

ASX Announcement

Cleansing Notice – Rights Issue

Melbourne, 25 November 2022

This notice is given by Simonds Group Limited (ACN 143 841 801) (ASX:SIO) (**Company**) under section 708AA(2)(f) of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73).

The Company has announced that it will undertake a pro-rata renounceable entitlement offer of 13 new fully paid ordinary shares in the Company (**New Share**) for every 9 existing shares at an offer price of \$0.12 (**Offer Price**) per New Share held as at 7.00pm (Melbourne time) on 30 November 2022 (**Record Date**) to existing shareholders with a registered address in Australia or New Zealand (**Rights Issue**).

The Company's largest shareholder, Vallence Gary Simonds has committed to talking up his full entitlement and to underwrite the balance of the Rights Issue via one of his associated entities, SFO Administration Pty Ltd (ACN 602 614 871), pursuant to the terms of an underwriting agreement with the Company. The Rights Issue is being managed by Ord Minnett Limited (ACN 002 733 048) (**Ord Minnett**).

Further details of the Rights Issue are contained in the announcement made by the Company today and in an offer booklet that will be lodged with the ASX today and despatched to eligible shareholders on or about 5 December 2022.

For the purposes of section 708AA(7) of the Corporations Act, the Company confirms that:

(a) the New Shares will be offered without disclosure under Part 6D.2 of the Corporations Act;

this notice is being given under section 708AA(2)(f) of the Corporations Act;

(b) as at the date of this notice, the Company has complied with:

(i) the provisions of Chapter 2M of the Act as they apply to the Company; and
sections 674 and 674A of the Corporations Act;

(c) as at the date of this notice, there is no excluded information of the type referred to in sections 708AA(8) and 708AA(9) of the Corporations Act that is required to be set out in this notice under section 708AA(7) of the Corporations Act; and

the potential effect that the issue of the New Shares will have on the control of the Company and the consequences of that effect, are described below.

Background information relevant to assessing the potential impact of the Rights Issue on control

Based on publicly available information, the Company's largest shareholder is set out in the table below:

Shareholder	Expected Shareholding as at Record Date	Voting power
Vallence Gary Simonds¹ (Mr Simonds)	67,335,199	45.7%

Mr Simonds has pre-committed to taking up his entire entitlement. While the other two major shareholders (McDonald Jones Homes Pty Ltd and F.J.P. Pty Ltd) were approached prior to launch of the Rights Issue, neither of them were prepared to commit to taking up their entire entitlement prior to the launch of the Rights Issue.

Given the Company needs to raise net proceeds of \$24.5 million under the Rights Issue, once it became evident that the two other major shareholders would not provide pre-commitments to take-up their full entitlement, the Company determined that the Rights Issue should be underwritten to ensure that amount could be raised (without significantly increasing the size of the Rights Issue).

The Company considered engaging a third-party professional underwriter, however, based on advice from Ord Minnett (the **Lead Manager**), it was not considered possible to do so unless sub-underwriting commitments could be obtained for the whole of the amount to be underwritten. Given the market capitalisation of the Company, the highly concentrated share register and the extremely limited trading liquidity, the Company was advised that it was unlikely that sub-underwriting commitments could be obtained from any investors other than the major shareholders of the Company. Accordingly, Mr Simonds has also agreed to not only take up his entire entitlement, but to also underwrite the remainder of the Rights Issue.

Entitlements to New Shares will firstly be issued to any eligible shareholder who submits a valid application for New Shares under the Rights Issue.

Ineligible foreign holders will not be entitled to participate in the Rights Issue. The Company is required by section 615 of the Corporations Act to appoint a nominee to sell the rights that would have otherwise been issued to foreign holders had they been entitled to participate in the Rights Issue. The Lead Manager will act in this capacity.

As the Rights Issue is renounceable, it is proposed that eligible shareholders who do not intend to take-up their entitlements may transfer those entitlements on ASX or privately.

¹ Held via five registered holders, being Simonds Custodians Pty Ltd (ACN 050 199 365) as trustee for the Gary Simonds No 1 Family Trust, the Gary Simonds No 2 Family Trust and the Gary Simonds No 3 Family Trust, Simonds Constructions Pty Ltd (ACN 137 871 982) as trustee for the Simonds Homes Discretionary Trust, Madisson Constructions Pty Ltd (ACN 141 838 726) as trustee for the Madisson Homes Trust, Simonds Corporation Pty Ltd (ACN 082 436 495) as trustee for the Simonds Investment Trust, and Vallence Gary Simonds.

In order to maximise the level of take-up under the Rights Issue and also reduce the scope for the Rights Issue to impact control, the Rights Issue includes the following shortfall dispersion mechanisms:

- *Oversubscription facility:* all eligible shareholders who accept and pay for their entitlement in full will be entitled to apply for additional New Shares in the oversubscription facility (to the extent permitted by law and the ASX Listing Rules) at the Offer Price. To the extent that there is greater demand than there is a shortfall, eligible shareholders who have applied for additional New Shares will have their applications scaled back on a pro rata basis or to the extent considered necessary to prevent the issue of securities contrary to the law or ASX Listing Rules.
- *Shortfall Bookbuild:* following completion of the Rights Offer period, the Lead Manager and the Company will determine the number of any shortfall shares after acceptances by eligible shareholders (after taking into account any allotment of oversubscriptions). These shortfall shares will be offered to new and existing institutional and sophisticated investors in a bookbuild process (**Shortfall Bookbuild**). The Shortfall Bookbuild will be conducted at the Offer Price and, as such will be a bookbuild as to volume only.

To the extent there is any shortfall following the Shortfall Bookbuild, it will be taken up by Mr Simonds as underwriter to the Rights Issue (along with any sub-underwriters that have been appointed).

Ownership of the Company following completion of the Rights Issue

The potential effect that the issue of the New Shares will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including:

- the extent to which eligible shareholders other than Mr Simonds take up their entitlements;
- the extent to which an active market for renounced entitlements exists and the extent to which purchasers of any renounced entitlements exercise those entitlements to acquire New Shares;
- the extent to which eligible shareholders participate in the oversubscription facility;
- the number of New Shares placed to institutional and/or sophisticated investors under the Shortfall Bookbuild;
- the extent to which any investors agree to sub-underwrite the Offer; and
- the number of entitlements sold by the foreign holder nominee on behalf of ineligible shareholders under the Rights Issue (to the extent that there are any ineligible shareholders as at the Record Date).

Depending on whether other eligible shareholders elect to take up their full entitlement and the other factors outlined above, there are a range of potential ownership outcomes which may eventuate as a result of the Rights Issue, a number of which are shown below:

- If all eligible shareholders take up their full entitlement, then each eligible shareholder's percentage ownership interest (and voting power) in the Company will remain the same and there will be no material effect on the control of the Company;
- If some eligible shareholders do not take up their full entitlement, such shareholders' interest will be diluted relative to those who did take up their full entitlement (and potentially also applied for additional New Shares through participation in the oversubscription facility or the Shortfall Bookbuild) and Mr Simonds' interest will increase as a result of his underwriting commitment; and
- If no other eligible shareholders other than Mr Simonds participates in the Rights Issue, and assuming there are no investors under the Shortfall Bookbuild, Mr Simonds' ownership interest (and voting power) will increase from 45.7% to 77.8%.

The table below illustrates the effect of the Rights Issue on the control of the Company where all eligible shareholders take up 100%, 50% and 0% of their full entitlement (including Mr Simonds).

Mr Simonds post Rights Issue shareholding based on take-up from Eligible Shareholders other than Mr Simonds				
	Current shareholding	0% take up ²	50% take up	100% take up ³
Mr Simonds	45.7%	77.8%	61.8%	45.7%

Mr Simonds has confirmed to the Company that should his shareholding interest in the Company increase as a result of the Rights Issue, he has no current intention to make any changes to the Company's business, the deployment of its fixed assets or the future employment of its employees other than has previously been disclosed by the Company.

- ENDS -

For more information, please contact:

Rhett Simonds
CEO & Executive Chair
Ph: + 61 3 9926 3196

Authorised for disclosure by the Company's Board of Directors.

² Assumes there are no investors under the Shortfall Bookbuild and no sub-underwriting commitments have been obtained.

³ Assumes all eligible shareholders take up their entitlements (and that there are no ineligible shareholders), or that all shortfall shares are placed to new or existing shareholders through the oversubscription facility or the Shortfall Bookbuild.