matters (as outlined in Transaction Terms above) including re-compliance with Chapters 1 & 2 of the ASX Listing Rules and approval of the Company's securities to re-quotations on ASX.

Approvals for the Transactions sought at a meeting of BGD shareholders (**Meeting**) will include:

- A significant change to the nature and scale of BGD's activities and approvals pursuant to Listing Rule 11.1.2 and 11.1.3;
- BGD undergoing a capital consolidation prior to the acquisition of MMG to ensure compliance with the ASX Listing Rules;
- The issue of post-consolidation BGD shares to the MMG vendors;
- A capital raising at a price to be determined (including to obtain spread, if required);
- The election of additional Board members. MMG founder, Dr Todd Cameron, will join the BGD board on completion of the Transaction

A Notice of Meeting will be sent to all BGD shareholders in due course advising the date and location of the Meeting where they will be able to vote on the Transactions. The Notice of Meeting will include an Independent Expert's Report to assist shareholders in understanding and voting on the proposed Transactions.

The Board of Directors is unanimous in its support of the Transactions, and as shareholders in BGD each Director intends to vote, with respect to shares owned or controlled by them, in favour of the resolutions necessary to approve the Transactions.

Subject to shareholder approval it is presently anticipated that the Transactions will be completed in December 2015. Further information on the Transactions will be set out in the Notice of Meeting.

TIMETABLE

An indicative timetable will be provided in due course once we have greater clarity on the completion timing of the Transaction.

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***Disclaimer** The announcement may contain certain forward-looking statements. Words 'anticipate', 'intend', 'likely', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of BGD, its officers, employees, agents and associates, which may cause actual results to differ materially from those expressed or implied in such forward-looking statements. Actual results, performances or outcomes may differ materially from any projections or forward-looking statements or the assumptions on which those statements are based, which include changes in market conditions, demand for BGD's product and services, future exchange rate fluctuations, technology advances and capital requirements. You should not place any undue reliance on forward-looking statements and neither BGD nor its directors, officers, employees or agents assume any responsibility to update such information.*



ASX:BGD

INTRODUCTION TO THE MODERN MEDICAL ACQUISITION

October 2015



Disclaimer

This presentation has been prepared by BGD Corporation Ltd ABN 78 009 074 588 (BGD). Each Recipient of this presentation is deemed to have agreed to accept it subject to the qualifications, limitations and disclaimers set out below.

None of BGD and/or its subsidiaries or their respective directors, officers, employees, advisers or representatives (Beneficiaries) make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information contained in this presentation, including any forecast or prospective information. The forward looking statements included in this presentation involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, the Beneficiaries. Actual future events may vary materially from the forward looking statements and the assumptions on which those statements are based. Given these uncertainties, you are cautioned to not place undue reliance on such forward looking statements.

This presentation is a general overview only and does not purport to contain all the information that may be required to evaluate an investment in BGD. Interested parties should read the prospectus lodged with ASX and ASIC in detail and if they have any questions they should contact their investment adviser.

The Recipients specifically acknowledge and agree that the information in relation to MMG contained herein has been provided to BGD Corporation Limited by MMG and that BGD Corporation Limited accepts no responsibility for any inaccuracy, misstatement or omission, in relation to that information.

The information in this presentation is provided personally to the Recipient as a matter of interest only. It does not amount to an express or implied recommendation with respect to any investment in BGD nor does it constitute financial product advice.

The Recipient, intending investors and respective advisers, should:

- Conduct their own independent review, investigations and analysis of BGD and of the information contained or referred to in this presentation; and/or
- Seek professional advice as to whether an investment in BGD is appropriate for them, having regard to their personal objectives, risk profile, financial situation and needs.

Nothing in this presentation is or is to be taken to be an offer, invitation or other proposal to subscribe for shares in BGD.

The Recipient specifically agrees, understands and acknowledges that some of the information contained herein has been provided by third parties, and the Beneficiaries accept no responsibility for any inaccuracy, misstatement, misrepresentation or omission in relation to that information.

Note the transaction is conditional on capital raising and re-compliance with Chapters 1 & 2 of the ASX Listing Rules

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Opportunity overview

What is BGD Corporation Limited (ASX: BGD)?

- BGD Corporation Ltd (ASX: BGD) is an ASX listed resources business based in WA
- BGD intends to dispose of its stake in the Euroa Steel Plant Joint Venture and revise its corporate strategy to establish a primary healthcare business in general practice (GP) and allied health
- Binding terms have been agreed with Modern Medical Group (MMG), a leading primary healthcare business with six clinics located across Melbourne

Why Primary Healthcare?

- Compelling macro-economic drivers including growing and ageing population and an increased incidence of chronic disease
- Favourable government funding policies aimed at shifting healthcare services from hospitals to primary healthcare providers
- Industry is highly fragmented and ripe for consolidation. The leading corporate medical groups account for less than 10% of the total market

How do we grow?

- Combination of acquisitions and expansion of service offering:
 - Target clinic acquisitions within defined criteria;
 - Leverage MMG systems and processes to provide operational efficiencies; and
 - Establish 'multi-disciplinary' clinics to extend the service offering

What are the deal metrics?

- Assets of MMG are proposed to be acquired in three tranches with core clinics (Caroline Springs and Balwyn) acquired upfront for 4.7x FY15 EBITDA with an earn-out on CY16 earnings
- BGD is currently in discussions with a number of additional acquisition opportunities in the primary healthcare industry. The details of the capital raising amount will be disclosed in due course

Investment highlights of MMG

The MMG acquisition will serve as BGD's platform asset into the primary healthcare sector

Track record

- Founded in 2003, MMG has expanded to six primary healthcare medical clinics providing general practice services and sub-letting clinic space to allied health services and pathology operators
- MMG had 160,517 patient consultations in FY15 with growth of circa 18% per annum (CAGR) over the past 3 years



Growth platform

- Platform asset of scale and with a proven track record of developing / acquiring clinics
- Substantial capital investment in both systems and processes has been made by MMG with the business now primed for growth



Vendor alignment

- MMG vendors remain committed to growth and will be issued 61% of consideration in scrip for the upfront payment for the Caroline Springs and Balwyn clinics. In addition, options acquired over remaining clinics to support future growth
- MMG founder, Dr Todd Cameron, will join the BGD board on completion, adding a wealth of experience in the primary healthcare sector



Management team

- Management team have a demonstrated track record of growing a business in the primary healthcare sector
- Key management personnel will transfer to BGD and provide the human resources to cover the next stage of acquisitions



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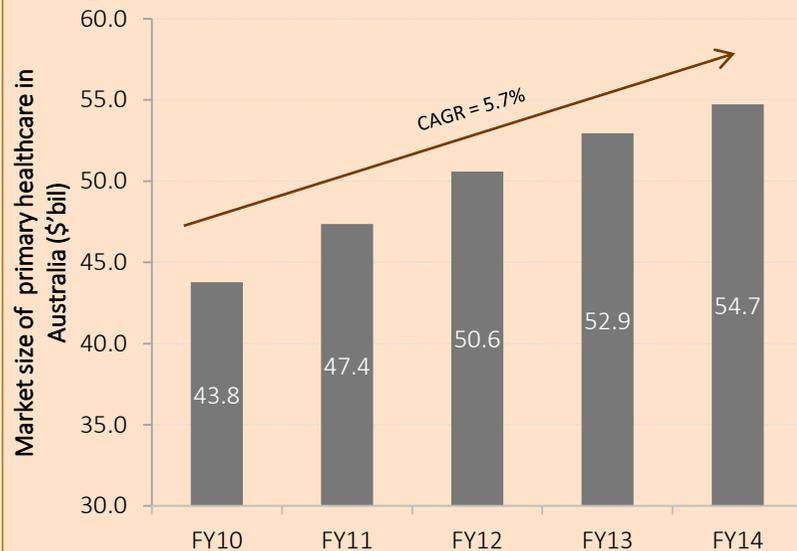
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What is the primary healthcare services market size?

Primary healthcare is the gateway to a lucrative healthcare market

Market growth¹

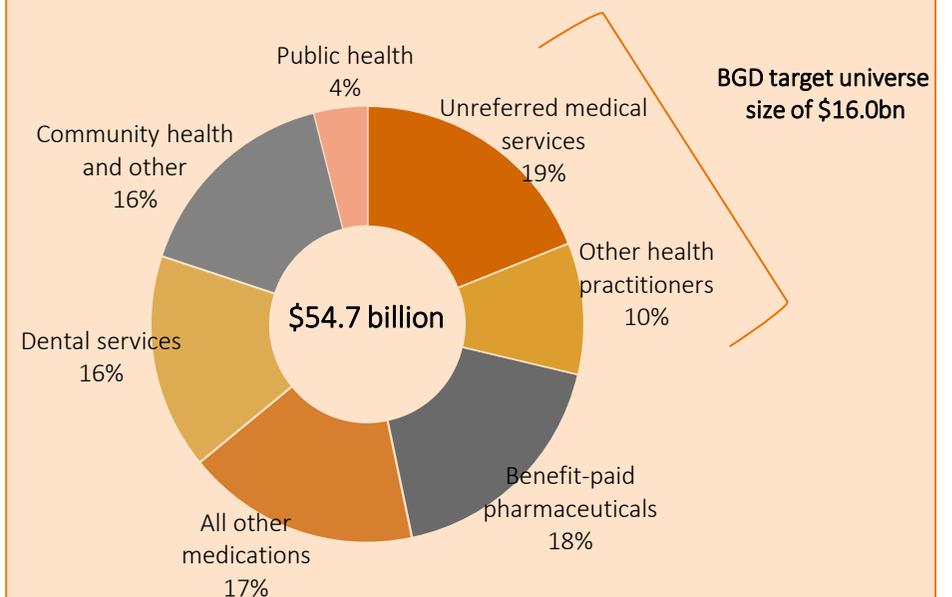
- Primary healthcare is the gateway to the Australian healthcare system, accounting for 38% of total healthcare expenditure or \$54.7bn
- Attractive industry fundamentals driving CAGR of 5.7% from FY10 to FY14



¹Source: AIHW (National health expenditure) 2013-2014

Market size¹

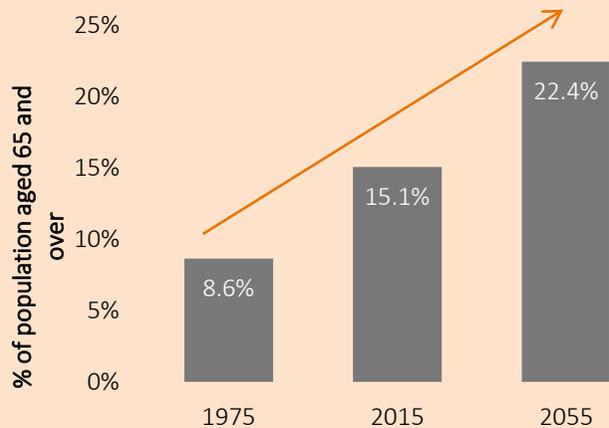
- The largest sub-segment within primary healthcare is unreferred medical services which encompasses GP services
- BGD's strategy is to focus on the GP and allied health services sub segments (e.g. physio, nutrition, optometry)



Primary healthcare industry drivers

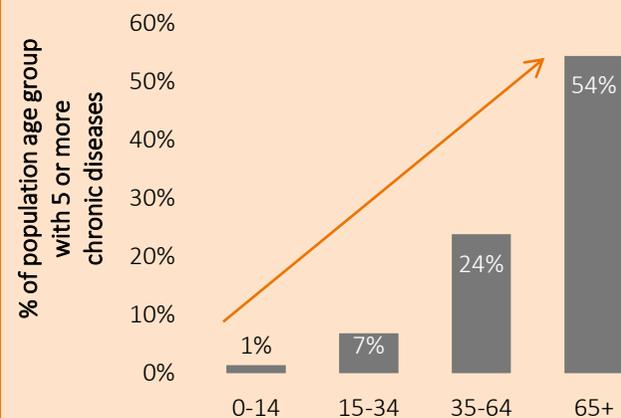
Attractive macroeconomic growth drivers in the primary healthcare industry

Growing and ageing population¹



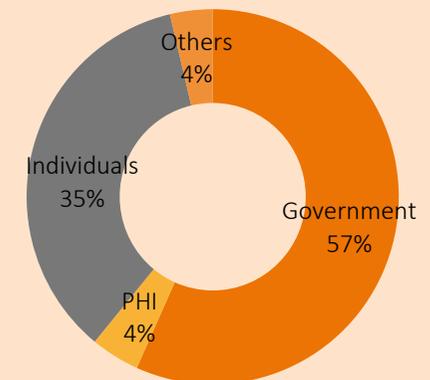
- The proportion of the Australian population aged 65+ years is estimated to increase from 15.1% in 2015 to 22.4% in 2055
- This population increase is driving a substantial increase in healthcare demand, with the 65+ years aged group requiring the highest proportion of GP consultations

Increased incidence of chronic disease²



- Chronic diseases are the leading cause of illness in Australia and increase the number of primary healthcare services and associated costs
- The Australian population aged 65+ years tend to suffer from more chronic disease
- Around 56% of all GP consultations originated from patients suffering from a chronic condition in 2013

Government Funding³



- Primary healthcare is principally funded by the Federal Government via Medicare
- Favourable government funding policies are looking to shift the burden of healthcare services from hospitals to primary healthcare

¹Source: Treasurer of the Commonwealth of Australia (2015 Intergenerational Report Australia in 2055)

²Source: Australian Institute of Health and Welfare: Australia's Health 2014, 2010

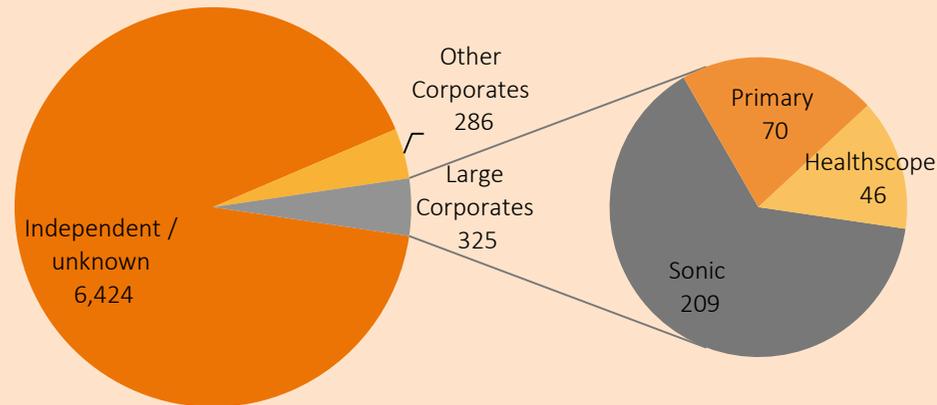
³Source: The Department of Health (Annual Medicare Statistics)

Competitive landscape

Primary Healthcare is characterised by a high degree of fragmentation

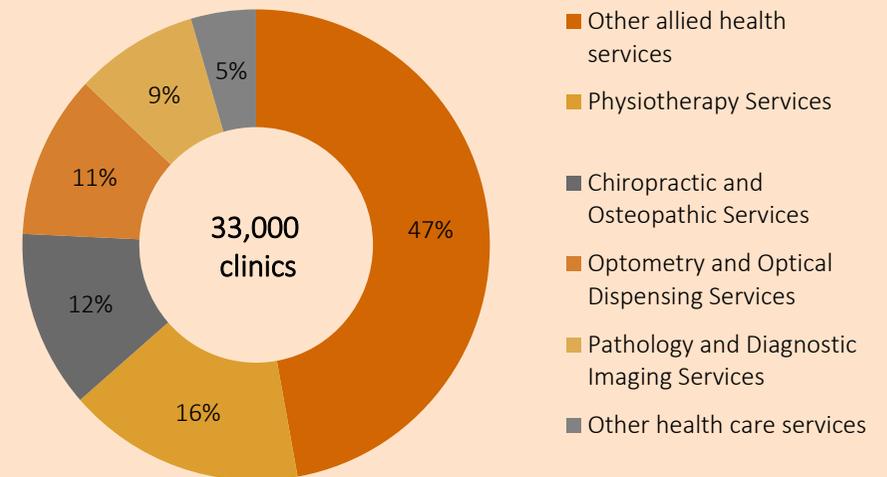
General Practice ('GP') Clinics¹

- There are an estimated 7,035 GP clinics in Australia
- The leading corporate medical groups account for less than 10% of the total market
- Substantial opportunities for consolidation remain in the primary healthcare market given it is highly fragmented



Other Allied Health Clinics²

- There is an approximated total of 33,000 allied healthcare practices in Australia
- AIHW estimates approximately 88,000 allied health practitioners in Australia



¹Source: Primary Health Care Research & Information Service: General Practice Numbers in Australia, 2000-2001 to 2010-2011, Company websites, Liverpool Partners Analysis

²Source: AIHW (Allied Health Workforce, 2012), ABS (Health Care Services, 2009-2010);

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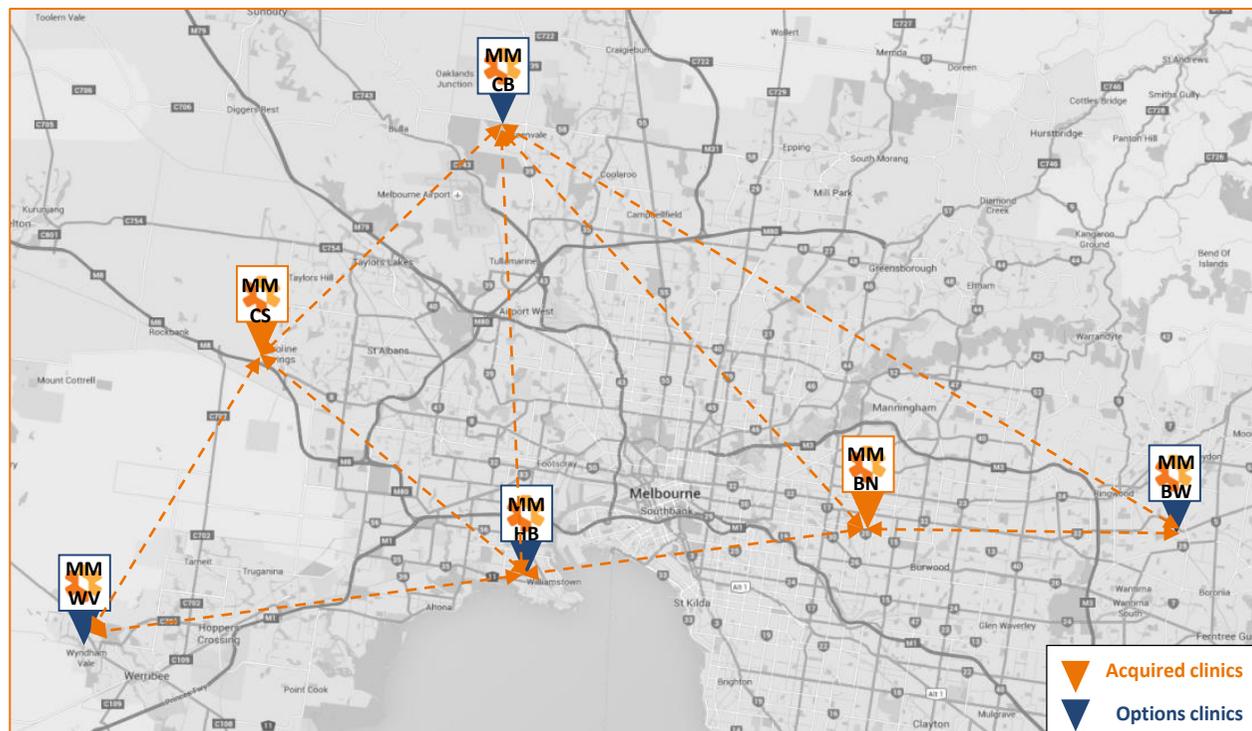
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Platform asset: MMG

- MMG operates six integrated medical clinics that provide GP services and sub-lease to a range of other primary healthcare services including allied health and pathology operators. All clinics are located in Victoria
- Strong patient growth across all clinics
- Both Caroline Springs and Balwyn clinics will be acquired up-front. The balance of the clinics, which are newer and less mature, may be acquired through the exercise of the options and are in the Melbourne suburbs of:
 - Craigieburn
 - Bayswater
 - Spotswood
 - Wyndham Vale
- Key management personnel will transfer to BGD and provide the human resources to cover the next stage of acquisitions



| | Caroline Springs | Balwyn | Craigieburn | Bayswater | Spotswood | Wyndham Vale |
|-------------------------|------------------|--------|-------------|-----------|-----------|--------------|
| Year Commenced | 2003 | 2009 | 2009 | 2009 | 2013 | 2014 |
| Consulting Rooms | 29 | 9 | 6 | 6 | 9 | 12 |
| Local Population | 20,366 | 12,944 | 32,757 | 11,240 | 79,413 | 17,304 |
| Patient numbers | 63,742 | 34,900 | 18,756 | 26,312 | 12,466 | 4,341 |

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Growth strategy

BGD will seek to grow earnings rapidly through both organic growth and a systematic acquisition program



Strategic 'thrusts' to achieve

Organic Growth:

- Invest in group management team
- Expand service offering
- Focus on practitioner engagement
- Stakeholder engagement is key

Acquisition & Adjacent Sector Expansion:

- Accelerate roll-out of medical clinics from MMG base
- Defined acquisition criteria (see next slide)
- Focus on large scale multi-disciplinary sites
- Opportunity to expand into additional healthcare verticals and establish a service platform

Growth strategy: further acquisitions

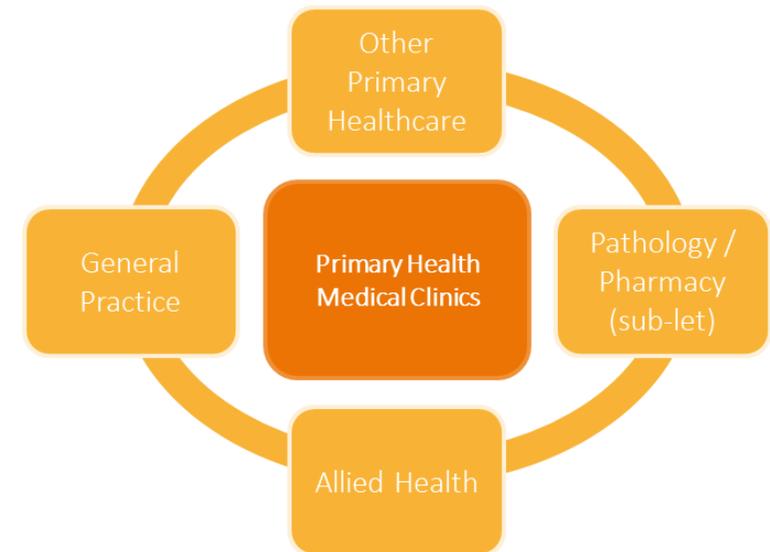
Structured acquisition process + expand service offering = 'multi-disciplinary' clinics that are beneficial for all stakeholders

Acquisition Criteria:

| | | |
|------------------------------|--|---|
| Favourable location | <ul style="list-style-type: none"> Favourable demographics in large catchment areas Modern clinics with minimal capital expenditure required | ✓ |
| Growth capacity | <ul style="list-style-type: none"> Ability to attract more healthcare practitioners Excess capability + under utilised space | ✓ |
| Financial consideration | <ul style="list-style-type: none"> Cash flow positive Valuation parameters in line with BGD market view EPS accretive | ✓ |
| Vendor / management | <ul style="list-style-type: none"> Vendors remain in the business (if practitioner owned) Capable management team | ✓ |
| Practitioner retention model | <ul style="list-style-type: none"> Visibility of practitioner retention is critical Sustainable remuneration model needs to be in place | ✓ |

Patients

Increasing demand by patients for the convenience of multi purpose medical clinics



Practitioners

- Focus on patient outcomes not administration
- Flexible work / life balance
- Financially and professionally rewarding

Investors

- Strong industry fundamentals
- Improved ROI
- Extensive growth opportunities in a highly fragmented market

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Transaction structure

The Assets of MMG may be acquired in three tranches with core clinics (Caroline Springs and Balwyn) acquired up-front

Deal Structure

- Subject to due diligence, the upfront purchase price for the Caroline Springs and Balwyn clinics is 4.7x maintainable FY15 EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) with an earn-out on maintainable CY16 earnings growth
- An option will be granted on the remaining clinics of Modern Medical:
 - CY17 (for Craigieburn and Bayswater); and
 - CY18 (for Spotswood and Wyndham Vale)
- For further information, refer to the Material Transaction Terms of the ASX Announcement

Key Metrics

- \$4,500,000 in consideration paid to the vendors for the Caroline Springs and Balwyn clinics. 61% of consideration to be paid in BGD scrip. The upfront purchase price will be potentially reduced to account for certain employee entitlements of transitioning employees and to ensure a minimum amount of working capital
- Chattel mortgage of approximately \$610,000 from MMG clinics Caroline Springs and Balwyn will be assumed by BGD
- 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
- The MMG vendors will receive \$500,000 in cash consideration upfront for the options on the additional clinics. The exercise price of the options will be dependent on the financial performance of the clinics in the 12 month period prior to them being exercised

Capital Raising Requirements

- The purchase consideration for MMG will be comprised of a combination of cash and script
- BGD is currently in discussions with a number of additional acquisition opportunities in the primary healthcare industry. The details of the capital raising amount will be disclosed in due course

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Clinic snapshot





modern medical



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