

ENTITLEMENT OFFER BOOKLET

Simonds Group Limited

(ACN 143 841 801)

Details of a 13 for 9 renounceable entitlement offer of Simonds Group Limited ordinary shares ("New Shares") at an offer price of \$0.12 per New Share

Entitlement Offer closes at 5.00pm (Melbourne time) on 14 December 2022



NOT FOR RELEASE TO U.S. WIRE SERVICES OR DISTRIBUTION IN THE UNITED STATES

This Offer Booklet requires your immediate attention. It is an important document which is accompanied by a personalised Entitlement and Acceptance Form and both should be read carefully and in their entirety. This Offer Booklet is not a prospectus under the *Corporations Act 2001* (Cth) and has not been lodged with the Australian Securities and Investments Commission. Please call your stockbroker, solicitor, accountant or other professional adviser if you would like advice in relation to your participation in the Entitlement Offer. Please call the Share Registry on 1300 737 760 (inside Australia) or +61 2 9290 9600 (outside Australia) from 8.30am to 5.30pm (Melbourne time) Monday to Friday during the Entitlement Offer Period if you have any other questions.

Simonds Group Limited

ABN 54 143 841 801 | [ASX Code SIO](#) | [T 03 9682 0700](#)

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South Melbourne VIC 3205
Level 1, 570 St Kilda Road,
Melbourne VIC 3004

Important Notices

This Offer Booklet is dated 25 November 2022 and has been issued by Simonds Group Limited (ACN 143 841 801) (**Company** or **Simonds**). This Offer Booklet is relevant to you if you are an Eligible Shareholder. Eligible Shareholders are those persons who meet the criteria in Section 5.1.

In this Offer Booklet, references to "you" are references to Eligible Shareholders and references to "your Entitlement" (or "your Entitlement and Acceptance Form") are references to the Entitlement (or Entitlement and Acceptance Form) of Eligible Shareholders. **Defined terms used in these important notices have the meaning given in this Offer Booklet.**

This Offer Booklet is not a prospectus or other disclosure document under the Corporations Act and has not been lodged with ASIC. The Entitlement Offer is made in accordance with section 708AA of the Corporations Act (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73) (**ASIC Instruments**). References to the Corporations Act in this Offer Booklet are references to the Corporations Act as modified by the ASIC Instruments (as applicable). This Offer Booklet does not contain all of the information which an investor may require to make an informed investment decision. The information in this Offer Booklet does not constitute financial product advice and does not take into account your investment objectives, financial situation or particular needs.

This Offer Booklet should be read in its entirety before you decide to participate in the Entitlement Offer. Eligible Shareholders should conduct their own independent review, investigations and analysis of Simonds, the New Shares and obtain any professional advice they may require to evaluate the merits and risks of an investment in Simonds before making any investment decision.

In particular, you should consider:

- the risk factors outlined in Appendix 2 (Key Risks) of the Investor Presentation included in Section 3 of this Offer Booklet for a summary of certain general and Simonds specific risk factors that may affect the operating and financial performance of Simonds or the value of an investment in Simonds; and
- the ASX Offer Materials in Section 3 of this Offer Booklet, Simonds's interim and annual reports and other announcements made by Simonds which are available at www.asx.com.au (including announcements which may be made by Simonds after the publication of this Offer Booklet).

This Offer Booklet (including the ASX Offer Materials) are dated 25 November 2022 and, unless otherwise stated, they are current as at that date. This Offer Booklet remains subject to change without notice.

By returning an Entitlement and Acceptance Form, paying for your New Shares through BPAY® in accordance with the instructions on the Entitlement and Acceptance Form or selling your Entitlement (either on ASX or off-market), you

acknowledge that you have read this Offer Booklet and you have acted in accordance with and agree to the terms of the Entitlement Offer detailed in this Offer Booklet.

No overseas offering

This Offer Booklet and the accompanying Entitlement and Acceptance Form do not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. In particular, this Offer Booklet does not constitute an offer to Ineligible Shareholders and may not be distributed in the United States, and the New Shares may not be offered or sold, directly or indirectly, to persons in the United States. Refer to the "United States disclaimer" below for further information.

This Offer Booklet is not to be distributed in, and no offer of New Shares is to be made, in countries other than Australia and New Zealand or other jurisdictions that Simonds has determined to extend the Entitlement Offer into.

No action has been taken to register or qualify the Entitlement Offer, the Entitlements, the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand.

The distribution of this Offer Booklet (including an electronic copy) outside Australia and New Zealand, is restricted by law. If you come into possession of the information in this Offer Booklet, you should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

Foreign exchange control restrictions or restrictions on remitting funds from your country to Australia may apply. Your Application for New Shares is subject to all requisite authorities and clearances being obtained for Simonds to lawfully receive your Application Monies.

New Zealand

The Entitlements and the New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 (**FMC Act**) and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2021. The offer of New Shares is renounceable in favour of members of the public.

Other than through the exercise of Entitlements, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who: (i) is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act; (ii) meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act; (iii) is large within the meaning of clause 39 of Schedule 1 of the FMC Act; (iv) is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or (v) is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

This Offer Booklet has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

United States

None of the information in this Offer Booklet or the Entitlement and Acceptance Form that will accompany this Offer Booklet when it is dispatched to Eligible Shareholders (as set out in the Key dates section) constitutes an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to any person acting for the account or benefit of any person in the United States. None of the Offer Booklet (or any part of it including the accompanying Chairman's Letter), the ASX Offer Materials or the Entitlement and Acceptance Form when that is to be made available, may be distributed or released, directly or indirectly, in the United States.

The Entitlements and the New Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the **U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States. The Entitlements may not be taken up by, and the New Shares may not be offered or sold, directly or indirectly, to persons in the United States or to any person acting for the account or benefit of any person in the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any state or other jurisdiction in the United States. The New Shares in the Entitlement Offer may only be offered and sold outside the United States in "offshore transactions" (as defined in Rule 902(h) under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act.

Taxation

There will be tax implications associated with participating in the Entitlement Offer, trading Entitlements, renouncing Entitlements and receiving New Shares. Section 0 of this Offer Booklet provides a general summary of the Australian income tax, goods and services tax (**GST**) and stamp duty implications of the Entitlement Offer for Eligible Shareholders. This summary does not take account of the individual circumstances of particular Eligible Shareholders and does not constitute tax advice. Simonds recommends that you consult your professional tax adviser in connection with the Entitlement Offer.

Privacy

Simonds collects information about each Applicant provided on an Entitlement and Acceptance Form or a Renunciation and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's shareholding in Simonds.

By submitting an Entitlement and Acceptance Form or a Renunciation and Acceptance Form, you will be providing personal information to Simonds (directly or through the Share Registry). Simonds collects, holds and will use that

information to assess your Application or transfer. Simonds collects your personal information to process and administer your shareholding in Simonds and to provide related services to you. Simonds may disclose your personal information for purposes related to your shareholding in Simonds, including to the Share Registry, Simonds' related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory bodies. You can obtain access to personal information that Simonds holds about you. To make a request for access to your personal information held by (or on behalf of) Simonds, please contact Simonds through the Share Registry.

Future performance and forward-looking statements

This Offer Booklet contains certain "forward looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "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. Forward-looking statements, opinions and estimates provided in this Offer Booklet are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

This Offer Booklet includes statements regarding certain plans, strategies and objectives of management and expected financial performance, effects of the Entitlement Offer and use of proceeds. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables and changes in underlying assumptions which could cause actual results or trends to differ materially. Refer to Appendix 2 (Key Risks) of the Investor Presentation included in Section 3 of this Offer Booklet for a summary of certain risk factors that may affect Simonds. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including Simonds). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this Offer Booklet will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based.

The forward-looking statements in this Offer Booklet speak only as of the date of this Offer Booklet. Subject to any continuing obligations under applicable law or any relevant ASX Listing Rules, Simonds disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statements in this Offer Booklet to reflect any change in expectations in relation to any forward-looking statements or any change in events, conditions or circumstances on which any such statement is based. Nothing in this Offer Booklet will under any circumstances create an implication that there has been no change in the affairs of Simonds since the date of this Offer Booklet.

Financial information

All financial information in this Offer Booklet is in Australian Dollars (\$) or AUD) unless otherwise stated.

For further information on the financial information for Simonds provided in this Offer Booklet, investors should refer to the "Important Notice and Disclaimer" section in the Investor Presentation (a copy of which is included in Section 3 of this Offer Booklet).

Any financial information provided in this Offer Booklet is for illustrative purposes only and is not represented as being indicative of Simonds' views on its future financial condition and/or performance. Accordingly, investors should treat this information with appropriate caution.

Past performance

Investors should note that past performance, including past share price performance, cannot be relied upon as an indicator of (and provides no guidance as to) future Simonds performance including future share price performance.

Risks

Refer to Appendix 2 (Key Risks) of the Investor Presentation included in Section 3 of this Offer Booklet for a summary of the general and specific risk factors that may affect Simonds. Investors should consider these risks carefully in light of their personal circumstances, including financial and taxation issues, before making an investment decision in connection with the Entitlement Offer.

Definitions, times and dates

Defined terms used in this Offer Booklet are contained in Section 6 of this Offer Booklet. Times and dates in this Offer Booklet are indicative only and subject to change. All times and dates refer to the time in Melbourne, Australia. Refer to the "Key dates" section of this Offer Booklet for more details.

Currency

Unless otherwise stated, all dollar values in this Offer Booklet are in Australian dollars (\$) or AUD).

Trading New Shares

To the maximum extent permitted by law, Simonds will have no responsibility and disclaims all liability (including without limitation liability for negligence) to persons who trade New Shares they believe will be issued to them before they receive their holding statements, whether on the basis of confirmation of the allocation provided by Simonds or the Share Registry or otherwise, or who otherwise trade or purport to trade New Shares in error or which they do not hold or are not entitled to.

If you are in any doubt, as to these matters you should first consult with your stockbroker, solicitor, accountant or other professional adviser.

Refer to Section 5 (Important Information) for details.

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Chairman's Letter

Dear Shareholder,

On behalf of the Directors of Simonds Group Limited (**Simonds or Company**), I am pleased to invite you to participate in a 13 for 9 pro rata renounceable entitlement offer of new fully paid ordinary shares in Simonds (**New Shares**) at an offer price of \$0.12 (**Offer Price**) per New Share to raise approximately \$25.5 million (**Entitlement Offer**).

The proceeds from the Entitlement Offer will be used to support Simonds' working capital requirements and reset its capital structure in light of difficult trading and macroeconomic conditions. To the extent that conditions improve earlier than anticipated, Simonds may consider the appropriate allocation of working capital to future initiatives as conditions become clearer.

Details of the Entitlement Offer

Under the Entitlement Offer, Eligible Shareholders with a registered address in Australia or New Zealand are entitled to subscribe for 13 New Shares for every 9 existing fully paid ordinary share in Simonds (**Shares**) held at 7.00pm (Melbourne time) on 30 November 2022 (**Record Date**), at the Offer Price of \$0.12 per New Share.

The Offer Price represents a:

- 14.2% discount to the TERP of \$0.140 per Share;¹
- 28.8% discount to the 30-day VWAP of \$0.168; and
- 4.0% discount to the last closing price of Shares on 24 November 2022 of \$0.125 per Share.

The Company's largest shareholder, Vallence Gary Simonds has committed to taking up his full entitlement and to underwrite the balance of the Offer pursuant to the terms of an underwriting agreement between the Company and an entity controlled by Gary. Further details of this underwriting are set out in Section 5.8 of this Offer Booklet.

The terms of the Entitlement Offer have been determined by an independent Board committee of Simonds established for the purposes of the Entitlement Offer.²

Eligible Shareholders who take up their full Entitlement may also apply for additional New Shares (at the Offer Price) in excess of their Entitlement under the Oversubscription Facility (**Additional New Shares**) to the extent permitted by law and the ASX Listing Rules. Additional New Shares will only be available under the Oversubscription Facility to the extent that there is any shortfall under the Entitlement Offer. To the extent there is greater demand than there is 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. New Shares and Additional New Shares will be issued on a fully paid basis and will rank equally with existing Shares on issue.

Entitlements are renounceable and will be tradeable on ASX or transferrable off-market, and are otherwise transferrable in the Shortfall Bookbuild (described below). This provides Eligible Shareholders the opportunity to sell some or all of their Entitlements in order to realise value for those Entitlements ahead of the Shortfall Bookbuild. Trading of Entitlements is expected to commence on ASX at 10.00am on 29 November 2022 and to cease at 4.00pm on 7 December 2022 (**Entitlement Trading Period**). It is the responsibility of purchasers of Entitlements to inform themselves of the criteria for exercise. If holders of Entitlements after the end of the trading period do not meet the criteria for an Eligible Person, they will not be able to exercise the Entitlements. In the event that holders are not able to take up their Entitlements, those Entitlements will lapse and be offered for sale at the Offer Price in the Shortfall Bookbuild (in which case, holders will receive no value or payment for them).

¹ TERP is a theoretical price at which Shares trade immediately after the ex-date for the Entitlement Offer assuming 100% take-up of the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which Shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated by reference to the 30-day VWAP of Simonds' shares as traded on the ASX of \$0.168 up to and including 24 November 2022.

² The independent board committee comprises David Denny and Iain Kirkwood, who are independent, non-executive directors of the Company. It was established by the Board to consider the terms of the Entitlement Offer to ensure that these matters were determined having regard to what is in the best interests of the Company and its shareholders.

The Entitlement Offer is being managed by Ord Minnett Limited (ACN 002 733 048) (**Lead Manager**).

Further information and application instructions

The number of New Shares that you are entitled to subscribe for under the Entitlement Offer is set out in your personalised Entitlement and Acceptance Form that is enclosed with this Offer Booklet. It is important that you determine whether to take up all or part of your Entitlement, apply for Additional New Shares, trade your Entitlement or do nothing in respect of your Entitlement.

Eligible Shareholders who do not take up or sell their Entitlement (in full or in part) or whose Application is not supported by cleared funds (**Renouncing Shareholders**) will be deemed to have renounced their Entitlement (or that part of their Entitlement that they have not taken up or sold) and those renounced Entitlements will be transferred and potentially sold through a bookbuild process to be undertaken by the Lead Manager (**Shortfall Bookbuild**). The Shortfall Bookbuild will be conducted at the Offer Price and, as such, will be a bookbuild as to volume only. Eligible Shareholders should note that if they renounce all or part of their Entitlement, their percentage shareholding in Simonds will be diluted to the extent of their non-participation in the Entitlement Offer.

Only Eligible Shareholders are entitled to participate in the Entitlement Offer. In accordance with applicable regulatory requirements, Simonds has appointed the Lead Manager as a sale nominee and will issue the Lead Manager with the Entitlements to subscribe for New Shares that would otherwise have been available for subscription by Ineligible Shareholders. The Lead Manager (to the extent practicable) will arrange for the sale of those Entitlements on the ASX during the Entitlement Trading Period and work with Simonds to distribute any premium achieved through such sales proportionately to Ineligible Shareholders. To the extent such Entitlements are unable to be sold on ASX during the Entitlement Trading Period, they will be offered for sale to certain institutional investors in the Shortfall Bookbuild at the Offer Price (in which case, there will be no premium).

The Simonds Board encourages you to read this Offer Booklet carefully (in particular, Appendix 2 (Key Risks) in the Investor Presentation, which contains a number of key risks associated with an investment in Simonds). You should also consult your stockbroker, solicitor, accountant or other professional adviser to evaluate whether or not to participate in the Entitlement Offer.

The Entitlement Offer closes at 5.00pm (Melbourne time) on 14 December 2022 (unless otherwise extended by Simonds).

On behalf of the Simonds Board, I encourage you to consider this investment opportunity and thank you for your ongoing support of Simonds.

Yours sincerely,

Rhett Simonds

CEO and Executive Chairman, Simonds Group Limited

Summary of the Entitlement Offer

Ratio	13 New Share for every 9 existing Share in Simonds
Offer Price	\$0.12 per New Share
Size	Approximately 212.7 million New Shares
Gross proceeds	Approximately \$25.5 million
Renounceable?	The Entitlement Offer is renounceable
Entitlement trading	Entitlements are able to be traded on ASX during the Entitlement Trading Period or transferred off-market
Underwritten?	The Entitlement Offer is fully underwritten apart from the Entitlements of Vallence Gary Simonds (which he has pre-committed to taking up). As a result of this underwriting and pre-commitment, the full amount of gross proceeds set out above is expected to be raised under the Entitlement Offer.

Key dates

EVENT ¹	DATE
Announcement of the Entitlement Offer	25 November 2022
"Ex" date	29 November 2022
Entitlement trading on ASX commences on a deferred settlement basis	29 November 2022
Record date for the Entitlement Offer (7.00pm Melbourne time)	30 November 2022
Offer Booklet and personalised Entitlement and Acceptance Form dispatched to Eligible Shareholders	5 December 2022
Entitlement Offer opens (9.00am Melbourne time)	
Entitlements commence trading on a normal settlement basis	6 December 2022
Last date of Entitlement trading	7 December 2022
New Shares quoted on ASX on a deferred settlement basis	8 December 2022
Entitlement Offer closes (5.00pm Melbourne time)	14 December 2022
Announcement of Entitlement Offer results	19 December 2022
Shortfall Bookbuild and determination of allocations under Shortfall Bookbuild	20 December 2022
Issue of New Shares under the Entitlement Offer	21 December 2022
New Shares commence trading on ASX on a normal settlement basis	22 December 2022
Settlement of the Shares (if any) allocated under the Shortfall Bookbuild	
Dispatch of holding statements for New Shares	23 December 2022
Issue of Shares (if any) allocated under the Shortfall Bookbuild	23 December 2022
Shares issued under the Shortfall Bookbuild commence trading on ASX on a normal settlement basis	28 December 2022

¹ This timetable is indicative only and may change. Simonds reserves the right to amend any or all of these dates and times the timetable for the Entitlement Offer without notice, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Simonds reserves the right to extend the closing date of the Entitlement Offer, to accept late applications under the Entitlement Offer (either generally or in particular cases) and to withdraw the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares. The commencement of quotation of New Shares is subject to confirmation from ASX. All references to time are to the time in Melbourne, Australia. Simonds also reserves the right not to proceed with the Entitlement Offer in whole or in part at any time prior to the allotment and issue of the New Shares. In that event, the relevant Application Monies (without interest) will be returned in full to Applicant (without any interest). Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application once it has been accepted.

Enquiries

If you have any questions, please contact the Share Registry on 1300 737 760 (inside Australia) or +61 2 9290 9600 (outside Australia) at any time between 8.30am to 5.30pm (Melbourne time) Monday to Friday during the Entitlement Offer Period, or if you require advice about your participation in the Entitlement Offer, consult your stockbroker, accountant or other independent professional adviser.

1. Summary of options available to you

If you are an Eligible Shareholder (as defined in Section 5.1) you may take one of the following actions:

- take up all or part of your Entitlement (and renounce the balance);
- take up all of your Entitlement and apply for Additional New Shares under the Oversubscription Facility;
- sell all or part of your Entitlement on ASX or directly to a third party; or
- do nothing, in which case you will be deemed to have renounced your Entitlement (and those renounced Entitlements will be transferred and potentially offered for sale in the Shortfall Bookbuild on your behalf).

If you are a shareholder that is not an Eligible Shareholder, you are an **Ineligible Shareholder**. Ineligible Shareholders are not entitled to participate in the Entitlement Offer; however, they may potentially still be able to realise value for the Entitlements that would have been issued to them were they eligible to participate in the Entitlement Offer (see Section 5.5 for further information).

Options available to you	Key considerations	Further detail
Option 1: Take up all or part of your Entitlement (and renounce the balance)	<ul style="list-style-type: none"> • You may elect to purchase New Shares at the Offer Price (see Section 2 for instructions on how to take up your Entitlement). • The New Shares will rank equally in all respects with existing Shares from the date of their issue. • You will be deemed to have renounced any part of your Entitlement that you have not taken up or sold. Renounced Entitlements will be transferred and potentially offered for sale in the Shortfall Bookbuild on behalf of Renouncing Shareholders. • If you do not take up your Entitlement in full, you will have your percentage holding in Simonds reduced as a result of dilution by the New Shares issued under the Entitlement Offer. 	Section 2.3
Option 2: Take up all of your Entitlement and apply for Additional New Shares under the Oversubscription Facility	<ul style="list-style-type: none"> • You may take up all of your Entitlement and apply for Additional New Shares at the Offer Price, to the extent permitted by law and the ASX Listing Rules. • Any Application Monies received for more than your full Entitlement will be treated as applying for as many Additional New Shares as it will pay for in full at the Offer Price. • Additional New Shares will rank equally in all respects with existing Shares from the date of their issue. • Additional New Shares will only be available to Eligible Shareholders to the extent there are Entitlements under the Entitlement Offer which are not taken up by Eligible Shareholders. 	Section 2.4

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- To the extent there is greater demand than there is 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.
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Option 3: Sell all or part of your Entitlement on ASX or directly to a third party

- You may sell all or part of your Entitlement on ASX during the Entitlement Trading Period or directly to a third party prior to the Closing Date.
- Prices obtainable for Entitlements may rise and fall over the Entitlement Trading Period.
- If you sell your Entitlement (or any part of it), you will have your percentage holding in Simonds reduced as a result of dilution by the New Shares issued under the Entitlement Offer.
- If you sell your Entitlement, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up that Entitlement.

Section 2.5

Option 4: Do nothing, in which case you will have been deemed to have renounced your Entitlement

- As the Entitlement Offer is renounceable, you will be deemed to have renounced any part of your Entitlement that you have not taken up or sold prior to the Closing Date.
- Renounced Entitlements will be transferred and potentially offered for sale in the Shortfall Bookbuild on behalf of Renouncing Shareholders.
- As the Shortfall Bookbuild will be conducted the Offer Price, you will not receive any value or payment for any renounced Entitlements sold via the Shortfall Bookbuild.
- If you renounce all or part of your Entitlement, you will have your percentage holding in the Company reduced as a result of dilution by the New Shares issued under the Entitlement Offer.

Section 2.6

If you have any doubt about how you should deal with your Entitlement, you should seek professional advice from an adviser who is licensed by ASIC to give that advice before making any investment decision.

You should carefully read Appendix 2 (Key Risks) of the Investor Presentation included in Section 3 of this Offer Booklet.

2. How to Apply

2.1 Your Entitlement

Your Entitlement is set out on the accompanying personalised Entitlement and Acceptance Form and has been calculated as 13 New Shares for every 9 Share you held as at the Record Date of 7.00pm (Melbourne time) on 30 November 2022. Where fractions arise in the calculation of Entitlements, they will be rounded up to the nearest whole number of New Shares.

If you have more than one registered holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding.

New Shares (including any Additional New Shares) issued pursuant to the Entitlement Offer will be fully paid and rank equally with existing Shares on issue.

The Entitlement stated on your personalised Entitlement and Acceptance Form may be in excess of the actual Entitlement you may be permitted to take up where, for example, you are holding Shares on behalf of a person in the United States (see definition of Eligible Shareholder in Section 5.1).

Nominees and custodians

The Entitlement Offer is being made to all Eligible Shareholders (as defined in Section 5.1) on the register of Simonds at 7.00pm (Melbourne time) on the Record Date. Simonds does not undertake to determine whether or not any registered holder is acting as a nominee or custodian or the identity or residence of any beneficial owners of Shares.

Where any holder is acting as a nominee or custodian for a person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Entitlement Offer is permitted under the terms of the Entitlement Offer and compatible with applicable laws.

Any person (such as a nominee or custodian) that is or is acting for the account or benefit of a person in the United States may not participate in the Entitlement Offer on behalf of such persons in the United States, and may not send this Offer Booklet or any other materials into the United States.

Please see Section 5.12 for further information.

Simonds does not undertake to advise you on any applicable laws or of how the restrictions apply to you.

2.2 Options available to you

If you are an Eligible Shareholder, you may do any one of the following:

- take up all or part of your Entitlement (and renounce the balance) (refer to Section 2.3);
- take up all of your Entitlement and apply for Additional New Shares (refer to Section 2.4);
- sell all or part of your Entitlement on ASX or directly to a third party (refer to Section 2.5); or
- do nothing, in which case you will be deemed to have renounced your Entitlement (refer to Section 2.6).

Eligible Shareholders who do not take up their Entitlement in full will have their percentage holding in Simonds reduced. Eligible Shareholders who do participate in the Entitlement Offer will see their percentage holding in Simonds stay the same if they take up all of their Entitlement or increase if they take up all of their Entitlement and apply for, and are allocated, Additional New Shares.

The Closing Date for the acceptance of the Entitlement Offer is **5.00pm (Melbourne time) on 14 December 2022** (however, that date may be varied by Simonds, in accordance with the ASX Listing Rules and the Underwriting Agreement).

2.3 Take up all or part of your Entitlement

If you decide to take up all or part of your Entitlement, you will need to submit your Application and pay your Application Monies in accordance with the instructions set out on your personalised Entitlement and

Acceptance Form (refer to Section 2.8 for the available payment options). **Payment must be received by the Share Registry by no later than 5.00pm (Melbourne time) on 14 December 2022.** If you only take up part of your Entitlement, you may sell or transfer the balance (see Section 2.5 below).

If you take up all or part of your Entitlement you will be issued your New Shares on or about 21 December 2022. Simonds' decision on the number of New Shares to be issued to you will be final. If Simonds receives an amount that is less than the Offer Price multiplied by your Entitlement, your payment will be treated as an Application for as many New Shares as your payment will pay for in full. Any Application Monies received for more than your full Entitlement will be treated as applying for as many Additional New Shares as it will pay for in full at the Offer Price.

Simonds also reserves the right (in its absolute discretion) to reduce the number of New Shares issued to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if Simonds believes their claims to be overstated or if they or their nominees fail to provide information to substantiate their claims to Simonds' satisfaction.

Refund amounts, if any, will be paid in Australian dollars. You will be paid either by direct credit to the nominated bank account as noted on the share register as at the Closing Date or by cheque sent by ordinary post to your address as recorded on the share register (the registered address of the first-named in the case of joint holders). No interest will be paid on refunded amounts.

Eligible Shareholders who do not take up their full Entitlement in the Entitlement Offer will:

- be deemed to have renounced the part of their Entitlement that has not been taken up or otherwise sold by that Eligible Shareholder; and
- have their percentage holding in Simonds reduced as a result of the issue of New Shares under the Entitlement Offer.

Renounced Entitlements will be transferred and potentially offered for sale in the Shortfall Bookbuild on behalf of Renouncing Shareholders. See Section 5.5 for further information about the Shortfall Bookbuild and renounced Entitlements.

2.4 Take up all of your Entitlement and apply for Additional New Shares

Eligible Shareholders who take up all of their Entitlement may apply for Additional New Shares under the Oversubscription Facility.

Additional New Shares will only be available to Eligible Shareholders to the extent there are Entitlements under the Entitlement Offer which are not taken up by Eligible Shareholders (and to the extent permitted by law and the ASX Listing Rules).

If you wish to take up all of your Entitlement and apply for Additional New Shares, you will need to submit your Application and pay your Application Monies in accordance with the instructions set out on your personalised Entitlement and Acceptance Form (refer to Section 2.8 for the available payment options).

Payment must be received by the Share Registry by no later than 5.00pm (Melbourne time) on 14 December 2022.

The Application Monies payable will be equal to the Offer Price multiplied by the total of the number of New Shares comprising your Entitlement and the number of Additional New Shares you wish to take up – you will need to calculate this number yourself. Any Application Monies received for more than your full Entitlement will be treated as applying for as many Additional New Shares as it will pay for in full at the Offer Price.

There is no guarantee you will be allocated any Additional New Shares. To the extent there is greater demand than there is 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.

2.5 Sell all or part of your Entitlement

2.5.1 Sell all or part of your Entitlement on ASX

If you decide to sell all or part of your Entitlement on ASX, you should instruct your stockbroker and provide details as requested from your personalised Entitlement and Acceptance Form. You should allow sufficient time for your instructions to be carried out by your stockbroker. If you are an issuer sponsored holder, you will need to set up an account with a broker before being able to sell your Entitlements on ASX.

Entitlement trading on ASX starts at 10.00am (Melbourne time) on 29 November 2022 and ceases at 4.00pm (Melbourne time) on 7 December 2022.

Prices obtainable for Entitlements may rise and fall over the Entitlement Trading Period and will depend on many factors including the demand for and supply of Entitlements on ASX and the value of Shares relative to the Offer Price. If you sell your Entitlement during the Entitlement Trading Period, you may receive a higher or lower price than an Eligible Shareholder who sells their Entitlement at a different time in the Entitlement Trading Period. You may incur brokerage costs if you choose to sell your Entitlement on ASX. There is no guarantee that there will be a liquid market in traded Entitlements. A lack of liquidity may impact your ability to sell your Entitlement on ASX and the price you may be able to achieve.

Simonds assumes no responsibility and disclaims all liability (to the maximum extent permitted by law) to you if you trade your Entitlement before the Entitlements are allotted, or before you receive your personalised Entitlement and Acceptance Form, whether on the basis of confirmation of the allocation provided by Simonds or the Share Registry or otherwise.

If you wish to sell part of your Entitlement on ASX and renounce the balance, follow the procedures above in respect of the part of your Entitlement you wish to sell on ASX, and do nothing in respect of the balance.

If you sell your Entitlement, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up that Entitlement. Your percentage shareholding in Simonds will also be diluted.

2.5.2 Transfer all or part of your Entitlement other than on ASX

If you wish to transfer all or part of your Entitlement other than on ASX, you must return a completed Renunciation and Acceptance Form to the Share Registry. If the transferee wishes to take up all or some of the Entitlements transferred to them, they must send their Application Monies together with the Entitlement and Acceptance Form related to those Entitlements transferred to them, to the Share Registry. This option is only available if both you and the transferee are issuer sponsored. If either party is CHESS sponsored, you will need to arrange the transfer of Entitlements through your broker.

You can obtain a Renunciation and Acceptance Form through the Share Registry on 1300 737 760 (inside Australia) or +61 2 9290 9600 (outside Australia) from 8.30am to 5.30pm (Melbourne time) Monday to Friday during the Entitlement Offer Period.

The Renunciation and Acceptance Form, as well as the transferee's Application Monies and the Entitlement and Acceptance Form related to the Entitlements transferred to them (if they elect to take up the Entitlements transferred to them), must be received by the Share Registry at the following address:

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

by no later than 5.00pm (Melbourne time) on 14 December 2022.

If the Share Registry receives both a completed Renunciation and Acceptance Form and an application for New Shares in respect of the same Entitlement, the transfer will be given effect in priority to the application.

If you wish to transfer part of your Entitlement and renounce the balance, follow the procedures above in respect of the part of your Entitlement you wish to transfer, and do nothing in respect of the balance.

Prices obtainable for Entitlements other than on ASX will likely differ from those quoted on ASX from time to time over the Entitlement Trading Period. If you sell your Entitlements during the Entitlement Trading Period other than on ASX, you may receive a higher or lower price compared to an Eligible Shareholder who sells

their Entitlements on ASX or at a different time in the Entitlement Trading Period on ASX, or to a different person.

If you sell your Entitlement, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up that Entitlement. Your percentage shareholding in Simonds will also be diluted.

You may only transfer your Entitlement in this way to a purchaser whose address is in Australia or New Zealand, or who otherwise meets the criteria for being an Eligible Person (other than in respect of being a holder of an Entitlement). Persons in the United States and persons acting for the account or benefit of a person in the United States will not be eligible to purchase Entitlements on ASX or take up Entitlements purchased on ASX or otherwise. You should inform any transferee of these restrictions.

2.6 Take no action and let your Entitlements be offered in the Shortfall Bookbuild

If you do not wish to take up (or otherwise sell or transfer) any part of your Entitlement, you do not need to do anything with respect to that part of your Entitlement which you do not wish to take up, sell or transfer. Any part of your Entitlement which you do not take up, sell or transfer (or for which your application is not supported by cleared funds) by the Closing Date will be offered for sale through the Shortfall Bookbuild.

As the Shortfall Bookbuild will be conducted at the Offer Price, you will not receive any value or payment for Entitlements sold via the Shortfall Bookbuild.

See Section 5.5 for further information.

2.7 Consequences of not accepting all or part of your Entitlement

If you sell or transfer all or some of your Entitlements, or by allowing all or part of your Entitlement to be offered for sale in the Shortfall Bookbuild, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up those Entitlements (or, in the case of Entitlements sold through the Shortfall Bookbuild, any value for those Entitlements that may have been achieved through their sale on ASX or otherwise) and your percentage shareholding in Simonds will also be diluted.

2.8 Payment and refunds

Payment of Application Monies must be made by BPAY® or cheque. Bank draft, money order and cash payments will not be accepted.

Payment via BPAY® is recommended due to the potential delays to postal services.

2.8.1 Payment by BPAY®

Please follow the instructions on the personalised Entitlement and Acceptance Form (which includes the Biller Code and your unique Reference Number). You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

Please note that when paying via BPAY®:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to have made the declarations, representations and warranties on that personalised Entitlement and Acceptance Form and in Section 2.9 of this Offer Booklet;
- if you pay for an amount that is more than your full Entitlement, that excess amount will be treated as applying for as many Additional New Shares as it will pay for in full; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5.00pm (Melbourne time) on 14 December 2022 (subject to variation). You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Receipts for payment will not be issued.

Please make sure you use the specific Biller Code and your unique Customer Reference Number (**CRN**) on your personalised Entitlement and Acceptance Form. If you have more than one holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding. If you receive more than one personalised Entitlement and Acceptance Form, please only use the CRN specific to the Entitlement on that Entitlement and Acceptance Form.

2.8.2 Payment by cheque

To apply and pay by cheque, please complete your personalised Entitlement and Acceptance Form and return the form to the Share Registry (address details below) via post together with a cheque, bank draft or money order, which must be:

- for an amount equal to the full Application Monies (being the Offer Price multiplied by the number of New Shares and Additional New Shares you are applying for);
- in Australian currency drawn on a bank or financial institution in Australia; and
- made payable to 'Simonds Group Limited' and crossed 'Not Negotiable'.

You should ensure that sufficient funds are held in any relevant account(s) to cover the full Application Monies. Receipts for payment will not be issued.

You need to ensure that your completed Entitlement and Acceptance Form and cheque reach the Share Registry by 5.00pm (Melbourne time) on Wednesday, 14 December 2022.

Postal Delivery:

Simonds Group Limited
C/- Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

Hand Delivery:

Simonds Group Limited
C/- Boardroom Pty Limited
Level 8, 210 George Street
SYDNEY NSW 2000

For the convenience of Eligible Shareholders with an address on the register in Australia, an Australian reply-paid envelope addressed to the Share Registry has been enclosed with your personalised Entitlement and Acceptance Form.

If you have more than one holding of existing Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding. A separate Entitlement and Acceptance Form and payment of Application Monies must be completed for each separate Entitlement you hold.

2.8.3 New Zealand holders

Eligible Shareholders who are resident in New Zealand and are unable to pay via BPAY® or cheque by the Closing Date should contact the Share Registry on +61 2 9290 9600 from 8.30am to 5.30pm (Melbourne time) Monday to Friday or email corporateactions@boardroomlimited.com.au to make alternative arrangements.

2.8.4 Refunds

Any Application Monies received for more than your final allocation of New Shares will be refunded (only where the amount is \$2.00 or greater) as soon as practicable. No interest will be paid on any Application Monies received or refunded.

2.9 Application is binding

A payment made through BPAY® or a completed and lodged Entitlement and Acceptance Form together with the payment of requisite Application Monies constitutes a binding acceptance to acquire New Shares on the terms and conditions set out in this Offer Booklet and, once lodged or paid, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid application for New Shares. Simonds' decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

By completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY®, or selling or transferring any part of your Entitlement you will be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:

- you have read and understand this Offer Booklet and your personalised Entitlement and Acceptance Form in their entirety;
- you agree to be bound by the terms of the Entitlement Offer, the provisions of this Offer Booklet, and Simonds' constitution;
- you authorise Simonds to register you as the holder(s) of New Shares allotted to you;
- you declare that all details and statements in the personalised Entitlement and Acceptance Form are complete and accurate;
- you declare you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlement and Acceptance Form;
- that once Simonds receives your personalised Entitlement and Acceptance Form or any payment of Application Monies via BPAY®, you may not withdraw your Application or funds provided except as allowed by law;
- you agree to apply for and be issued up to the number of New Shares (including any Additional New Shares) specified in the personalised Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY® at the Offer Price;
- you authorise Simonds, the Lead Manager, the Share Registry and their respective officers or agents to do anything on your behalf necessary for New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in your personalised Entitlement and Acceptance Form;
- you declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;
- the information contained in this Offer Booklet and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs;
- this Offer Booklet is not a prospectus, does not contain all of the information that you may require in order to assess an investment in Simonds and is given in the context of Simonds' past and ongoing continuous disclosure announcements to ASX, which is publicly available at www.asx.com.au;
- you have read and understood the statement of key risks in Appendix 2 (Key Risks) of the Investor Presentation included in Section 3 of this Offer Booklet, and understand and acknowledge that investments in Simonds are subject to risk;
- none of Simonds, the Lead Manager, or their respective related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of Simonds, nor do they guarantee the repayment of capital;
- you agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Entitlement Offer and of your holding of Shares on the Record Date;
- you authorise Simonds to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
- you represent and warrant (for the benefit of Simonds, the Lead Manager and their respective related bodies corporate and affiliates) that you are not an Ineligible Shareholder and are otherwise eligible to participate in the Entitlement Offer;
- you represent and warrant that the law of any place does not prohibit you from being given this Offer Booklet and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an application for New Shares and that you are otherwise eligible to participate in the Entitlement Offer;

- you represent and warrant that you are an Eligible Shareholder.
- and not in the United States and are not a person (including a nominee or custodian) acting for the account or benefit of a person in the United States and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares under the Entitlement Offer;
- you and each person on whose account you are acting understand and acknowledge that the New Shares have not been, or will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction in the United States and may not be offered, sold or otherwise transferred in the United States. You further acknowledge that the New Shares may only be offered, sold or resold outside the United States in "offshore transactions" (as defined in Rule 902(h) under the U.S. Securities Act) in compliance with Regulation S under the U.S. Securities Act;
- you are subscribing for Entitlements and/or purchasing New Shares outside the United States (i.e. in an "offshore transaction" (as defined in Rule 902(h) under the U.S. Securities Act) in compliance with Regulation S under the U.S. Securities Act);
- you have not and will not send this Offer Booklet, the Entitlement and Acceptance Form or any other materials relating to the Entitlement Offer to any person in the United States, to any person acting for the account or benefit of a person in the United States, or to any person in any other country outside Australia and New Zealand;
- if in the future you decide to sell or otherwise transfer the New Shares, you will only do so in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act, including in regular way transactions on the ASX or otherwise where neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States;
- if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is resident in Australia or New Zealand and is not in the United States and is not acting for the account or benefit of a person in the United States, and you have not sent this Offer Booklet, the Entitlement and Acceptance Form or any information or materials relating to the Entitlement Offer to any such person;
- determination of eligibility of investors for the purposes of the Entitlement Offer, and in particular, the question as to whether a shareholder is an Eligible Shareholder, is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Simonds and/or the Lead Manager. Simonds and the Lead Manager disclaim any liability in respect of the exercise or otherwise of that discretion, to the maximum extent permitted by law;
- if you sell Entitlements to which you are not entitled or for which you do not hold sufficient Entitlements at the time required to deliver those Entitlements, you will acquire Entitlements or Shares to satisfy these obligations as required by Simonds in its discretion; and
- you are eligible under applicable securities laws to exercise Entitlements and acquire New Shares and Additional New Shares (as the case may be) under the Entitlement Offer.

2.10 Enquiries

If you have not received or you have lost your personalised Entitlement and Acceptance Form, or have any questions, please contact the Share Registry on 1300 737 760 (inside Australia) or +61 2 9290 9600 (outside Australia) from 8.30am to 5.30pm (Melbourne time) Monday to Friday during the Entitlement Offer Period. If you have any further questions, you should contact your stockbroker, solicitor, accountant or other professional adviser.

3. ASX Offer Materials

ASX ANNOUNCEMENT SIMONDS GROUP EQUITY RAISING

25 November 2022

Simonds Group Limited (**Simonds, SIO or Company**) (ASX:SIO), one of Australia's leading homebuilders, announces a \$25.5 million pro rata traditional renounceable entitlement offer to support the Company's balance sheet and working capital requirements.

As a result of challenging market conditions detailed in the Company ASX announcement released to the market on 7 November 2022, the Simonds Board has explored various capital solutions to strengthen the Company's balance sheet to allow it to withstand a more prolonged adverse trading period. Following the consideration of various options, an independent board committee of the Simonds Board comprising independent non-executive directors, David Denny and Iain Kirkwood (**Independent Board Committee or IBC**), have determined an equity raising of \$25.5 million combined with negotiating updated terms for the Company's secured financing facilities to be the best path forward having regard to Simonds' currently anticipated working capital requirements through this difficult and uncertain trading period.

Summary

- Simonds to raise approximately \$25.5 million by way of a traditional pro rata renounceable entitlement offer of new ordinary shares in the Company to eligible existing shareholders.
- The Company's largest shareholder, Vallence Gary Simonds, has entered into an underwriting agreement to fully underwrite the Offer (excluding his own entitlements, which he has committed to exercise in full).¹
- Net proceeds raised under the offer will be used to support the Company's working capital requirements and reset its capital structure.
- Post completion of the offer, Simonds will have pro forma liquidity of at least ~\$44.2 million (as at 30 September 2022) to sustain it through what is expected to be a more prolonged adverse trading period.

Equity Raising

SIO is undertaking a traditional 13 for 9 pro rata renounceable entitlement offer to raise approximately \$25.5 million (**Offer or the Equity Raising**).

The issue price of \$0.12 (**Offer Price**) represents a:

- 14.2% discount to TERP² of \$0.140
- 28.8% discount to the 30-day VWAP³ of \$0.168
- 4.0% discount to last close of \$0.125 on 24 November 2022

The Offer is open to existing SIO shareholders on the register as at 7.00pm (AEDT) on the Record Date of Wednesday, 30 November 2022.

¹ The Entitlement Offer is underwritten pursuant to the terms of the underwriting agreement entered into with an entity controlled by Vallence Gary Simonds. A summary of the underwriting agreement is set out in Appendix 4 of the accompanying investor presentation also provided to the ASX today.

² The Theoretical Ex-Rights Price ('TERP') is the theoretical price at which SIO shares should trade immediately after the ex-date of the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which SIO shares will trade on the ASX immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to the TERP. TERP is calculated by reference to the 30-day VWAP of the Company's shares as traded on the ASX of \$0.168 up to and including 24 November 2022, being a reasonable reflection of the Company's shares over a practical period given the limited trading and liquidity of the Company's shares prior to the announcement of the Entitlement Offer.

³ The Volume Weighted Average Price ('VWAP') in this presentation was calculated as the 30 day total value of SIO shares sold on the ASX divided by the total 30 day volume up to and including 24 November 2022.

Entitlements may only be exercised by persons with a registered address on the Company's share register in Australia and New Zealand (**Eligible Shareholders**). Ineligible shareholders are all those shareholders with registered addresses as at the Record Date outside these jurisdictions (**Ineligible Shareholders**).

Entitlements may be sold by Eligible Shareholders on ASX from 29 November 2022 to 7 December 2022. It is the responsibility of purchasers of entitlements to inform themselves of the eligibility criteria for the exercise of entitlements. If holders of entitlements after the end of the trading period do not meet the eligibility criteria, they will not be able to exercise the entitlements.

Simonds has appointed Ord Minnett Limited (**Ord Minnett**) to act as nominee for the purpose of selling entitlements which would otherwise have been available to Ineligible Shareholders and arranging for the distribution to Ineligible Shareholders their proportion of the proceeds of sale (if any), net of expenses. Ord Minnett is also acting as lead manager of the Offer.

All Eligible Shareholders who accept and pay for their entitlement in full will be entitled to apply for "overs" (subject to compliance with applicable laws and the ASX Listing Rules) (**Oversubscription Facility**). Additional new Shares will only be available under the Oversubscription Facility to the extent that there is any shortfall under the Offer. To the extent there is greater demand than there is shortfall, Eligible Shareholders who have applied for additional new Shares will have their applications scaled back on a pro rata basis and to the extent considered necessary to prevent the issue of securities contrary to the law or ASX Listing Rules.

Following completion of the 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 new Shares under the Oversubscription Facility). These shortfall shares will be offered at the Offer Price to new and existing institutional and sophisticated investors in a bookbuild process (**Shortfall Bookbuild**) which is intended to be a bookbuild as to volume only.

The Offer provides Eligible Shareholders with the opportunity to take up all or part of their entitlements. Approximately 212.7 million Shares, representing approximately 144% of SIO's issued capital will be issued under the Offer. New Shares issued under the Offer (including new Shares issued under the Oversubscription Facility and following the Shortfall Bookbuild, if any) will rank pari passu with existing shares from their respective dates of issue.

Full details and effects of the Entitlement Offer will be set out in an Offer Booklet which will be sent to Eligible Shareholders in accordance with the ASX approved timetable.

Underwriting

The Entitlement Offer is underwritten by an entity ultimately controlled by Simonds' largest shareholder, Vallence Gary Simonds (excluding his own entitlements, which he has committed to exercise in full).

A summary of the underwriting agreement is set out in Appendix 4 of the accompanying investor presentation also provided to the ASX today. This includes a summary of significant events that could lead to the underwriting agreement being terminated.

Use of Proceeds

Proceeds raised will be used to support the Company's working capital requirements and reset its capital structure in light of difficult trading and macroeconomic conditions. To the extent that conditions improve earlier than anticipated, the Company may consider the appropriate allocation of working capital to future initiatives as conditions become clearer.

Updated Borrowing Facility Terms

Simonds' lender has provided a letter of support for updated secured financing facility terms, subject to completion of the proposed equity raising (including raising at least \$25.0 million) and certain other conditions, including finalisation of an amended facility agreement.

Under the updated terms, the facility maturity date will be extended to 30 June 2024, and will be amended with net asset and liquidity covenants.

Comments from the CEO and Executive Chairman

Simonds' CEO and Executive Chairman Rhett Simonds said:

"The Company has been dealing with a range of factors that have adversely impacted the business and the Australian residential building sector more generally, including prolonged wet weather, flooding, supply chain shortages, delivery delays and reduced availability of skilled labour.

These factors have delayed the improvement of margins, as the Company must first trade through the older lower margin contracts in its pipeline and we now expect adverse conditions to continue for longer than originally anticipated.

With the continued availability of the overdraft and borrowing facilities and net proceeds of the Offer, Simonds will have pro forma liquidity of at least ~\$44.2 million to sustain it through what is expected to be a difficult more prolonged adverse period of trading period.

Once the adverse conditions subside, the Company will be able to respond to the opportunities presented in the recent Federal Government Budget announcements concerning the new Housing Accord and a new national housing supply target as well as work through its existing pipeline of contracts."

Advisers

Ord Minnett is acting as lead manager and Gilbert + Tobin is acting as legal adviser to the Offer.

Timetable

Key Event	Indicative Date
Announcement of Entitlement Offer	Friday, 25 November 2022
Ex Date for Entitlement Offer Entitlement trading commences on a deferred settlement basis	Tuesday, 29 November 2022
Record Date of Entitlements	Wednesday, 30 November 2022
Offer Booklet and Entitlement and Acceptance Forms Despatched Entitlement Offer Opens (9.00 am)	Monday, 5 December 2022
Entitlement Trading Ends	Wednesday, 7 December 2022
New Shares quoted on a deferred settlement basis	Thursday, 8 December 2022
Entitlement Offer Closes (5.00 pm)	Wednesday, 14 December 2022
Announcement of results of Entitlement Offer and under-subscriptions	Monday, 19 December 2022
Shortfall Bookbuild and determination of allocation under Oversubscription Facility and Shortfall Bookbuild	Tuesday, 20 December 2022
Issue of New Shares Under Entitlement Offer Appendix 2A Lodged (Entitlement Offer) Shortfall Notification	Wednesday, 21 December 2022
New Shares commence trading on ASX on a normal settlement basis	Thursday, 22 December 2022
Expected date to issue Shortfall Shares to Eligible Shareholders and third-party investors	Friday, 23 December 2022
Commencement of trading of Shortfall Shares	Wednesday, 28 December 2022

This timetable is indicative only and may change without notice at the Company's discretion or subject to the requirements of the ASX Listing Rules and Corporations Act. Simonds has the ability to make changes to the Offer timetable including to extend the closing date for the entitlements and/or to accept late applications for the Offer.

Additional Information

Further details of the Offer, including the effect of the Offer on the Company, are set out in the accompanying investor presentation also provided to the ASX today. The investor presentation contains important information including key risks with respect to the Offer. This announcement should be read together with the disclosures made in the investor presentation, the Offer booklet and the cleansing notice issued under section 708AA of the Corporations Act 2001 (Cth) which have also been provided to the ASX today (together, the **Announcements**).

If you have any questions in relation to the details of the Offer, please contact the Share Registry on 1300 737 760 (inside Australia) or +61 2 9290 9600 (outside Australia) at any time between 8.30am to 5.30pm (AEDT) Monday to Friday during the Entitlement Offer Period, or if you require advice about your participation in the Entitlement Offer, consult your stockbroker, accountant or other independent professional adviser.

The Board has authorised that this document be given to the ASX.

- ENDS -

Further Information

For more information, please contact:

Rhett Simonds CEO and Executive Chairman Ph: +61 3 9926 3151
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Authorised for lodgement by the Simonds Group Limited Board of Directors.

Important notice and disclaimer

The Announcements have been prepared for publication in Australia and may not be released to US wire services or distributed in the United States. The Announcements do not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction where such an offer would be unlawful. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 (**US Securities Act**). The Shares to be issued under the Offer may not be offered or sold, directly or indirectly, in the United States.

The Announcements include forward-looking statements. These forward-looking statements are based on the Company's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the Company, which could cause actual results to differ materially from such statements. The Company makes no undertaking to subsequently update or revise the forward looking statements made in the Announcements, to reflect the circumstances or events after the date of the Announcements.

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Simonds Group Equity Raising

25 November 2022



Important Notice and Disclaimer

Important Notices and Disclaimer

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This Presentation has been prepared by Simonds Group Limited (ACN 143 841 801) (**Simonds**) and is dated 25 November 2022. This Presentation has been prepared in connection with Simonds' fully underwritten, renounceable entitlement offer of new ordinary shares in Simonds (**New Shares**) to certain eligible Simonds shareholders (**Offer**).

The Offer is being made to eligible shareholders of Simonds in Australia and New Zealand under section 708AA 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).

Summary information

This Presentation: (i) contains summary information about Simonds and its activities current as at the date of this Presentation; (ii) is for information purposes only and is not, and does not comprise all of the information which would be required to be disclosed in a prospectus, product disclosure statement or other offering document under Australian law or any other law and will not be lodged with the Australian Securities and Investments Commission (**ASIC**) or any foreign regulator; (iii) does not and will not form any part of any contract for the acquisition of New Shares; and (iv) should be read in conjunction with Simonds' other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (**ASX**), which are available at www.asx.com.au.

Market and industry data

Certain market and industry data used in connection with this Presentation may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. None of Simonds, its representatives or advisors have independently verified any such market or industry data provided by third parties or industry or general publications.

Not an offer

This Presentation is for information purposes only and is not an invitation or offer of securities for subscription, purchase or sale in any jurisdiction in which it would be unlawful. This Presentation is not a prospectus, product disclosure statement or other disclosure document under the Corporations Act (and has not been lodged with ASIC) or any other law. The Offer will be made on the basis of the information contained in the offer booklet to be prepared for eligible shareholders in Australia and New Zealand (**Offer Booklet**) and made available following its lodgement with ASX. Any eligible shareholder in Australia or New Zealand who wishes to participate in the Offer should consider the Offer Booklet before deciding whether to apply for New Shares under the Offer. Anyone who wishes to apply for New Shares under the Offer will need to apply in accordance with the instructions contained in the Offer Booklet and the entitlement and acceptance form.

New Zealand

This Presentation has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013* (the **FMC Act**). The Entitlements and the New Shares are not being offered to the public within New Zealand other than to existing shareholders of Simonds with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2021*.

This Presentation is not a product disclosure statement under New Zealand law. It does not, and is not required to, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Other than through the exercise of Entitlements, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

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Financial data

All dollar values are in Australian dollars (A\$ or AUD) unless stated otherwise. This Presentation includes certain historical financial information as at 30 June 2022 unless stated otherwise (**Financial Information**).

The Financial Information has been included in this Presentation in relation to the Offer and should not be used for any other purpose. The Financial Information is intended to present investors with information to assist them in understanding the underlying historical financial position of Simonds. The directors of Simonds (the **Directors**) are responsible for the preparation and presentation of the Financial Information.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by Australian Accounting Standards (**AAS**) and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

Certain financial measures included in this Presentation are (i) "non-IFRS financial information" under ASIC Regulatory Guide 230: "Disclosing non-IFRS financial information" and (ii) non-GAAP financial measures under Regulation G of the U.S. Securities Exchange Act of 1934, as amended. This presentation includes financial information for Simonds for the period post 30 June 2022 which has neither been reviewed nor audited.

While Simonds believes that this non-IFRS financial information provided, and these non-GAAP financial measures provide, useful information to users in measuring the financial performance and conditions of Simonds, non-IFRS and non-GAAP financial measures do not have standardised meanings prescribed by AAS or International Financial Reporting Standards ("IFRS"), may not be comparable to the calculation of similar measures of other companies and, as presented, may not be permissible in a registration statement under the U.S. Securities Act. Therefore, you should not place undue reliance on any non-IFRS financial information or non-GAAP financial measures included in this Presentation or construe them as alternatives to other financial measures determined in accordance with AAS or IFRS.

This Presentation contains pro forma financial information. In particular, it includes Simonds' liquidity position as at September 2022 and pro forma cash balance information for Q1FY23 (and taking into account the effect of the Offer). Investors should note that the pro forma financial information included in this Presentation is for illustrative purposes only, is not represented as being indicative of Simonds' views on its future financial condition or performance, and any pro forma historical financial information included in this Presentation does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission. Pro-forma financial information in this presentation has not been audited or reviewed in accordance with the AAS.

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Presentation are subject to the effect of rounding.

Future performance and forward looking statements

This Presentation contains certain "forward-looking statements" that are based on management's beliefs, assumptions and expectations and on information currently available to management. The words "expect", "likely", "should", "could", "may", "will", "aim", "intend", "propose", "believe", "opinion", "consider", "predict", "plan", "scenario", "project", "outlook", "guidance", "forecast", "anticipates", "target" "estimate" and other similar expressions within the meaning of securities laws of applicable jurisdictions are intended to identify forward-looking statements. Such forward-looking statements include statements regarding Simonds' expectations about the financial and operating performance of its businesses, statements about the plans, objective and strategies of Simonds' management, statements about the industry and markets in which Simonds operates and statements about the timetable and the outcome of the Offer and the proceeds thereof. Forward-looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.

Investors are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and significant volatility, uncertainty and disruption caused by the COVID-19 pandemic and certain geopolitical tensions. Any forward-looking statements, opinions and estimates in this Presentation speak only as of the date hereof and are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. Any such statements contained in this Presentation are not indications, guarantees or predictions of future performance and involve known and unknown risks, contingencies and uncertainties and other factors, many of which are beyond the control of Simonds, and may involve significant elements of subjective judgment and assumptions as to future events, which may or may not be correct. Forward-looking statements may also assume the success of Simonds' business strategies. The success of any of these strategies is subject to uncertainties and contingencies beyond Simonds' control, and no assurance can be given that any of the strategies will be effective or that the anticipated benefits from the strategies will be realised in the period for which the forward-looking statements may have been prepared or otherwise. Refer to the key risks in Appendix 2 of this Presentation for a non-exhaustive summary of certain general and company-specific risk factors that may affect Simonds.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements, including (without limitation), ongoing impacts from severe weather events in Australia, the risks and uncertainties associated with the ongoing impacts of the COVID-19 pandemic, current geopolitical tensions, the Australian and global economic environment and capital market conditions and other risk factors set out in this Presentation. Investors should consider the forward-looking statements contained in this Presentation in light of those risks and disclosures. The forward-looking statements are based on information available to Simonds as at the date of this presentation.

No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including Simonds or any of its advisers). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this Presentation will actually occur. Actual operations, results, performance, targets or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Except as required by law or regulation (including the ASX Listing Rules), Simonds disclaims any obligation or undertaking to update forward-looking statements in this Presentation to reflect any changes in expectations in relation to any forward-looking statement or change in events, circumstances or conditions on which any statement is based.

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Investment risk and other risks

An investment in New Shares is subject to investment and other known and unknown risks, some of which are beyond the control of Simonds. Simonds does not guarantee any particular rate of return or the performance of Simonds nor does it guarantee any particular tax treatment. Investors should have regard to Appendix 2 (Key Risks) of this Presentation when making their investment decision. These risks, together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of shares in Simonds (including New Shares) in the future. There is no guarantee that the New Shares will make a return on the capital invested, that dividends will be paid on the New Shares or that there will be an increase in the value of the New Shares in the future.

Disclaimer

No party other than Simonds has authorised, permitted or caused the issue, submission, dispatch or provision of this Presentation or makes or purports to make any statement in this Presentation. Ord Minnett Limited (ABN 86 002 733 048) (**Lead Manager**) is the financial advisor and lead manager to the Offer. SFO Administration Pty Ltd (ACN 602 614 871) (**Underwriter**), in its capacity acting as agent and trustee on behalf of and for the benefit of entities controlled by Simonds' largest shareholder, Vallence Gary Simonds, (**Underwriter**), an entity associated with the Company's largest shareholder (Vallence Gary Simonds), is acting as underwriter to the Offer on the terms set out in an underwriting agreement. The Underwriter will receive fees for acting in its capacity as underwriter to the Offer.

To the maximum extent permitted by law, each of Simonds, the Lead Manager, the Underwriter, their respective affiliates or related bodies corporate, and each of their respective advisers, directors, officers, partners, employees and agents (each a **Limited Party**):

- expressly exclude and disclaim all responsibility and liability, including, without limitation, for negligence or in respect of any expenses, losses, damages or costs incurred by you as a result of your participation in the Offer and the information in this Presentation being inaccurate or incomplete in any way for any reason, whether by way of negligence or otherwise; and
- make no representation or warranty, express or implied, as to the fairness, currency, accuracy, reliability or completeness of information in this Presentation or any constituent or associated presentation, information or material, or the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in, implied by, the information in this Presentation or any part of it, or that this Presentation contains all material information about Simonds, the Offer or that a prospective investor or purchaser may require in evaluating a possible investment in Simonds or acquisition of New Shares.

The Lead Manager, the Underwriter and their other Limited Parties make no recommendations as to whether you or your related parties should participate in the Offer nor do they make any representations or warranties to you concerning the Offer. There is no statement in this Presentation which is based on any statement by the Lead Manager, Underwriter or their respective Limited Parties (except for references to the Lead Manager's and Underwriter's name). You represent, warrant and agree that you have not relied on any statements made by the Lead Manager, the Underwriter or other Limited Parties in relation to the Offer and you further expressly disclaim that you are in a fiduciary relationship with any of Simonds, the Lead Manager, the Underwriter or their Limited Parties. You undertake that you will not seek to sue or hold the Lead Manager, the Underwriter or their respective Limited Parties liable in any respect in connection with this Presentation or the Offer (to the maximum extent permitted by law).

The Lead Manager, together with its affiliates and related bodies corporate, is a full service financial institution engaged in various activities, which may include trading, financing, financial advisory, investment management, investment research, principal investment, hedging, marketing making, market lending, brokerage and other financial and non-financial activities and services including for which it has received or may receive customary fees and expenses. The Lead Manager (and/or its bodies corporate) has performed, and may perform, other financial or advisory services for Simonds, and/or may have other interests in or relationships with Simonds and its related entities or other entities mentioned in this Presentation for which they have received or may receive customary fees and expenses. Without limitation, in the ordinary course of their various business activities, the Lead Manager and other Limited Parties may have interests in the securities of Simonds, including being directors of, or providing investment banking services to, Simonds. Further, they may act as market maker or buy or sell those securities or associated derivatives as principal or agent. The Lead Manager may receive fees for acting in its capacity as the financial advisor and lead manager to the Offer.

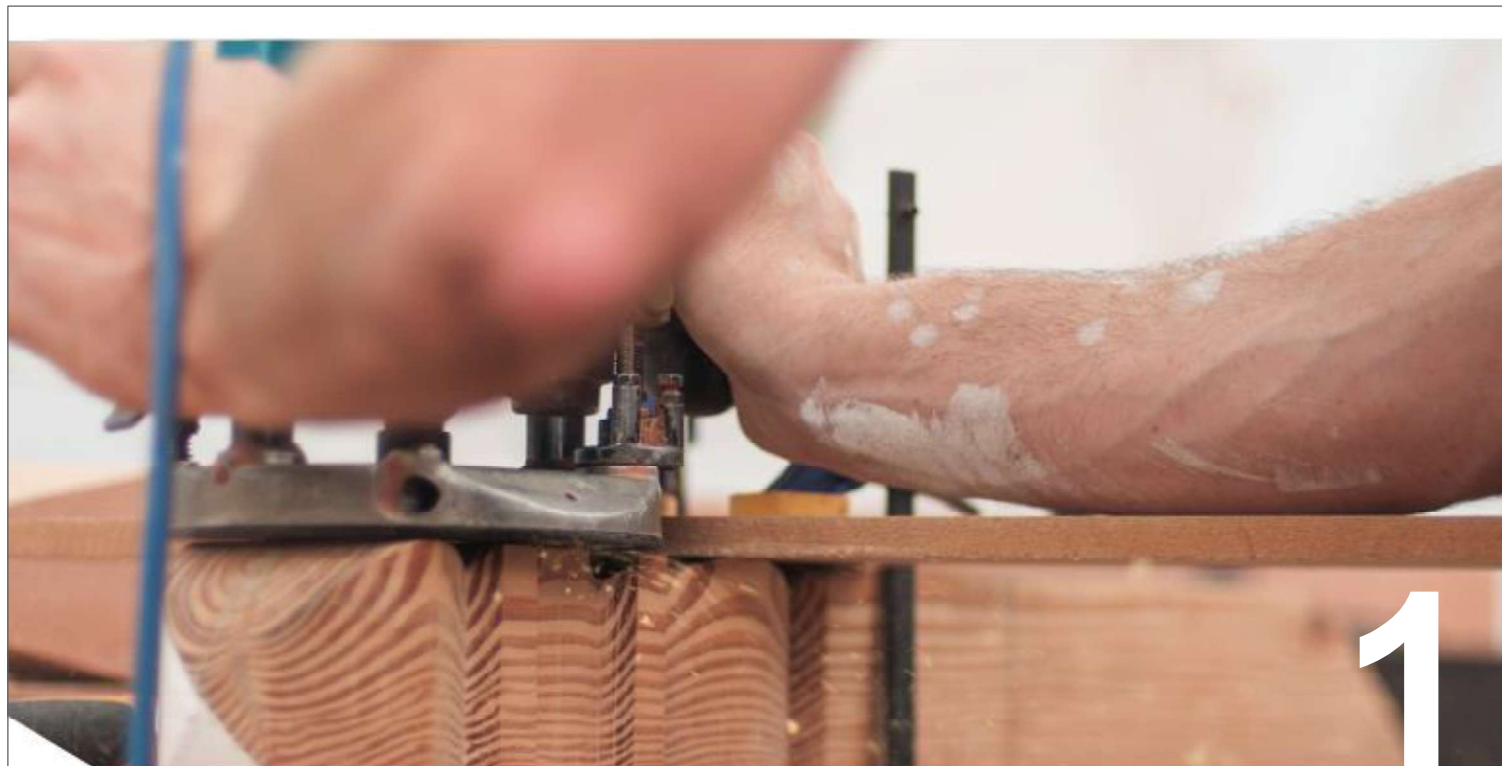
Investors acknowledge and agree that determination of eligibility of investors for the purposes of the Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Simonds and the Lead Manager. Each of Simonds and the Lead Manager and each of their respective affiliates disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law.

Statements made in this presentation are made only as at the date of this Presentation. Except as required by applicable law, the Lead Manager, the Underwriter, Simonds and their respective Limited Parties do not have any obligation to update the statements in this Presentation. The information in this Presentation remains subject to change without notice.

Withdrawal and cooling-off

Simonds reserves the right to withdraw, or vary the timetable for, the Offer without notice. Cooling-off rights do not apply to the acquisition of New Shares.

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Executive Summary

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Rationale and reasons to support the Offer

1	Increases balance sheet strength and flexibility	<ul style="list-style-type: none"> Strengthened balance sheet, with pro-forma liquidity after the Offer of \$44.2 million (as at Sep-22) to support the Company's working capital requirements
2	Allows Company to continue its focus on implementing its strategy and drive Shareholder returns	<ul style="list-style-type: none"> Resets the Company's capital structure, supports balance sheet and assists in stabilising earnings in a difficult market trading environment that is likely to continue into FY23
3	The Company has a clear understanding of market conditions and has responded accordingly	<ul style="list-style-type: none"> Company cognisant of persistent market conditions that are impacting supply and productivity combined with impending conditions that are likely to slow demand considerably, with a view of preparing the Company for a difficult trading period in advance of continuing difficult market conditions
4	Company positioned to benefit from improvement in input prices	<ul style="list-style-type: none"> Recent data suggests input costs are starting to moderate, while the Company has successfully increased Site Start Values (as highlighted on page 13), with further price increases to houses anticipated in FY23
5	Opportunity to invest in Simonds on attractive terms	<ul style="list-style-type: none"> Simonds is a leading residential home building company operating across Australia with a 70+ year history, trusted brand and reputation and a high quality and diverse product offering The Offer allows shareholders to increase their investment at discounted offer price of \$0.12 per new share <ul style="list-style-type: none"> 14.2% discount to TERP¹ of \$0.140 28.8% discount to the 30-day VWAP² of \$0.168 4.0% discount to the last traded price of \$0.125 on 24 November 2022

1. The Theoretical Ex-Rights Price ("TERP") is the theoretical price at which SIO shares should trade immediately after the ex-date of the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which SIO shares will trade on the ASX immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to the TERP. TERP is calculated by reference to the 30-day VWAP of the Company's shares as traded on the ASX of \$0.168 up to and including 24 November 2022, being a reasonable reflection of the Company's shares over a practical period given the limited trading and liquidity of the Company's shares prior to the announcement of the Entitlement Offer.

2. The Volume Weighted Average Price ("VWAP") in this presentation was calculated as the 30 day total value of SIO shares sold on the ASX divided by the total 30 day volume up to and including 24 November 2022.

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Executive Summary

Trading conditions update	<ul style="list-style-type: none"> A range of factors have adversely impacted Simonds Group Limited (Simonds or the Company) and the Australian residential building sector more generally, including the impact of prolonged wet weather and flooding, supply shortages and delivery delays for materials, reduced availability of skilled labour, interest rate rises, reduced customer borrowing capacity, delays to land registration and inflation These factors delay the improvement of margins, as Simonds must first trade through the older lower margin contracts in the pipeline, as detailed on page 15 Simonds now expects adverse market conditions to continue for longer than originally anticipated. It is uncertain how long these conditions will continue Additionally, the Company is experiencing adverse impacts on demand for new homes as a result of interest rate rises, continuing inflationary pressures and as a result of the demand generated by the HomeBuilder scheme coming to an end. In response to this, the Company is making targeted investments in advertising, marketing and display homes in growth corridors to drive sales
Update on operational initiatives	<ul style="list-style-type: none"> Several operational initiatives considered by Simonds in its FY22 Annual Report released to the market on 11 October 2022 have since progressed, with a view of right-sizing the Company's cost base to trade through challenging trading conditions Progress on initiatives includes ~\$8 million of annualised savings already implemented through a reduction in headcount, with a further ~\$4 million in savings identified This progress is further supplemented by pricing increases which have already been implemented, with average Site Start Values already 17% higher in Q1 FY23 than Q1 FY22, alongside continued investment in advertising and marketing to drive new Site Starts

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Executive Summary (Cont'd)

Balance sheet and funding position	<ul style="list-style-type: none"> Simonds' pro forma average daily net cash balance in Q1 FY23 was ~\$7.9 million¹ As at 30 September 2022, Simonds had pro forma available liquidity² (before proceeds of the Offer, as defined below) of ~\$19.7 million Simonds' lender has provided a letter of support for updated borrowing facility terms (subject to completion of the proposed equity raising and certain other conditions, including entry into an amended facility agreement), with an extension of the facility maturity date to 30-Jun-24 and revised covenants, as detailed on page 20 With the continued availability of the overdraft and borrowing facilities and net proceeds of the Offer of ~\$24.5 million (i.e. \$25.5 million less Offer costs), Simonds will have pro forma liquidity of at least ~\$44.2 million of available liquidity to sustain it through what is expected to be a more prolonged adverse trading period The Company has modelled various scenarios assuming continued adverse trading conditions impacting key drivers of performance. On the basis of that modelling, management believes the proceeds of the Offer will provide adequate liquidity to cover the fulfillment of lower gross margin contracts. However, the Company notes this is highly sensitive to key drivers of performance including the number of Site Starts, building margin, Extra to Schedule % (ETS), Productivity and Site Start Values (SSV), which by their nature are very challenging to predict given current market and macroeconomic conditions Please refer to Appendix 2 for a summary of the key risks associated with an investment in Simonds, including financing and liquidity risks
Equity raising	<ul style="list-style-type: none"> Simonds is undertaking a traditional 13 for 9 pro-rata renounceable entitlement offer to raise approximately \$25.5 million (Entitlement Offer or the Offer) Net proceeds of the Offer are required to support the Company's working capital requirements and reset its capital structure in light of difficult trading and macroeconomic conditions. To the extent that conditions improve earlier than anticipated, the Company may consider the appropriate allocation of working capital to future initiatives as conditions become clearer The Company's largest shareholder, Vallence Gary Simonds, who currently owns approximately 45.7% of the shares on issue, has entered into an underwriting agreement to fully underwrite the Offer (excluding his own entitlements, which he has committed to exercise in full)³ Each of Simonds' Directors who hold shares in the Company are supportive of the Offer and intend to exercise their entitlements in full under the Entitlement Offer For further details of shareholder involvement and control implications, see Appendix 3

1. Q1 FY23 pro forma average daily net cash balance includes a \$9.9 million tax refund received on 1 November 2022 through a loss carry back tax offset, given it is a one-off clawback that relates to tax payments made in prior years.

2. Pro forma available liquidity comprises the Company's overdraft and loan facilities (less drawn facilities) and includes the tax refund received on 1 November 2022 as discussed in footnote 1.

3. The Entitlement Offer is underwritten pursuant to the terms of the underwriting agreement entered into with an entity controlled by Vallence Gary Simonds. Refer to Appendix 4 for a summary of the underwriting agreement.

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Investment Highlights

1

70+ years of history and originally listed on ASX in 2014

2

Leading position as one of the largest volume residential builders in Australia, with a leading presence in Victoria and growing operations in Queensland

3

High quality and diverse product offering with four different design concepts and unique offerings for customers

4

A market leader with a trusted brand and reputation in a highly fragmented industry

5

Favourable medium-term tailwinds, aided by the Federal Government's recently announced National Housing Accord and a new national housing supply target

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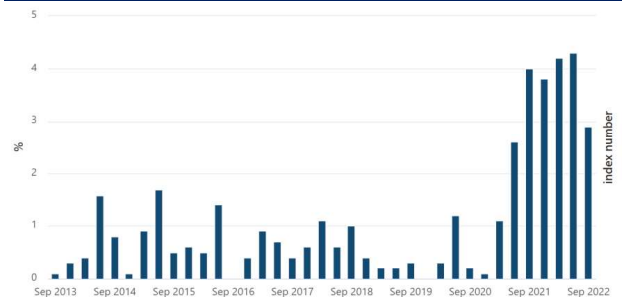
Current Trading Conditions

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Industry Backdrop

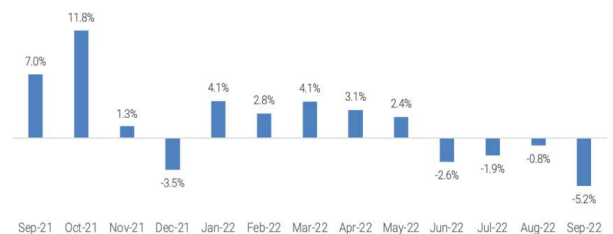
- According to data released by National Housing Finance and Investment Corporation (NHFIC) in October 2022, building material and labour cost inflation rose at its fastest pace in nearly 50 years on the back of supply constraints over the last 12 months (to Jun-22)
- The cost of structural timber, plywood and steel reinforcement have all increased by more than 25% over the past year, with some products such as structural timber rising by more than 40%
- NHFIC's analysis demonstrates that 83% of all residential building material cost inflation in 2021-22 has been due to supply constraints
- Recent data suggests that global supply chain pressures have moderated over the last few months, indicating that the supply influences on construction costs are likely to ease during 2023. For example, September quarter house construction input prices increased by 2.9% in Q3 FY22, vs. an average of 4% for each of the previous four quarters
- The availability and cost of labour continue to be an issue for the industry, albeit again with some recent easing in the last month with the construction sector reporting a 6% drop in jobs ads in Sep-22 (versus a 5.2% reduction for Australia as a whole)
- On the supply side, Australia continues to face significant housing pressures. In response, the Federal Government is implementing a comprehensive housing reform agenda with a target of one million new, well-located homes over 5 years from 2024. This is expected to continue to drive strong volumes for the industry over the medium to long term

House construction input price growth



Source: ABS

National SEEK job advert percentage change

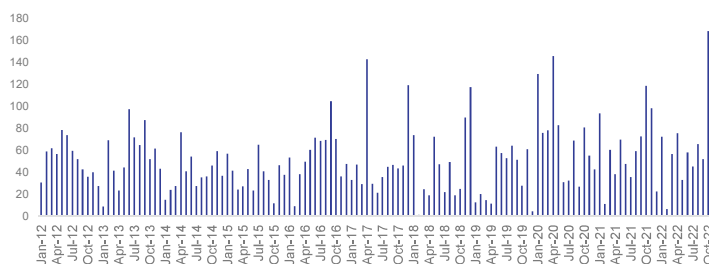


Source: Seek

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Weather Events and Labour Market

Melbourne CBD – Rainfall (Millimetres)



Source: Australian Government Bureau of Meteorology

In October 2022, Melbourne's CBD recorded its **highest rainfall since 1992** and its third wettest month since 1973¹, with prolonged wet weather and flooding being experienced across Victoria and the Australian Eastern Seaboard. These weather events caused significant delays in activity across the construction industry, particularly for Victorian-based companies

Australian Private Wages & Unemployment



Source: ABS; Thomson Reuters

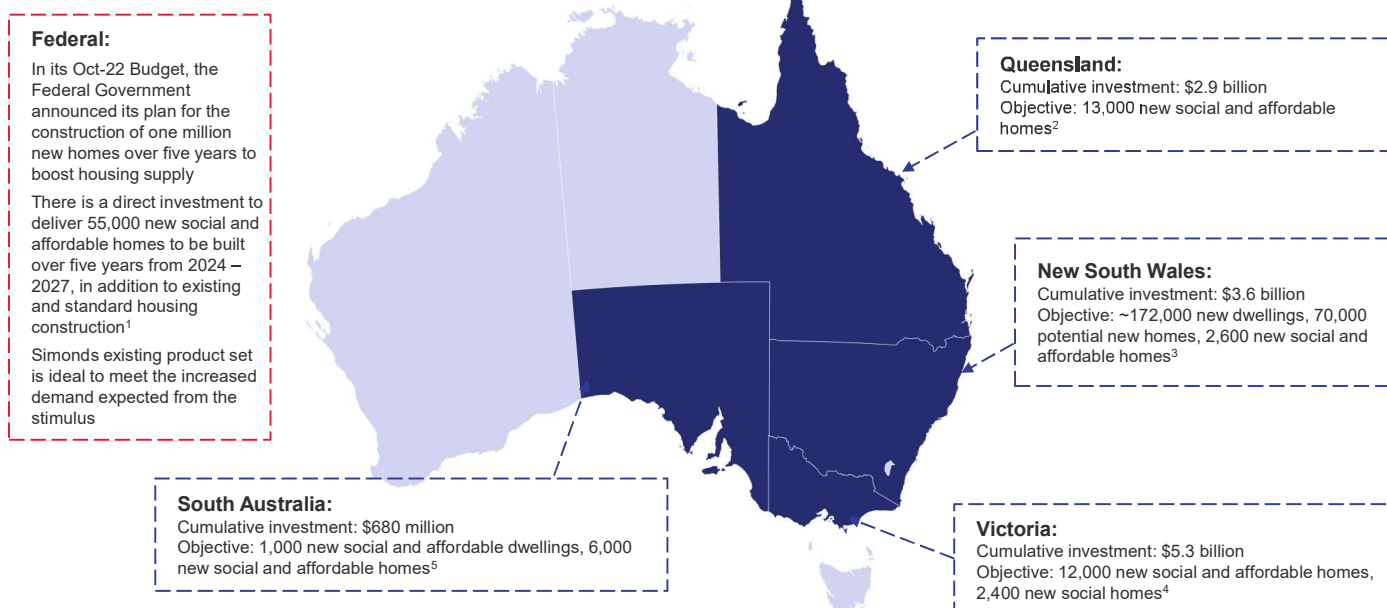
Despite a recent slowdown in Australia's labour market, the **unemployment rate remains near record lows** of 3.5% (pcp: 4.7%). The trades sector has been the second hardest hit by staff shortages², causing delays to build times and placing upwards pressure on the cost of labour

1. Based on available data from Bureau of Meteorology.
2. Source: Australian Financial Review.

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Favourable Medium-term Tailwinds

Although current market conditions are challenging, Simonds is positioning to benefit from the new National Housing Accord, which is expected to deliver one million new homes over 5 years from 2024¹



1. Commonwealth of Australia – Budget 2022-2023, *Building a Better Future*; Budget 2022-23: Improving Housing Supply and Affordability. The Australian Government Department of Treasury 2022, <https://treasury.gov.au/>
2. Queensland Government – The Queensland Cabinet and Ministerial Directory, 13th September 2022; <https://www.abc.net.au/news/2022-10-20/qld-housing-summit-property-social-affordable-housing/101552020>;
3. Queensland Government, Department of Communities, Housing and Digital Economies
4. New South Wales Government A pathway home (2022); New South Wales Government Housing Strategy 'Housing 2041' <https://www.planning.nsw.gov.au/-/media/Files/DPE/Reports/Policy-and-legislation/NSW-Housing-Strategy-Report-2021.pdf>
5. Victoria Government (2021) Homes Victoria <https://www.homes.vic.gov.au/big-housing-build>
6. Government of South Australia (2020) <https://www.housing.sa.gov.au/our-housing-future>

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Current Trading and Outlook

Simonds is operating in an extremely challenging environment

- A range of factors have adversely impacted Simonds and the Australian residential building sector more generally, including the impact of prolonged wet weather and flooding, supply shortages and delivery delays for materials, reduced availability of skilled labour, interest rate rises, reduced customer borrowing capacity, delays to land registration and inflation
- Simonds had previously expected conditions to begin to improve by October 2022. However, trading performance remains impacted by several factors



Building Margins

- Simonds' building margins have shown no improvement in Q1 FY23
- Margins are expected to remain well below pre-COVID levels throughout FY23
- Margins will continue to be challenged as the Company continues to work through a backlog of lower margin contracts combined with continued productivity challenges as outlined above



Extra to Schedule %

- Extra to Schedule (ETS) reflects the extra costs associated with each build and results in a reduction to the order margin projected at site start
- ETS levels remain elevated compared to pre-COVID levels due to above average trade rates in the market as builders push to complete jobs and improve productivity



Productivity

- Supply and labour constraints continue to impact build times and have been exacerbated by the wet weather and flooding in parts of Australia, which has made access to sites difficult
- Although Simonds have seen small monthly improvements in each month of Q1 FY23, productivity remains well below pre-COVID levels

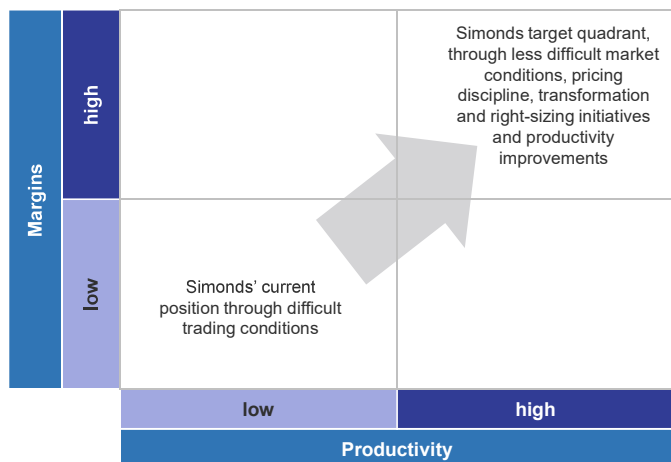
- The above negative factors have been partially offset by an average Site Start Value which was 17% higher in Q1 FY23 compared to the prior corresponding period, evidencing the pricing improvements that Simonds has implemented over the past 12 months

PAGE 13

Current Trading and Outlook (Cont'd)

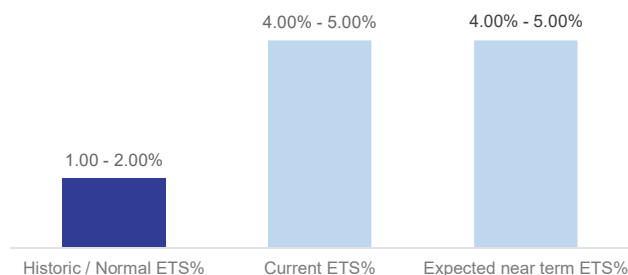
Simonds expects adverse market conditions to continue for longer than originally anticipated. It is uncertain how long these conditions will continue

Simonds targets high margin work and high productivity



ETS % expected to remain elevated near-term

- Management expects ETS % to remain elevated in the near-term, before normalising as labour supply moderates and comes back to balance with demand
- For every ~1.0% increase in ETS %, management anticipates a ~\$7-8 million negative impact to gross margin



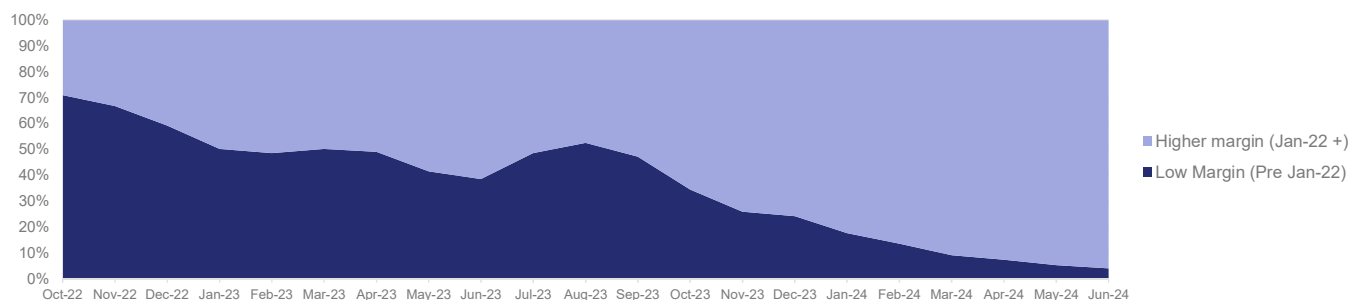
- The productivity challenges identified on the prior page will delay the improvement of margins, as Simonds must first trade through the older lower margin contracts in the pipeline (as detailed on the next page)
- Additionally, the Company is experiencing adverse impacts on demand for new homes as a result of interest rate rises, continuing inflationary pressures and as a result of the demand generated by the HomeBuilder scheme coming to an end. In response to this, the Company is making targeted investments in advertising, marketing and display homes in growth corridors to drive sales

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Contract Profile Summary

- The high inflation environment coupled with fixed price contracts has resulted in many residential builders having a substantial pipeline of low margin contracts that needs to be delivered
- Simonds contracts signed prior to Jan-22 are considered low margin as the pricing methodology included a small risk premium, which was not sufficient to absorb all the future cost increases, adverse conditions and high ETS values. These contracts normally have a positive gross margin contribution but are negative at an EBITDA level
- Contracts signed from Jan-22 onwards included higher risk allowances to account for the adverse costing conditions and have higher gross margins. Simonds changed the contractual conditions from April onwards to allow improved flexibility to reprice contracts under certain conditions
- Based on the current pipeline, the chart below reflects the anticipated reduction of lower margin contract over the next 18 months. The reduced low margin contract profile is expected to result in improved margins over the course of FY24

Projected Low Margin Contract Run Off Profile (3 Month Moving Average)



The above profile is a management estimate, based on certain assumptions about market conditions, and may change. If market conditions do not normalise in the manner expected, the reduction in lower margin contracts may take longer, which will impact profitability. Management has made certain assumptions around reduced costs, improved supply chains and labour markets, macroeconomic conditions, consumer confidence and financing availability. There is a risk that these assumptions are not correct, or that the construction industry is again affected by prolonged weather events or other adverse industry conditions which delay site starts, or push out the time to complete low margin contracts further. See the "Key Risks" in Appendix 2 of this Presentation.

In certain circumstances Simonds is able to reprice the older contracts in which case they become profitable on an EBITDA basis.

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Q1 FY23 Results Snapshot (unaudited)

Unaudited Q1 FY23 Results

\$m	Q1FY22	Q4FY22	Q1FY23	Variance (Q4FY22 to Q1FY23) (%)	Variance (Q1FY22 to Q1FY23) (%)
	Actuals	Actuals	Actuals		
Revenue	171.3	178.9	199.5	11.5%	16.4%
Cost of Sales	(133.7)	(146.9)	(166.3)	13.2%	24.4%
Gross Margin	37.7	32.0	33.2	3.8%	(12.0%)
Gross Margin %	22.0%	17.9%	16.6%	(6.9%)	(24.4%)
Salaries & Wages	(22.3)	(23.2)	(23.4)	1.0%	5.0%
Advertising & Marketing	(3.3)	(2.2)	(2.6)	15.7%	(21.9%)
Display Centre Costs	(1.2)	(1.5)	(1.2)	(22.6%)	(6.9%)
Other	(7.2)	(7.5)	(7.8)	5.3%	9.4%
Total overheads	(34.0)	(34.4)	(35.0)	2.0%	3.1%
EBITDA	3.7	(2.4)	(1.9)	(21.8%)	(150.3%)
EBITDA (%)	2.2%	(1.3%)	(0.9%)	(29.9%)	(143.2%)
Depreciation & Amortisation	(5.0)	(5.2)	(5.4)	4.9%	7.8%
Interest Expense	(0.5)	(0.5)	(0.5)	(1.1%)	(3.2%)
(Loss) / Profit before Tax	(1.8)	(8.0)	(7.8)	(3.2%)	328.3%
Income tax benefit / (expense)	0.6	2.5	2.4	(3.2%)	331.0%
Profit from discontinued operations / (loss)	0.2	(0.5)	(0.4)	(17.0%)	(284.3%)
(Loss) / Profit after Tax	(1.0)	(6.1)	(5.8)	(4.3%)	455.7%
Site starts (#)	675	599	617	3.0%	(8.6%)
Average Site Start Value (\$'000)	276	311	323	3.9%	17.0%
Operating Cash Flows (\$m)	4.2	(4.7)	(18.0)	280.6%	(531.1%)
Overheads (% of revenue)	(19.8%)	(19.2%)	(17.6%)	(8.5%)	(11.5%)

Revenue has continued to grow, primarily as a result of increased **Site Start Values** flowing from repricing strategies that have already been implemented

Gross margin has been impacted by subdued productivity as a result of supply and labour constraints impacting build times, and lower building margins as the Company works through legacy contracts, which are loss making on an EBITDA level given input price increases against the fixed price contracts

Overheads as a percentage of revenue have begun to moderate as a result of right-sizing initiatives announced in August, as detailed on the next page

Site Starts have increased since the prior quarter but remain negatively impacted by labour shortages, supply chain constraints, weather events and land title delays

Combined with the Company's operating losses, **operating cash flows** in Q1 FY23 were impacted by a change in payment terms with vendors which will result in less lumpy intra-month cashflows going forward

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Right-sizing Initiatives Update

Simonds continues to make good progress on the right-sizing initiatives communicated in August

Key Initiative	Communication in August	November Update
Redundancy Program	Reduce head count (~9%) through a targeted redundancy program	\$12 million of annualised savings identified with \$8 million in savings already implemented
Display Homes	Reduced capital investment (land & development) in FY23	Targeted investment in display homes in growth corridors to drive sales in those areas ¹
Pricing Increases	Increased profitability – fast tracking high margin contracts to enhance the gross margin profile	Average start site value already 17% higher in Q1 FY23 vs. Q1 FY22 and will continue as more higher value contracts come through pipeline
Consolidation of Premises	Not specifically communicated	Further savings identified that can be implemented in FY24 via consolidation of premises and reduction in build footprint
Other Expenses	Reduced advertising & marketing	Continued targeted advertising & marketing to continue to drive sales and new sites starts ¹

1. As outlined in SIO's market update on 7 November 2022, subsequent to the August announcement, Simonds now expects adverse trading conditions to continue for a prolonged period and a reduction in demand for new homes over the next 6 to 12 months. In response to this, the Company has resolved to continue investing in display homes, advertising and marketing (rather than implement reductions) to drive sales.

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Balance Sheet and Funding Position

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Sep-22 Balance Sheet Snapshot (unaudited)

Unaudited Sep-22 Balance Sheet

\$m	Jun-22	Sep-22
Assets		
Cash / Equivalents	11.1	-
Receivables ¹	38.2	34.1
Tax receivables / Deferred tax assets	9.9	12.6
Accrued revenue	67.6	69.9
Inventories	18.4	23.7
PP&E	6.0	5.6
Intangible assets	4.6	4.1
Other (prepayments)	2.4	2.0
Right-of-use assets	25.6	24.6
Total assets	183.9	176.6
Liabilities		
Bank Overdraft	-	8.7
Payables, customer deposits & deferred revenue ¹	111.9	100.6
Lease liabilities	26.7	25.7
Borrowings	0.3	3.1
Provisions	24.8	24.1
Taxes	6.6	6.6
Total Liabilities	170.5	168.9
Net Assets	13.5	7.7

Bank overdraft and borrowings were \$11.7 million as at Sep-22. Further details of the Company's borrowing arrangements are provided on the following page

\$9.9 million of **tax receivables** were received as a cash refund from the ATO on 1 November 2022 for tax losses against historic tax payments as a result of a loss carry back tax offset

Receivables (on a like-for-like basis¹) and **accrued receivables** increased as newer, higher priced contracts began to flow through in Q1 FY23

The increase in **inventories**, comprising land and display homes under construction/available for sale, is primarily due to timing with a number of display homes being completed in Sep-22, with their sales commencing at the end of Sep-22 and into Q2 FY23

Payables, customer deposits & deferred revenue (on a like-for-like basis¹) reduced as a result of a change in payment terms which brought forward a number of vendor payments into the quarter

1. A statutory reclassification at Jun-22 increased both receivables and payables by \$7.3 million. This reclassification has not been performed at Sep-22.
 2. There is a risk that Simonds is unable to achieve this. Please refer to Appendix 2 for details of key risks relating to financing and liquidity.

Borrowing Arrangements

- Simonds' lender has provided a letter of support for updated borrowing facility terms, subject to completion of the proposed equity raising (including raising at least \$25.0 million) and certain other conditions, including finalisation of an amended facility agreement
- Under the updated terms, the facility maturity date will be extended to 30-Jun-24, and will be amended with net asset and liquidity covenants

Borrowing facilities ¹						
Facility	Total Facilities (\$m)	Utilised at Sep-22 (\$m)	Unutilised at Sep-22 (\$m)	Interest Charge	Description	Maturity Date ²
Market Rate Loan	3.0	3.0	0.0	Fixed Market Rate	Secured by all Simonds Group Limited corporate entities	30-Jun-24
Bank Guarantees	4.0	2.0	2.0	Fixed Market Rate		
Overdraft Facility	18.5	8.7	9.8	Variable Market Rate		
Facility agreement	25.5	13.8	11.7			
Business Corporate Credit Card	1.0	1.0	0.0	Option Index Rate	Charged Card facility made available to Simonds Group	30-Jun-24
Finance Lease	8.0	7.5	0.5	Fixed Market Rate	Asset under finance leases are secured by the assets leased with repayments periods not exceeding 5 years	Repayment period not exceeding 5 years
IT Financing	0.1	0.1	0.0	Fixed Interest Rate	Master Instalment Payment Agreement with De Lage Landen Pty Ltd, which covers license subscription for Microsoft products for the period from January 2022 to December 2022	31-Dec-22
Other arrangements	9.1	8.7	0.5			
Total	34.6	22.4	12.2			

- Please refer to Appendix 2 for details of key risks relating to financing and liquidity.
- Based on updated borrowing facility terms.

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Capital Raising to Provide Additional Liquidity

Liquidity position ¹ (\$m)	As at Sep-22
Utilised overdraft and loans	(11.7)
Plus: overdraft and loan facilities	21.5
Available liquidity (Sep-22)¹	9.8
Tax refund received ²	9.9
Pro forma available liquidity (Sep-22)	19.7
Net proceeds from the Offer	24.5
Pro forma liquidity after the Offer	44.2

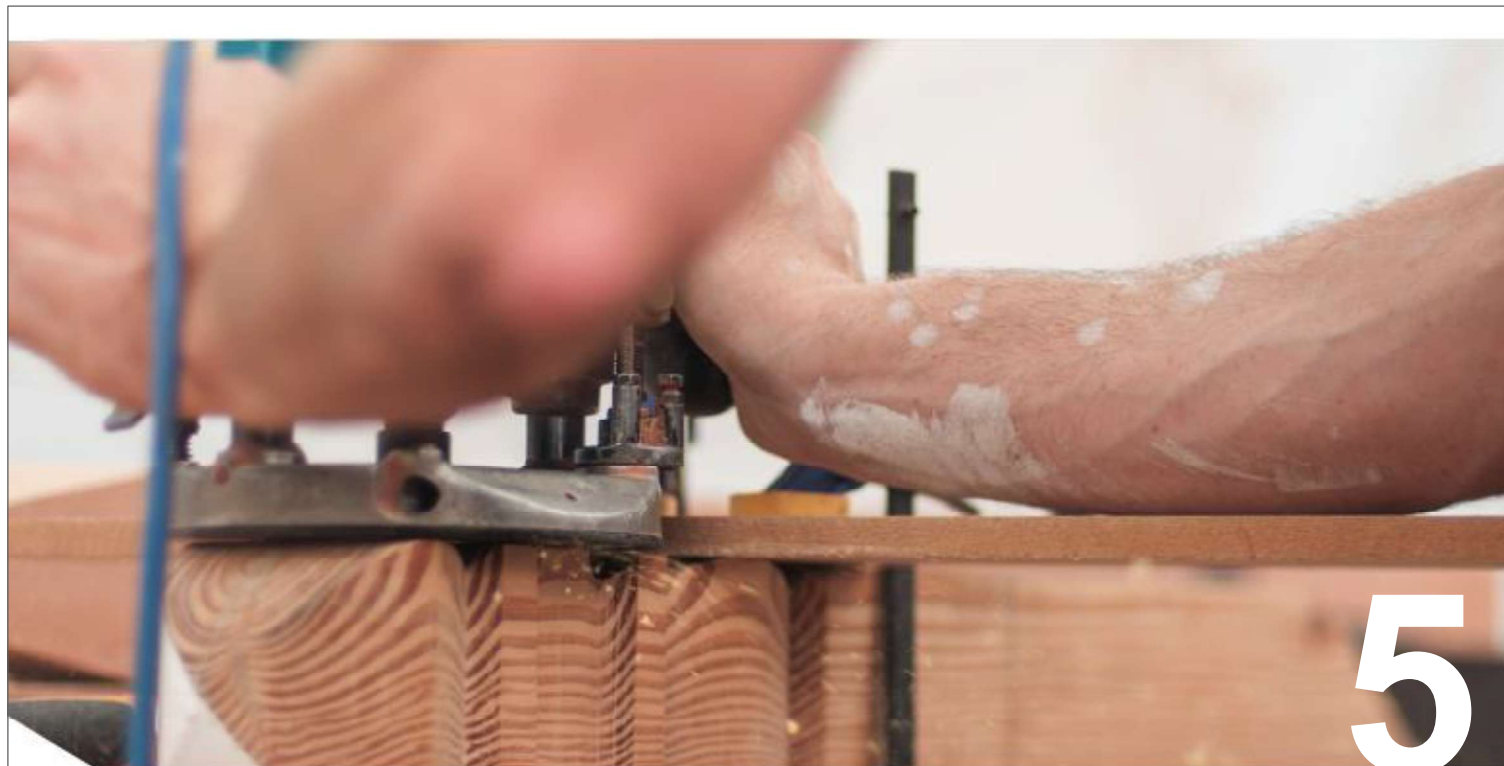
Net working capital (\$m)	As at Sep-22
Receivables	34.1
Accrued revenue	69.9
Other (prepayments)	2.0
Payables, customer deposits & deferred revenue	(100.6)
Net working capital	5.4

Key Liquidity Assumptions

- Simonds' pro forma average daily net cash balance in Q1 FY23 was ~\$7.9 million²
- As at Sep-22, Simonds had pro forma available liquidity² (before proceeds of the Offer) of ~\$19.7 million
- With the continued availability of the overdraft and borrowing facilities (as discussed on the previous page)³ and net proceeds of the Offer of ~\$24.5 million (i.e. \$25.5 million less Offer costs), Simonds will have pro forma liquidity of at least ~\$44.2 million to sustain it through what is expected to be a more prolonged adverse trading period
- The Company's budgeting is predicated on raising approximately \$25.5 million proceeds from the Offer
- The Company has modelled various scenarios assuming continued adverse trading conditions impacting key drivers of performance
- On the basis of that modelling, management believes the proceeds of the Offer will provide adequate liquidity to cover the fulfillment of lower gross margin contracts. However, the company notes this is highly sensitive to key drivers of performance including Building Margin, Extra to Schedule %, Productivity and Site Start Values
- Please refer to Appendix 2 for a summary of the key risks associated with an investment in Simonds, including financing and liquidity risks

- Liquidity position shown is based on the Company's updated borrowing facility terms.
- On 1 November 2022, Simonds received a \$9.9 million refund for tax losses against historic tax payments as a result of a loss carry back tax offset. This has been added into pro forma average daily net cash and pro forma available liquidity given it is a one-off clawback that relates to prior years.
- Subject to entry into an amended facility agreement with the lender on terms acceptable to the lender which provides for the agreed covenant relief, term extension and variation and additions to covenants disclosed in this presentation.

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Equity Raising

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Overview of the Offer

Offer size and structure	<ul style="list-style-type: none"> 13 for 9 traditional pro-rata renounceable entitlement offer to raise approximately \$25.5 million (Entitlement Offer) Approximately 212.7 million new fully paid ordinary shares in the Company (New Shares) to be issued under the Entitlement Offer (representing approximately 144% of current issued capital)
Offer price	<ul style="list-style-type: none"> Offer price of \$0.12 represents: <ul style="list-style-type: none"> 14.2% discount to TERP¹ of \$0.140 28.8% discount to the 30-day VWAP² of \$0.168 4.0% discount to the last traded price of \$0.125 on 24 November 2022
Entitlement Offer	<ul style="list-style-type: none"> Entitlement Offer opens on Monday, 5 December 2022 and closes 5.00pm (Melbourne time) on Wednesday, 14 December 2022
Ranking	<ul style="list-style-type: none"> New shares issued under the Entitlement Offer will rank pari passu with existing Simonds shares from the date of issue
Use of Funds	<ul style="list-style-type: none"> Provide financial flexibility and support working capital requirements of the business Reset Simonds' capital structure to stabilise earnings, provide balance sheet support and better position itself in light of difficult trading and macroeconomic conditions
Record Date	<ul style="list-style-type: none"> The Record Date for the Entitlement Offer is 7.00pm (Melbourne time) on Wednesday, 30 November 2022
Offer Booklet	<ul style="list-style-type: none"> Despatch of the Entitlement Offer Booklet will occur on Monday, 5 December 2022. A copy of the Entitlement Offer Booklet has been lodged with ASX today

1. The Theoretical Ex-Rights Price ("TERP") is the theoretical price at which SIO shares should trade immediately after the ex-date of the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which SIO shares will trade on the ASX immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to the TERP. TERP is calculated by reference to the 30-day VWAP of the Company's shares as traded on the ASX of \$0.168 up to and including 24 November 2022, being a reasonable reflection of the Company's shares over a practical period given the limited trading and liquidity of the Company's shares prior to the announcement of the Entitlement Offer.

2. The Volume Weighted Average Price ("VWAP") in this presentation was calculated as the 30 day total value of SIO shares sold on the ASX divided by the total 30 day volume up to and including 24 November 2022.

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Overview of the Offer (Cont'd)

Oversubscription Facility	<ul style="list-style-type: none"> Eligible Shareholders who exercise their full Entitlement will be able to apply for additional Shares under the Oversubscription Facility at the Offer Price to the extent permitted by law To the extent there is greater demand than there is a shortfall, Eligible Shareholders who have applied for overs will have their applications scaled back on a pro-rata basis and to the extent considered necessary to prevent the issue of New Shares contrary to the law or ASX Listing Rules
Shortfall Facility	<ul style="list-style-type: none"> Any shortfall shares at the completion of the Entitlement Offer (after taking into account any allotment of over-subscriptions) will be offered to new and existing institutional and sophisticated investors to the extent permitted by law in a bookbuild process The bookbuild process will be a bookbuild as to volume only, with the Offer Price being the bookbuild price An Independent Board Committee of the Company's directors (IBC) will determine allocations in the bookbuild in consultation with the Lead Manager
Underwriting	<ul style="list-style-type: none"> The Entitlement Offer is fully underwritten by Simonds' largest shareholder, Vallence Gary Simonds (excluding his own entitlements, which he has committed to exercise in full).¹ A summary of the underwriting agreement is provided in Appendix 4
Director Support	Each of Simonds' Directors who hold shares in the Company are supportive of the Offer and intend to exercise their entitlements in full under the Entitlement Offer
Impact on Control	<ul style="list-style-type: none"> For a discussion of potential impacts of the Entitlement Offer on control, please refer to the cleansing notice released to the ASX by Simonds today, and to Appendix 3

1. The Entitlement Offer is underwritten pursuant to the terms of the underwriting agreement entered into with an entity controlled by Vallence Gary Simonds. Refer to Appendix 4 for a summary of the underwriting agreement.

Source and Use of Funds

Net proceeds of the Offer will be used to support the Company's working capital requirements and reset its capital structure in light of difficult trading and macroeconomic conditions

	\$ million
Sources	
Equity Raising	25.5
Total sources	25.5
Uses	
Working capital and liquidity requirements	24.5
Offer costs	1.0
Total uses	25.5

Commentary

- Proceeds of the Offer are required to support the Company's working capital requirements and reset its capital structure in light of difficult trading and macroeconomic conditions.
- To the extent that conditions improve earlier than anticipated, the Company may consider the appropriate allocation of working capital to future initiatives as conditions become clearer.

Equity Raising Timetable

Key Event	Indicative Date ¹
Announcement of Entitlement Offer	Friday, 25 November 2022
Ex Date for Entitlement Offer	Tuesday, 29 November 2022
Entitlement trading commences on a deferred settlement basis	Tuesday, 29 November 2022
Record Date of Entitlements	Wednesday, 30 November 2022
Offer Booklet and Entitlement and Acceptance Forms Despatched	Monday, 5 December 2022
Entitlement Offer Opens (9.00am)	Monday, 5 December 2022
Entitlement Trading Ends	Wednesday, 7 December 2022
New Shares quoted on a deferred settlement basis	Thursday, 8 December 2022
Entitlement Offer Closes (5.00pm)	Wednesday, 14 December 2022
Announcement of results of Entitlement Offer and under-subscriptions	Monday, 19 December 2022
Shortfall Bookbuild and determination of allocation under Oversubscription Facility and Shortfall Bookbuild	Tuesday, 20 December 2022
Issue of New Shares Under Entitlement Offer	Wednesday, 21 December 2022
Appendix 2A Lodged (Entitlement Offer)	Wednesday, 21 December 2022
Shortfall Notification	Wednesday, 21 December 2022
New Shares commence trading on ASX on a normal settlement basis / Settlement of Shortfall Shares allocated in bookbuild	Thursday, 22 December 2022
Expected date to issue Shortfall Shares to Eligible Shareholders and third-party investors	Friday, 23 December 2022
Commencement of trading of Shortfall Shares	Wednesday, 28 December 2022

^{1.} The timetable is indicative only and may change. Simonds reserves the right to amend any or all of these dates and times without notice, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Simonds reserves the right to extend the closing date of the Entitlement Offer, to accept late applications under the Entitlement Offer (either generally or in particular cases) and to withdraw the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares. The commencement of quotation of New Shares is subject to confirmation from ASX. All references are to Melbourne time. Simonds also reserves the right not to proceed with the Entitlement Offer in whole or in part at any time prior to the allotment and issue of the New Shares. In that event, the relevant application monies (without interest) will be returned in full to applicants. Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application once it has been accepted.

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Appendix 1

Company Overview

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About Simonds

Simonds is a proudly Australian residential home builder with over 70 years of experience building Australian homes

- Founded in 1949 by Gary Simonds, Simonds Homes is one of the largest detached homebuilders in Victoria, and while Victoria remains Simonds heartland, operations reach across New South Wales, Queensland and South Australia
- Simonds' business model is primarily focused on selling, marketing, arranging and constructing homes for customers. Simonds does not typically own land; rather it works with land developers and owners
- Across Simonds' seven decades of operations, over 21,000 new homes have been built and more than 150 display centres created. Simonds has more than 650 employees and operates with more than 4,800 vendors
- Simonds listed on the ASX in 2014, making Simonds one of the first publicly listed residential builders in Australia and is one of Australia's largest volume home builders
- Simonds offering includes single and double storey detached residential homes across its different design ranges:
 - **Simonds Range:** single and double storey homes with wide range of housing prices and options
 - **Metro:** contemporary and affordable intended for first home-owners, young families and investors
 - **Precinct by Simonds:** turnkey, affordable and convenient townhouses
 - **Masterpiece:** luxury, architecturally designed homes with premium inclusions and stand out facades
- Simonds also offers two "journeys" for its consumers, the slower, standard Gallery journey and the Xpress journey with pre-designed structural options, pre-designed colour palettes, fast contracts and instant pricing

Simonds Range



Metro



Precinct



Masterpiece



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Corporate Overview

Key Statistics

ASX code	SIO
Ordinary Shares	147,234,268
52-week Low-High (\$ per share)	\$0.125 – \$0.445
Market Capitalisation as at 24 November 2022	\$18.4 million

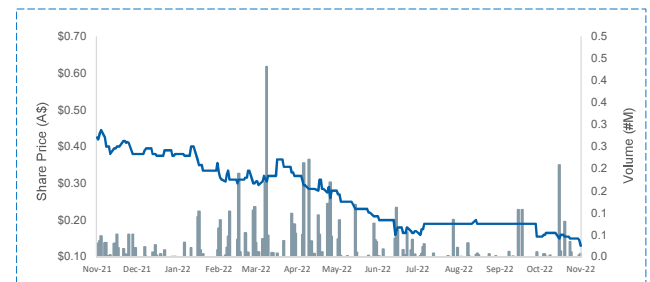
Top Shareholders

Shareholder	% Shareholding
Vallence Gary Simonds	45.7%
McDonald Jones Homes Investments Pty Ltd	26.5%
F.J.P. Pty Ltd	13.8%

Board of Directors and Senior Executives

- **Rhett Simonds:** Exec. Chairman, Group CEO and Managing Director
- **Iain Kirkwood:** Independent Non-Executive Director
- **Piers O'Brien:** Non-Executive Director
- **Mark Simonds:** Executive Director
- **Andrew Bloore:** Non-Executive Director
- **David Denny:** Independent Non-Executive Director
- **Bertus Strydom:** Interim Chief Financial Officer
- **Cameron Worth:** Chief Experience Officer
- **Duncan Brand:** Chief Operating Officer

Share Price and Volume



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Appendix 2

Key Risks

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Key Risks

Key Risk	Description
Specific risks relating to an investment in Simonds	
Failure in strategic product development	Failure to deploy new brand and product ranges in a timely fashion to meet consumer expectations may lead consumers to choose products from other builders. A failure to effectively manage its products and brands may therefore impact the Simonds' ability to generate sales, and in turn, have a negative impact on its profitability.
Supply delays	Supply chain issues, coupled with exceptional demand for inputs, continue to adversely impact Simonds Group's business. Supply chain challenges persist on the back of COVID-19 lockdowns in China, the war in Ukraine, and resultant shipping delays. In the event that a key supplier or trade contractor is unable to meet its contractual commitments on time, whether due to supply issues, production issues, plant closure, insolvency or otherwise, there is a risk that Simonds Group may be unable to find a suitable replacement. Replacing a large supplier may increase Simonds Group's costs, which is difficult to pass on to customers given the legislation governing the residential construction industry.
Strategy execution and forecasting	Simonds has developed new business initiatives and marketing strategies as a driver of organic growth for the business, including expansion into new housing segments. There is no guarantee that Simonds' strategies will be successfully executed, deliver the expected returns or ultimately be profitable. There is also a risk that the strategies may be subject to increased government or regulatory scrutiny, unexpected delays and additional implementation costs. Budgeted assumptions may be incorrect and actual business performance may not align with management's budget and expectations about future performance. Lower vendor rebates, increased costs, variation in budgeted headcount, higher than forecasted advertising and marketing spend and other factors may have an adverse impact on Simonds and result in its financial performance differing from management's expectations, potentially materially. The Company has modelled various scenarios assuming continued adverse trading conditions and how long it expects it will take to trade out of its lower margin contracts. The length of time it takes to complete these lower margin contracts impacts on when the Company can take on higher margin, and therefore more profitable, contracts. There is a risk that the assumptions used to forecast a return to profitability are not met, and additional capital is required for Simonds to continue its operations.
Deterioration in economic conditions resulting in a fall in consumer demand	<p>Fluctuations in general economic conditions locally and globally may result in a sustained downturn in property markets, increased cost of construction and reduced demand for housing. Interest rate raises (which reduce consumer's borrowing capacity), fluctuations in currency exchange rates, changes to government fiscal policy and unemployment rates may all impact overall levels of consumer confidence, softening the demand for construction of new homes.</p> <p>For example, in prior years lower interest rates and stimulus provided by the Federal Government's HomeBuilder scheme, announced by the Morrison government in June 2020 generated greater levels of consumer demand and saw increased sales volumes for Simonds. However, the withdrawal of this scheme combined with rising interest rates, inflationary pressures and supply chain challenges is anticipated to reduce housing demand significantly over the next 6-12 months. These factors may adversely impact Simonds' revenue and profitability as well as the sufficiency of the Company's working capital if alternative volumes cannot be generated.</p>

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Key Risks (Cont'd)

Key Risk	Description
Specific risks relating to an investment in Simonds	
Financing and liquidity risk and interest rate risk	<p>Although Simonds monitors cashflow management and cashflow forecasts, in the event that Simonds does not maintain sufficient cash reserves to meet the requirements of its business, there is a risk that it may exceed its banking facilities, or fail to pay its suppliers, trades and employers on time. Simonds' ability to secure suppliers, trades, employees and also new customers depends on maintaining a strong reputation for creditworthiness.</p> <p>If Simonds were to breach any of its obligations under its financing facilities, it could face actions that have an adverse impact on Simonds' cashflow and ability to operate. Simonds is conducting the Offer in order to provide additional working capital for the business during a period of longer than anticipated adverse trading conditions. There is no guarantee that the proceeds of the Offer will be sufficient for this purpose, as it is not possible to predict with certainty when trading conditions will stabilise. Simonds might need to raise further debt or equity capital in the future, and there is a risk that this will not be possible to achieve on acceptable terms or at all. The inability to obtain funding to finance current and future activities may result in reduced financial liquidity, which may adversely impact Simonds' ability to fund its daily operations and new business initiatives.</p> <p>Simonds is exposed to interest rate risk at variable interest rates. Simonds has interest rate exposure for utilised facilities which are used during each financial year. An increase in interest rates may result in a decrease in the Group's profitability.</p> <p>The Company has in place a debt facility and overdraft facility to fund its working capital needs. The Company anticipates that certain of its financial covenants under those facilities will be breached, even after applying the minimum expected proceeds from the Offer. The Company's continued ability to operate within its financial covenants will depend on receiving covenant relief from its lender, as well as on market and industry conditions, which may deteriorate further. If Simonds were to breach its financial covenants, the lender could revoke or reduce the current facilities.</p> <p>The Company's current lender has agreed to waivers of covenants and to amend its financial covenants and to extend the term of the facilities to provide a greater level of liquidity from debt facilities (supplemented by the funds raised from the Offer) conditional on successful completion of the Entitlement Offer (ie raising at least \$25.0m) and execution of an amended facility agreement (amongst other customary conditions). The key liquidity assumptions in this Presentation are predicated on the continued availability of the borrowing and overdraft facilities which will require the lenders conditions to be met, including the agreement and entry into an amended facility agreement by the Company with its lender. Although the Entitlement Offer is underwritten, the underwrite may be terminated by the underwriter upon the occurrence of certain events. Accordingly, there is a risk that the Company is not able to raise the minimum amount required for the Company's lender to agree to the amendments noted above (see 'Underwriting risk' below). If Simonds is unable to successfully restructure its borrowing arrangements with its existing lender or with a new financier, the disclosed liquidity position in this Presentation will be lower than presented.</p>
Increased raw material and input costs	<p>Disruption to global supply chains, including as a result of the war in Ukraine, shipping delays and COVID-19 lockdowns in China, may negatively affect Simonds' profitability, as Simonds relies on suppliers that source construction materials overseas. Heightened demand for supplies, together with supply shortages, has led to a significant price increase in raw materials and other input costs, including fuel. This may result in construction delays and reduced productivity, adversely impacting Simonds' financial position. Furthermore, Simonds only has limited ability to pass on unforeseen costs to its customers due to legislative requirements that constrain companies from passing on costs once an agreement has been signed. This means that even where the cost of building increases, there is limited ability for Simonds to offset this with price increases (which would increase revenue).</p> <p>In FY22 and in the year to date in FY23, the Company has experienced a reduction in profitability (ie it has been loss making) due to significant delays in site starts and increased costs across the supply chain, with limited ability to reprice the contracts signed with customers. Compounding this, Simonds has limited ability to quickly reduce its fixed overhead costs.</p>

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Key Risks (Cont'd)

Key Risk	Description
Specific risks relating to an investment in Simonds	
Labour shortages	<p>There are severe trade labour shortages in the construction industry, resulting from the impact of reduced migration levels during COVID-19 and the infrastructure and mining boom, which has attracted trade labour at a higher rate relative to other sectors, and increased competition in the construction industry to attract labour. Low availability of specific trade labour at certain stages of the build process also creates significant construction delays to the balance of the project. The failure to successfully retain existing labour and attract new labour throughout various stages of the construction process may adversely impact Simonds Group's productivity and extend building timelines. Heightened demand for trades may also drive price increases on new home building contracts and in turn, affect customer demand.</p> <p>There is a risk that an increase in government spending in the commercial and infrastructure sectors may further pull resources, including labour, away from residential constructions. As noted below, when insurance claims are made for large-scale events like flooding, trade labour that would have been available to work with Simonds Group may be diverted to complete work for insurers instead. This dynamic would increase existing labour constraints applicable to Simonds Group.</p>
Uneconomic contracts	<p>As site starts are delayed and costs increase, the gross margin that Simonds can achieve on its planned jobs decreases. Simonds currently has a large pipeline of low margin contracts that must be delivered. In some cases, where there are delays in commencement coupled with unprecedented cost and supply chain pressures, and where Simonds is unable to renegotiate the price, the Simonds Group could suffer a loss once the project has completed. With respect to these lower margin contracts, there is a risk that it takes the Company longer than anticipated to complete the lower margin contracts in its pipeline, and therefore that its ability take on new higher margin (and therefore, more profitable) contracts is delayed. This would impact on the Company's working capital and could impact the timeframe that Simonds has forecast will take it to return to profitability.</p>
Delay or non-completion of projects	<p>Delays or non-completion of construction projects may negatively affect Simonds' brand, productivity and financial position. Further the inability of contractors or sub-contractors to perform their work in accordance with their obligations, defective work, delivery of sub-standard components, latent defects arising from poor workmanship, liquidated damages for late delivery, cost overruns and liability claims arising from negligence may adversely impact Simonds' revenue and profitability, potentially resulting in brand damage and financial cost for repairs and rectification.</p>
Design changes	<p>The National Construction Code has introduced changes to design requirements for the construction of new houses, including improved disability access (under the Livable Housing Design Guidelines) and new energy efficiency requirements which is the equivalent of 7 stars under the Nationwide House Energy Rating Scheme known as NatHERS. These changes are likely to increase the cost of building new houses, which may lower consumer demand and adversely affect Simonds' profitability.</p>
Housing availability and affordability and reduced borrowing capacity	<p>The availability of land to build on, and delays in land titles being registered, can lead to delays in site starts and contribute to delayed revenue generation. In addition, the cost of greenfield land has risen significantly. Historically high inflation has meant the cost of materials and labour has increased significantly which in turn has meant that the cost of building a new house has risen. As interest rates rise the borrowing capacity of consumers is reduced. For many consumers buying land and building a new house has become unaffordable due to price rises and reduced borrowing capacity. This may mean more consumers default on land purchase contracts and or choose not to build a new house given the inability to obtain banking finance.</p>

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Key Risks (Cont'd)

Key Risk	Description
Specific risks relating to an investment in Simonds	
Loss or theft of data	There is a risk of security breaches of data (whether that of Simonds or that of its clients) by unauthorised access, theft, destruction, loss of information or misappropriation or release of confidential customer data. Any data security breaches or Simonds' failure to protect confidential information could cause significant disruption to its business and trigger mandatory data breach notification obligations. Such an event may adversely impact Simonds' operations and financial performance, exposing Simonds to reputational damage and regulatory scrutiny and fines as well as potentially material costs associated with remediation and other costs and payments relating to such a breach.
Climate change, abnormal weather events and natural disasters	<p>Simonds' operations could be negatively impacted by climate change including adverse weather conditions on construction sites, water shortages, temperature increases and flooding. The frequency and severity of adverse weather events has increased over time. Construction may be delayed because of abnormal and/or prolonged weather events, which can restrict site access and delay site starts, the receipt of progress payments and site settlements, all of which will adversely affect cash flow.</p> <p>Damage from severe weather events, such as flooding, may increase insurance claims. When insurance claims are made, trade labour and supplies that would have been available to work with Simonds may be diverted to complete work for insurers instead. This dynamic would increase existing labour and supply constraints applicable to Simonds and therefore impact on Simonds' timeframes for performing contracts.</p> <p>The failure to manage or mitigate climate change adaptation risks may adversely affect Simonds' future financial position. Additionally, unpredictable and widespread natural disasters, such as fires and flooding, may impact construction and the ability to access construction sites, leading to delays and adversely affecting Simonds' productivity and revenue due to lower turnover of completed projects.</p>
Competition	The construction industry is subject to strong competition. Simonds faces competition from several organisations, some of which may have or may develop a competitive advantage over Simonds, or may have greater access to capital or other resources. The market share of Simonds' competitors may increase or decrease because of various factors which include, securing customers, and implementing pricing strategies and new business initiatives designed to gain a competitive advantage. This may adversely impact Simonds' cashflow and financial performance.
Disruptions to technology systems	Simonds' technology systems may be inadequate or fail to perform as expected or be adversely impacted by factors outside its control, including disruption, failure, service outages or data corruption that could occur as a result of computer viruses, malware, cyber-attacks, including external malicious interventions such as hacking or denial of service attacks, or other disruptions including natural disasters, power outages or other similar events. Any such disruption could have a material adverse impact on Simonds' operations.
Work health and safety incidents	Accidents on construction work sites may result in workers' compensation, related common law claims and potential penalties for Simonds, which may adversely impact Simonds' profitability and revenue.
Personnel	The loss of personnel, and the inability to attract effective replacements in a timely manner, may adversely impact Simonds' business operations and future financial performance.
ASX Compliance	Simonds is a publicly listed company and therefore subject to the ASX Listing Rules. If Simonds were to breach the ASX Listing Rules and be suspended or excluded from trading this could have an adverse impact on Simonds' liquidity and ability to fund product development.

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Key Risks (Cont'd)

Key Risk	Description
General investment risks	
Underwriting risk	The Entitlement Offer is fully underwritten by the Company's largest shareholder, Vallence Gary Simonds (excluding his own entitlements, which he has committed to exercise in full), pursuant to the terms of the underwriting agreement summarised in Appendix 4 of this presentation (Underwriting Agreement). ¹ Under the Underwriting Agreement, Vallence Gary Simonds has agreed to fully underwrite the Entitlement Offer (excluding his own entitlements, which he has committed to exercise in full), subject to the terms and conditions of that agreement. If certain conditions are not satisfied or certain customary termination events occur, the Vallence Gary Simonds may terminate the underwriting agreement, which would have an adverse impact on the amount of proceeds raised under the Entitlement Offer or result in the Entitlement Offer not proceeding at all. As Simonds is undertaking the capital raising to provide it with necessary additional working capital to trade through a downturn in its trading environment, failure to receive anticipated funds may mean that Simonds is exposed to liquidity risk or is required to seek alternate funding to avoid an impact on its business operations. Proceeds raised (net of Offer costs) of approximately \$25.0m are required to support the Company's working capital requirements. See also the risk factor above titled 'Financing and liquidity risk and interest rate risk' as failure to raise at least \$25.0m will also result in the conditions imposed by the Company's lender to the restructuring of its facility agreement and covenant relief to be incapable of being satisfied.
Share price and liquidity	<p>The Company is subject to a general market risk inherent in all securities traded on a stock exchange.</p> <p>The market price for the Company's shares may fluctuate over time as a result of a number of factors, including the financial performance and prospects of the Group, prevailing market conditions, commodity prices and foreign exchange movements, general investor sentiment, inflation, geo-political conditions, fiscal policy and interest rate rises, as well as the liquidity and volume of the shares being bought or sold at any point in time.</p> <p>Simonds' shares may therefore rise above or below the current share price, depending on its financial performance and various other factors which are outside of its control.</p>
Renouncing Entitlements under the Offer	<p>If a Shareholder is an Eligible Shareholder, and they do not take up or sell their Entitlements on the ASX under the Offer, then their Entitlements will be treated as renounced and will be offered for sale on their behalf in the Bookbuild at the Offer Price (which means that there will not be any proceeds of sale of their Entitlements).</p> <p>If a Shareholder sells their Entitlements on ASX during one stage of the Entitlement Trading Period, they may receive a higher or lower price than a Shareholder who sells or transfers their Entitlement at a different stage of the Entitlements Trading Period. See below for more information on this risk.</p> <p>At the date of this presentation, Simonds has 147,234,268 Shares on issue. The Offer, if fully subscribed, could significantly dilute the existing ordinary Shareholders (to the extent that they do not take up their full Entitlement) through the issuance of approximately 212.7 million new Shares.</p> <p>It is possible that the Offer could adversely affect the value of Shares. This may cause Shares to trade on ASX at a value less than the Offer Price following the issuance of new Shares.</p>
Selling or transferring Entitlements under the Offer	<p>If a Shareholder is an Eligible Shareholder and does not wish to take up their Entitlements, they can sell them on ASX or transfer them to another person or entity other than on ASX during the Entitlement Trading Period.</p> <p>Prices obtainable for Entitlements may rise and fall over the Entitlement Trading Period and liquidity may vary. If an Eligible Shareholder sells or transfers their Entitlements at one stage in the Entitlement Trading Period they may receive a higher or lower price than a shareholder who sells or transfer their Entitlements at a different stage in the Entitlement Trading Period or through the Bookbuild.</p> <p>There is no guarantee that there will be a viable market during, or on any particular day in, the Entitlement Trading Period, on which to sell Entitlements on ASX. Eligible Shareholders who wish to sell their Entitlements may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for Entitlements.</p>

1. The Entitlement Offer is underwritten pursuant to the terms of the underwriting agreement entered into with an entity controlled by Vallence Gary Simonds. Refer to Appendix 4 for a summary of the underwriting agreement.

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Key Risks (Cont'd)

Key Risk	Description
General investment risks	
Effect of the Offer on control	<p>Vallence Gary Simonds has committed to exercise all of his Entitlements under the Offer and to fully underwrite the remainder of Offer.¹ Following the Offer, Vallence Gary Simonds' respective shareholding (and voting power) will increase to the extent that other shareholders do not participate in the Offer.</p> <p>Vallence Gary Simonds may increase his holding by relying on the exception contained in item 10 of Section 611 and Section 615 of the Corporations Act.</p> <p>The effect of the Offer on the control of Simonds will depend on a number of factors including:</p> <ul style="list-style-type: none"> the level of shareholder participation; which shareholders participate; and the level of dispersion via the Oversubscription Facility and Shortfall Bookbuild (see page 24 and Appendix 3 for more information) <p>As the offer is pro-rata, if all Shareholders were to take up their full Entitlement, there would be no effect on the control of Simonds (excluding the impact of ineligible shareholders).</p> <p>See Appendix 3 of this Presentation for a more detailed description of the potential effect of the Offer on the control of Simmonds Group at different levels of take-up by Shareholders.</p>
Litigation, claims and disputes	<p>Simonds may be subject to litigation and other claims and disputes in the course of its business and as a result of being a listed company, including in relation to delays or defects in construction of housing, employment disputes, contractual disputes, indemnity claims, occupational health and safety claims, or criminal or civil proceedings. Legal proceedings may also eventuate where parties seek to re-negotiate pricing once a contract has been signed. There is a risk that any such litigation, claims and disputes could materially and adversely affect Simonds' business, operations and financial performance, including the costs of bringing, defending or settling such claims as well as Simonds' reputation.</p>
Shareholder dilution risk	<p>In the future, Simonds may elect to issue shares to raise further funding. While Simonds will be subject to the constraints of ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12-month period (other than where exceptions apply), shareholders may be diluted as a result of such fundraisings and shareholders may experience a loss in value of their equity as a result of such issues of shares and fundraisings.</p> <p>Shareholders who do not participate in the current Offer will have their ownership in Simonds diluted.</p>
Regulation changes and regulatory delay	<p>Government policy may influence a range of matters including bank lending conditions, population growth, immigration, household income, consumer confidence and the employment market.</p> <p>Government policy may also specifically target the building and construction industry, such as changes to licensing or zoning and development approvals. Government grants, such as the HomeBuilder program (and the discontinuance of such grants) may affect consumers' decision to undertake their building project.</p> <p>Changes in laws, regulations, the ASX Listing Rules and/or government policy and delay granting regulatory approvals may adversely impact the operations of Simonds, and therefore the attractiveness of an investment in the company.</p>

¹ The Entitlement Offer is underwritten pursuant to the terms of the underwriting agreement entered into with an entity controlled by Vallence Gary Simonds. Refer to Appendix 4 for a summary of the underwriting agreement.

Key Risks (Cont'd)

Key Risk	Description
General investment risks	
Force majeure events	<p>Events beyond the control of Simonds may impact the operations of the company and its future profitability. These events include (but are not limited to) fire, flood, earthquake, other natural disaster, pandemics, civil unrest, war, terrorist attack and/or industrial action.</p>
Exposure to changes in tax rules and their interpretation	<p>Changes in tax laws and policies, standards and practices in Australia may impact on the operation of Simonds and its management. Tax laws in Australia are complex and are subject to change, as is their interpretation by the courts and the tax authorities. Legal reforms and proposals for further reforms, as well as new and evolving interpretations of existing laws, may give rise to uncertainty.</p>



Implications of the Entitlement Offer on control

Background information relevant to assessing the potential impact of the Entitlement Offer on control

Based on publicly available information as at the date of this presentation, the Company's largest shareholder as at the Record Date is set out in the table below:

Shareholder	Expected Shareholding as at Record Date	Voting power
Vallence Gary Simonds ¹	67,335,199	45.7%

Vallence Gary 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 Entitlement Offer, neither of them were prepared to commit to taking up their entire Entitlement prior to the launch of the Entitlement Offer. Given the Company needs to raise net proceeds of \$24.5 million under the Entitlement Offer, the Company determined that the Entitlement Offer should be underwritten to ensure that amount could be raised. The Company considered engaging a third-party professional underwriter, however, based on advice from 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, Vallence Gary Simonds has agreed to not only take up his entire Entitlement, but to also underwrite the remainder of the Entitlement Offer².

Entitlements to New Shares will firstly be issued to any Eligible Shareholder who submits a valid application for New Shares under the Entitlement Offer.

Ineligible Foreign Holders will not be entitled to participate in the Entitlement Offer. 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 Entitlement Offer. The Lead Manager will act in this capacity.

As the Entitlement Offer 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 in accordance with the Timetable.

In order to maximise the level of take-up under the Entitlement Offer and also reduce the scope for the Entitlement Offer to impact control, the Entitlement Offer 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 "overs" (subject to compliance with applicable laws and the ASX Listing Rules). To the extent there is greater demand than there is 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 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 new Shares under the Oversubscription Facility). These shortfall shares will be offered at the Offer Price to new and existing institutional and sophisticated investors in a bookbuild process (**Shortfall Bookbuild**) which is intended to be a bookbuild as to volume only.

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

An Independent Board Committee of the Company's directors (**IBC**) was formed for the purpose of considering the terms and pricing of the Entitlement Offer, with support from external advisors. The IBC has reviewed and approved the terms and pricing of the Entitlement Offer. All allocation decisions will be made by the IBC in consultation with the Lead Manager.

1. Vallence Gary Simonds' interests are held via six 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, SFO Enterprises Pty Ltd ACN 603 266 333 as trustee for the SFO Enterprise Trust and Vallence Gary Simonds.

2. Please refer to Appendix 4 for a summary of the material terms of the underwriting agreement.

Implications of the Entitlement Offer on control (cont'd)

Ownership of the Company following completion of the Entitlement Offer

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 Vallence Gary 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 Entitlement Offer (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 Entitlement Offer, 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 Vallence Gary Simonds' interest will increase as a result of his underwriting commitment; and
- If no other Eligible Shareholders other than Vallence Gary Simonds participates in the Entitlement Offer, and assuming there are no investors under the Shortfall Bookbuild, Vallence Gary Simonds' ownership interest (and voting power) will increase from 45.7% to 77.8%.

In accordance with section 708AA(7)(e) of the Corporations Act, the cleansing statement released by the Company to ASX today states the potential effect that the issue of the New Shares will have on control of the Company and the consequences of that effect.

The table below illustrates the effect of the Entitlement Offer on the control of the Company where all Eligible Shareholders take up 0%, 50% and 100% of their Entitlement:

Vallence Gary Simonds post Entitlement Offer shareholding based on take-up from Eligible Shareholders other than Vallence Gary Simonds				
	Current Shareholding	0% take up ¹	50% take up	100% take up ²
Vallence Gary Simonds	45.7%	77.8%	61.8%	45.7%

Vallence Gary Simonds has confirmed to the Company that should his shareholding interest in the Company increase as a result of the Entitlement Offer, 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.

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



Appendix 4

Underwriting Agreement Summary

Underwriting Agreement Summary

SFO Administration Pty Ltd (ACN 602 614 871) (**Underwriter**), acting as agent and trustee on behalf of and for the benefit of entities controlled by Simonds' largest shareholder, Vallence Gary Simonds, has agreed to fully underwrite the Offer (other than the entitlements of Vallence Gary Simonds and his controlled entities, which they have committed to take up in full) on the terms set out in an underwriting agreement entered into with Simonds on or before the date of this presentation (Underwriting Agreement).

A summary of the material terms of the Underwriting Agreement is set out below.

Conditions precedent and termination events

The obligations of the Underwriter to underwrite the Offer are subject to the satisfaction of certain conditions precedent documented in the Underwriting Agreement that are customary for a transaction of this nature. If those conditions are not satisfied or if certain events occur, the Underwriter may terminate the Underwriting Agreement.

The events which may trigger termination of the Underwriting Agreement include (but are not limited to) the following:

- a) (**Listing**) Simonds ceases to be admitted to the official list of ASX or the shares are suspended from trading on, or cease to be quoted on ASX or it is announced by ASX or Simonds that such an event will occur.
- b) (**Insolvency**) Simonds or a material subsidiary is insolvent or there is an act or omission, or a circumstance arises, which is likely to result in Simonds or a material subsidiary becoming insolvent.
- c) (**Withdrawal**) Simonds withdraws the Offer or announces or discloses that it does not intend to proceed with the Offer.
- d) (**Offer force majeure**) There is an event or occurrence, including any statute, order, rule, regulation, directive or request of any governmental agency, which makes it illegal for the Underwriter to satisfy a material obligation under the Underwriting Agreement.
- e) (**Unable to issue**) Simonds is unable to issue or prevented from issuing Offer shares as contemplated by this agreement by virtue of the ASX Listing Rules, applicable laws, a governmental agency or an order of a court of competent jurisdiction.
- f) (**Repayment of application moneys**) Any circumstance arises that results in Simonds either repaying the money received from applicants or offering applicants an opportunity to withdraw their applications for Offer shares and be repaid their application moneys.
- g) (**ASIC action**) ASIC:
 - i. applies for an order under Part 9.5 of the Corporations Act 2001 (Cth) (Corporations Act) in relation to the Offer, the issue of the Offer shares or any Offer materials;
 - ii. holds, or gives notice of intention to hold, a hearing, inquiry or investigation in relation to the Offer, the issue of the Offer shares or certain Offer materials under the Corporations Act or the Australian Securities and Investments Commission Act 2001 (Cth) (ASIC Act) (other than its consideration of an application for approval of the lead manager to act as sales nominee pursuant to its powers under s 615 of the Corporations Act);
 - iii. prosecutes or gives notice of an intention to prosecute, or commences proceedings against, or gives notice of an intention to commence proceedings against, Simonds or any of its officers, employees or agents in relation to the Offer, the issue of the Offer shares or certain Offer materials under the Corporations Act or the ASIC Act,except in circumstances where the existence of the application, hearing, inquiry, investigation, prosecution or notice has not become public and it has been withdrawn by the date that is the earlier of:
 - i. the business day immediately preceding the settlement date; or
 - iv. the date that is 3 business days after the application, hearing, inquiry, investigation, prosecution or notice is commenced or received.

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Underwriting Agreement Summary (cont'd)

- h) (**Application**) There is an application to a governmental agency (including the Takeovers Panel) which in the Underwriter's bona fide and reasonable opinion has reasonable prospects of success for an order, declaration (including of unacceptable circumstances) or other remedy in connection with the Offer (or any part of it), except in circumstances where the application has been withdrawn, discontinued or terminated by the date that is the earlier of:
 - i. the business day immediately preceding the settlement date; or
 - ii. the date that is 3 business days after the application, hearing, inquiry, investigation, prosecution or notice is commenced or received.
- i) (**Determination under section 708AA**) ASIC makes a determination under section 708AA(3) of the Corporations Act.
- j) (**Certificate**) A certificate which is required to be furnished by Simonds under the Underwriting Agreement is not furnished when required.
- k) (**ASX approval**) Unconditional approval (or conditional approval, provided such condition would not have a material adverse effect on the success or settlement of the Offer) by ASX for official quotation of the Offer shares is refused or is not granted by the time required to conduct the Offer in accordance with the Offer timetable or, if granted, is modified (in a manner which would have a material adverse effect on the success or settlement of the Offer) or withdrawn.
- l) (**Timetable**) Any event specified in the Offer timetable is delayed for more than 2 business days without the prior written approval of the Underwriter, other than events within the control of the Underwriter.

The Underwriter may also terminate the Underwriting Agreement if any of the following events occur and, in the reasonable opinion of the Underwriter, the event (i) has, or is likely to have, individually or in the aggregate, a material adverse effect on the success, marketing or settlement of the Offer, the value of the shares or the willingness of investors to subscribe for Offer shares, (ii) leads, or is likely to lead to a contravention by the Underwriter (or one of its Affiliates) of, or the Underwriter (or one of its Affiliates) being involved in a contravention of, the Corporations Act or any other applicable law, or a liability for the Underwriter (or one of its Affiliates) under the Corporations Act or any other applicable law:

- a) (**Certificate**) A certificate which is required to be furnished by Simonds under the Underwriting Agreement if furnished is untrue, incorrect or misleading or deceptive in (including by omission).
- b) (**Corrective statement**) In the opinion of the Underwriter (acting reasonably) Simonds becomes required to give, or gives, in respect of a cleansing notice issued in connection with the Offer which is defective, a notice in accordance with subsection 708AA(12) to correct that cleansing notice.
- c) (**Breach**) Simonds fails to perform or observe any of its obligations under the Underwriting Agreement.
- d) (**Representations and warranties**) A representation or warranty made or given by Simonds under the Underwriting Agreement is breached or proves to be, or has been, or becomes, untrue or incorrect or misleading or deceptive.
- e) (**Legal proceedings**) Legal proceedings against Simonds, any other group member or against any director of Simonds or any other group member in that capacity is commenced or any regulatory body commences any enquiry or public action against a group member (other than in relation to any dispute expressly disclosed in the due diligence questionnaire).
- f) (**New circumstance**) A new circumstance arises which is a matter materially adverse to investors in Offer shares and which would have been required by the Corporations Act to be included in the cleansing notice had the new circumstance arisen before the cleansing notice was given to ASX.
- g) (**Change in law**) There is introduced into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a law or prospective law or any new regulation is made under any law, or a governmental agency or the Reserve Bank of Australia adopts a policy, or there is an official announcement on behalf of the government of the Commonwealth of Australia or any State or Territory of Australia or a governmental agency that such a law or regulation will be introduced or policy adopted (as the case may be) (other than a law or policy that has been announced before the date of this agreement).
- h) (**Disruption in financial markets**) A material disruption in commercial banking or security settlement or clearance services in Australia which prevents the Underwriter being able to perform its material obligations under the Underwriting Agreement;

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Underwriting Agreement Summary (cont'd)

- i) **(Prescribed Occurrence)** certain events set out in section 652C(1) of the Corporations Act in respect of Simonds occurs during the Offer period, other than:
- i. as contemplated by the Underwriting Agreement;
 - ii. in a manner described in the Offer materials or any public information lodged with ASX on or before the date of the Underwriting Agreement;
 - iii. Simonds issuing securities pursuant to:
 - A. the exercise or conversion of any security on issue as at the date of this agreement;
 - B. any employee incentive scheme in operation as at the date of the Underwriting Agreement; or
 - C. any dividend reinvestment plan; oras permitted in writing by the Underwriter.

Representations, warranties and undertakings

Simonds gives customary representations and warranties in connection with (among other things) the Offer. Simonds gives customary undertakings to the Underwriter, including that (subject to certain exceptions) it will not issue further equity securities and will conduct its business in the ordinary course for a period of time following completion of the Offer.

Indemnity and release

Subject to certain exceptions, Simonds has agreed to indemnify the Underwriter and certain related persons (each an **Indemnified Party**) from and against all losses directly or indirectly suffered or incurred by an Indemnified Party in connection with the Offer or the Underwriting Agreement.

Simonds also releases each Indemnified Party against claims made by Simonds in relation to the Offer or the Underwriting Agreement except to the extent of certain agreed carve outs related to the Underwriter's culpability for the loss.

Underwriter fees

The Underwriter will be paid underwriting fees disclosed in the Appendix 3B lodged by Simonds today. Simonds must also reimburse the Underwriter for certain expenses (including legal expenses) incurred in connection with its role as Underwriter.

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Authorised for lodgement by Simonds Group Limited Board of Directors.

Thank you

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 taking 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
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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.

4. Australian Taxation Implications

4.1 Introduction

This section is a general summary of the Australian income tax, GST and stamp duty implications of the Entitlement Offer for Eligible Shareholders. Eligible Shareholders should seek and rely upon their own professional advice before concluding on the particular taxation treatment that will apply to them.

The comments in this section deal only with the Australian taxation implications of the Entitlement Offer if an Eligible Shareholder:

- is a resident of Australia for Australian income tax purposes; and
- holds their Shares or New Shares on capital account.

Furthermore, the comments do not apply if an Eligible Shareholder:

- is not a resident of Australia for Australian income tax purposes; or
- holds their Shares or New Shares as revenue assets or as trading stock (which will generally be the case if they are a bank, insurance company or carry on a business of share trading); or
- holds their Shares in respect of which the Entitlements are issued as part of carrying on a business at or through a permanent establishment outside of Australia; or
- is subject to the 'taxation of financial arrangements' rules (commonly referred to as the TOFA rules) in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to their holding of Shares, Entitlements or New Shares; or
- acquired the Shares in respect of which the Entitlements are issued under any employee share scheme or where the New Shares are acquired pursuant to an employee share scheme; or
- acquired Entitlements otherwise than because they are an Eligible Shareholder (e.g., where the Entitlements are acquired on ASX); or
- is exempt from Australian income tax.

This taxation summary is necessarily general in nature and is based on the Australian tax legislation and administrative practice in force as at the date of this booklet and is not intended to be an authoritative or comprehensive analysis of the taxation laws in Australia. Other than as expressly discussed, this taxation summary does not take into account or anticipate changes in Australian tax laws or future judicial or administrative interpretations of those tax laws after the date of this booklet. This summary also does not take into account the tax laws of any country other than Australia.

As the taxation implications of the Entitlement Offer will vary depending upon your particular circumstances, it is strongly recommended that you seek your own independent professional tax advice applicable to your particular circumstances.

None of Simonds, any of its directors, officers or employees, or its taxation and other advisers accepts any liability or responsibility in respect of any statement concerning taxation consequences of the Entitlement Offer.

4.2 Income tax consequences of Entitlements

(a) Issue of Entitlements

The issue of the Entitlements should not, of itself, result in any amount being included in the assessable income of the Eligible Shareholders.

(b) Exercise of Entitlements and acquisition of New Shares

An Eligible Shareholder should not derive any assessable income, or make any capital gain or capital loss, at the time of exercising Entitlements under the Entitlement Offer.

New Shares will be acquired where the Eligible Shareholder exercises all or part of their Entitlements under the Entitlement Offer.

For Australian capital gains tax (CGT) purposes, each New Share should constitute a separate CGT asset with a cost base (and reduced cost base) equal to the Offer Price that is payable for the New Share plus non-deductible incidental costs (e.g., professional adviser costs) incurred in acquiring, holding and disposing of the New Shares.

(c) Sale of Entitlements on the ASX or transfer of Entitlements

If Eligible Shareholders sell their Entitlements on the ASX or otherwise, a capital gain may arise. For CGT purposes, the Entitlements are taken to have been acquired by Eligible Shareholders on the same day on which their existing Shares were acquired.

Eligible Shareholders should realise a capital gain equal to the sale price (or deemed market value sale price if Entitlements are sold or transferred for no consideration) less the cost base of the Entitlements which includes certain incidental costs of disposal.

Eligible Shareholders who are individuals, complying superannuation entities or trustees that have held their existing Shares for at least 12 months (excluding the date of acquisition of the Shares and the date of disposal of the Entitlements) should be entitled to apply the CGT discount to reduce the amount of a capital gain resulting from the sale of the Entitlements (after the application of any current year or carry forward capital losses). The CGT discount is 50% for individuals and entities acting as trustees and 33 1/3% for complying superannuation entities. The CGT discount is not available for companies (unless shares are held by the company in the capacity as trustee).

(d) Sale of Entitlements through the Shortfall Bookbuild for Renouncing Shareholders

Eligible Shareholders who do not exercise, sell or transfer their Entitlements will have their Entitlements sold on their behalf through the Shortfall Bookbuild process. As the Shortfall Bookbuild will be conducted at the Offer Price, there will not be any proceeds in excess of the Offer Price payable to Eligible Shareholders and, as such, no capital gain.

4.3 Income tax consequences of New Shares

(a) Dividends on New Shares

Any future dividends paid in respect of New Shares will generally be subject to the same income taxation treatment as dividends or other distributions paid on existing Shares held in the same circumstances.

Dividends may be paid to Eligible Shareholders and franking credits may be attached to such dividends.

Franking credits broadly represent the extent to which Australian corporate tax has been attributed to the dividend. It is possible for a dividend to be fully franked, partly franked or unfranked.

(i) Individuals and complying superannuation entities

Eligible Shareholders who are individuals or complying superannuation entities are required to include both the dividend and associated franking credit (if any) in their assessable income, in the year the dividend is paid.

Eligible Shareholders should be entitled to a franking tax offset equal to the franking credit attached to the dividend subject to satisfying the 'holding period' and 'related payment' rules (refer to comments below). The tax offset may be applied to reduce the Eligible Shareholders' income tax payable. Eligible Shareholders should be entitled to a tax refund equal to any excess of the tax offset over the tax that is otherwise payable by the Eligible Shareholders.

To the extent that the dividend is unfranked, Eligible Shareholders will generally be taxed at their prevailing marginal rate on the dividend received with no tax offset.

(ii) Corporate shareholders

Eligible Shareholders who are corporate shareholders are required to include both the dividend and associated franking credit (if any) in their assessable income, in the year the dividend is paid.

Eligible Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend subject to satisfying the 'holding period' and 'related payment' rules (refer to comments below). Excess franking credits received cannot give rise to a refund for a corporate shareholder but can be converted into carry forward tax losses.

Corporate shareholders should be entitled to a credit in their own franking accounts equivalent to the franking credit attached to the dividend received. This will allow the corporate shareholder to pass on the benefit of the franking credits to its own shareholder(s) on the payment of dividends.

(iii) Trusts and partnerships

Eligible Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include both the dividend and associated franking credit (if any) in calculating the net income of the trust or partnership, in the year the dividend is paid.

The relevant beneficiary or partner may be entitled to a tax offset equal to the franking credit, in proportion to the respective beneficiary's or partner's share of the net income of the trust or partnership, subject to satisfying the 'holding period' and 'related payment' rules (refer to comments below).

(iv) Shares held at risk

The benefit of franking credits can be denied where an Eligible Shareholder is not a 'qualified person', in which case the Eligible Shareholder will not need to include an amount of the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a 'qualified person', two tests must be satisfied; namely the holding period rule and the related payment rule.

Under the holding period rule, an Eligible Shareholder is required to hold shares 'at risk' for at least 45 days continuously, not counting the day of acquisition or disposal. The holding period commences on the day after the Eligible Shareholder acquires the New Shares and ends 45 days after the New Shares become ex-dividend.

To be held 'at risk', an Eligible Shareholder must retain 30% or more of the risks and benefits associated with holding their New Shares. Where an Eligible Shareholder undertakes risk management strategies in relation to their New Shares (e.g. by the use of limited recourse loans or other derivatives), the Eligible Shareholder's ability to satisfy the 'at risk' requirement may be affected.

Where these rules are not satisfied, the Eligible Shareholder will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed A\$5,000. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the Eligible Shareholder has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the Eligible Shareholder to have held the New Shares at risk for the continuous 45-day period as above but within a limited period commencing 45 days before, and ending on 45 days after, the day the New Shares become ex-dividend.

Eligible Shareholders should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

(b) Disposal of New Shares

The disposal of a New Share will constitute a disposal for CGT purposes.

On disposal of a New Share, an Eligible Shareholder will make a capital gain if the capital proceeds on disposal exceed the cost base of the New Share. An Eligible Shareholder will make a capital loss if the capital proceeds are less than the reduced cost base of the New Share. The cost base of New Shares is described in Section 4.2(b) above.

In order to apply the CGT discount (section 4.2(c) above), to reduce the capital gain (after utilising current or prior year capital losses), an Eligible Shareholder who is an individual, trustee or complying superannuation entity must have held their New Shares for at least 12 months (excluding the date of acquisition and the date of disposal) at the time of disposal.

If an Eligible Shareholder makes a capital loss, the Eligible Shareholder can only use that loss to offset other capital gains, i.e., the capital loss cannot be used to offset other assessable income. However, if the capital loss cannot be used in a particular income year it can be carried forward to use in future income years, providing certain loss utilisation tests are satisfied.

4.4 Provision of Tax File Number and/or Australian Business Number

Resident investors may, if they choose, notify Simonds of their Tax File Number or Australian Business Number or a relevant exemption from withholding tax with respect to dividends. In the event Simonds is not so notified, withholding tax will automatically be deducted at the highest marginal rate (currently 47%) from payments of unfranked dividends and/or distributions.

Australian tax resident investors may be able to claim a tax credit/rebate (as applicable) in their income tax returns in respect of any tax withheld on dividends.

4.5 Other Australian taxes

(a) GST

No GST will be payable by an Eligible Shareholder in respect of the issue, sale or taking up of Entitlements or the acquisition of New Shares. However, an Eligible Shareholder who is registered for GST may be restricted in claiming input tax credits for expenses incurred in relation to these transactions.

(b) Stamp duty

No stamp duty will be payable by an Eligible Shareholder in respect of the issue, sale or taking up of Entitlements or the acquisition of the New Shares. However, a liability for duty may arise if a shareholder (alone or together with associates) acquires 90% or more of the listed Shares in Simonds, and Simonds is a 'landholder' for duty purposes at that time.

5. Important Information

This Offer Booklet (including the ASX Offer Materials and enclosed personalised Entitlement and Acceptance Form) (**Information**) have been prepared by Simonds. Unless otherwise stated, the Information is current as at the date of this Offer Booklet. This Information remains subject to change without notice and Simonds is not responsible for updating this Information.

There may be additional announcements made by Simonds after the date of this Offer Booklet and throughout the period that the Entitlement Offer is open that may be relevant to your consideration of whether to take up all or part of your Entitlement or do nothing in respect of your Entitlement. Therefore, it is prudent that you check whether any further announcements have been made by Simonds (by visiting the ASX website at www.asx.com.au) before submitting your application to take up your Entitlement.

No party other than Simonds has authorised or caused the issue of this Information, or takes any responsibility for, or makes, any statements, representations or undertakings in this Information.

For the avoidance of doubt, to the maximum extent permitted by law, Simonds excludes and disclaims all liability (including, without limitation, liability for negligence) for any direct, indirect, consequential, or contingent loss or damage howsoever and whenever arising from the use of any of the Information or participation in the Entitlement Offer.

This Information is important and requires your immediate attention.

You should read this Information carefully and in its entirety before deciding how to deal with your Entitlement. In particular, you should consider the key risk factors outlined in Appendix 2 (Key Risks) of the Investor Presentation released to the ASX on 25 November 2022 (a copy of which is included in Section 3 this Offer Booklet) any of which could affect the operating and financial performance of Simonds or the value of an investment in Simonds.

You should consult your stockbroker, solicitor, accountant or other independent professional adviser to evaluate whether or not to participate in the Entitlement Offer.

5.1 Eligible Shareholders

This Information contains an offer of New Shares to Eligible Shareholders in Australia or New Zealand and has been prepared in accordance with section 708AA of the Corporations.

Eligible Shareholders are those persons who:

- are registered as a holder of Shares as at the Record Date, being 7.00pm (Melbourne time) on 30 November 2022;
- have a registered address on the Simonds share register in Australia or New Zealand as at 7.00pm (Melbourne time) on the Record Date, or are a Shareholder not in Australia or New Zealand that Simonds has otherwise determined is eligible to participate;
- are not in the United States, and are not a person (including a nominee or custodian) acting for the account or benefit of a person in the United States (to the extent such person holds Shares for the account or benefit of such person in the United States); and
- are eligible under all applicable securities laws to receive an offer under the Entitlement Offer without any requirement for a prospectus or offer document to be lodged or registered.

If you are a shareholder who does not satisfy each of the criteria listed above, you are an **"Ineligible Shareholder"**. Simonds reserves the right to determine whether a shareholder is an Eligible Shareholder or an Ineligible Shareholder.

By returning a completed personalised Entitlement and Acceptance Form or making a payment by BPAY®, you will be taken to have represented and warranted that you satisfy each of the criteria listed above to be an Eligible Shareholder. Nominees, trustees or custodians are therefore advised to seek independent professional advice as to how to proceed.

Simonds has decided that it will not make offers under the Entitlement Offer outside Australia and New Zealand, having regard to the number of such holders in those places and the number and value of the New Shares that they

would be offered, and the cost of complying with the relevant legal and regulatory requirements in those places. Simonds may (in its absolute discretion) extend the Entitlement Offer to shareholders who have registered addresses outside Australia and New Zealand (except the United States) in accordance with applicable law.

5.2 Ranking of New Shares

New Shares issued under the Entitlement Offer will rank equally with existing Shares. New Shares will be entitled to any dividends on ordinary shares with a record date after the date of issue. The rights and liabilities attaching to the New Shares are set out in Simonds' constitution, a copy of which is available at www.asx.com.au.

5.3 Issue, quotation and trading of New Shares

Simonds will apply to the ASX for official quotation of the New Shares in accordance with the ASX Listing Rule requirements. If ASX does not grant quotation of the New Shares, Simonds will repay all Application Monies (without interest).

Simonds will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares before the New Shares are listed on the Official List of ASX or before receiving their confirmation of holding, whether on the basis of confirmation of the allocation provided by Simonds, the Share Registry or otherwise.

Subject to approval being granted, it is expected that the issue of New Shares under the Entitlement Offer will take place on 21 December 2022 and that normal trading of New Shares allotted under the Entitlement Offer will commence at 10.00am (Melbourne time) on 22 December 2022. Application Monies will be held by Simonds on trust for Applicants until the New Shares are issued. No interest will be paid on Application Monies.

5.4 Entitlement trading

Entitlements will trade on the ASX from 29 November 2022 to 5 December 2022 on a deferred settlement basis and from 6 December 2022 to 7 December 2022 on a normal settlement basis.

Simonds will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade Entitlements before they receive their personalised Entitlement and Acceptance Form, whether on the basis of confirmation of the allocation provided by Simonds, the Share Registry or otherwise, or who otherwise trade or purport to trade Entitlements in error or which they do not hold or are not entitled to.

It is the responsibility of purchasers of Entitlements to inform themselves of the criteria for exercise. If holders of Entitlements after the end of the trading period do not meet the criteria for an Eligible Person, they will not be able to exercise the Entitlements. In the event that holders are not able to take up their Entitlements, those Entitlements will lapse and will be offered for sale at the Offer Price through the Shortfall Bookbuild (in which case, holders will receive no value for them).

5.5 Nominee for Ineligible Shareholders

Ineligible Shareholders are unable to participate in the Entitlement Offer and cannot take up, sell or transfer their Entitlements.

To satisfy applicable regulatory requirements, Simonds has appointed the Lead Manager to act as sale nominee for Ineligible Shareholders and will issue the Lead Manager with the Entitlements to subscribe for New Shares that Ineligible Shareholders would otherwise have been entitled to if they were eligible to participate in the Entitlement Offer. The Lead Manager (to the extent practicable) will arrange for the sale of those Entitlements on ASX and will work with Simonds to distribute any premium achieved through such sales (net of expenses and withholdings required by law) proportionately to those Ineligible Shareholders. There is no guarantee that there will be a liquid market in traded Entitlements or that any premium will be achieved.

To the extent such Entitlements are unable to be sold on ASX during the Entitlement Trading Period, they will be offered for sale to certain institutional investors in the Shortfall Bookbuild at the Offer Price (in which case, no value or payment will be received by Ineligible Shareholders for those Entitlements).

5.6 Shortfall Bookbuild

New Shares representing the Entitlements of Eligible Shareholders that were not taken up by the Closing Date (after taking into account allocations of Additional New Shares under the Oversubscription Facility) and New Shares representing the entitlements that would otherwise have been available to Ineligible Shareholders had they been eligible to participate in the Entitlement Offer (to the extent not already sold by the Lead Manager on the ASX during the Entitlement Trading Period) (**Shortfall Bookbuild Shares**) will be offered for subscription to new and existing institutional and sophisticated investors (to the extent permitted by law and the ASX Listing Rules) through a bookbuild process to be undertaken by the Lead Manager (**Shortfall Bookbuild**). The Shortfall Bookbuild will be conducted at the Offer Price and, as such, will be a bookbuild as to volume only.

As the Shortfall Bookbuild will be conducted at the Offer Price, Renouncing Shareholders and Ineligible Shareholders will not receive any value or payment for any Shortfall Bookbuild Shares sold via the Shortfall Bookbuild.

The directors of Simonds reserve the right to issue the Shortfall Bookbuild Shares in accordance with the allocation policy determined by the IBC.

5.7 Capital structure

After the issue of New Shares under the Entitlement Offer, the capital structure of Simonds is expected to be as follows (subject to reconciliations and rounding of fractional Entitlements)³:

Shares on issue as at Record Date	147,234,268
Maximum number of New Shares to be issued under the Entitlement Offer	212,671,721
Total Shares on issue on completion of the Entitlement Offer	359,905,989

5.8 Underwriting of the Entitlement Offer

SFO Administration Pty Ltd (ACN 602 614 871) (**Underwriter**), acting as agent and trustee on behalf of and for the benefit of entities controlled by Simonds' largest shareholder, Vallence Gary Simonds, has agreed to fully underwrite the Offer (other than the entitlements of Vallence Gary Simonds and his controlled entities, which they have committed to take up in full) on the terms set out in an underwriting agreement entered into with Simonds on or before the date of this Offer Booklet (**Underwriting Agreement**).

This means that, subject to the terms and conditions of the Underwriting Agreement, \$25.5 million of proceeds will be raised under the Entitlement Offer.

As is customary with these types of arrangements:

- the Company has agreed, subject to certain carve-outs, to indemnify the Underwriter against any losses it may suffer or incur in connection with its underwriting of the Entitlement Offer;
- the Company and the Underwriter have given certain representations, warranties and undertakings in connection with (among other things) the Entitlement Offer;
- the Underwriter may (in certain circumstances, having regard to the materiality of the relevant event) terminate the Underwriting Agreement and be released from its obligations under it on the occurrence of certain events.

A summary of the material terms of the Underwriting Agreement, including the underwriting fees to be paid to the Underwriter are set out in Appendix 4 of the Investor Presentation. The Underwriter will also be reimbursed for certain expenses in connection with the underwriting.

³ This assumes that there is 100% take-up of entitlements under the Entitlement Offer and that the Entitlement Offer completes successfully.

Subject to the agreement of the Lead Manager and the IBC, the Underwriter may enter into sub-underwriting commitments in relation to the underwriting of the Entitlement Offer.

5.9 Implications of the Entitlement Offer on control

Background information relevant to assessing the potential impact of the Entitlement Offer on control

Based on publicly available information as at the date of this Offer Booklet, the Company's largest shareholder as at the Record Date is set out in the table below:

Shareholder	Expected Shareholding as at Record Date	Voting power
Valence Gary Simonds ⁴	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 Entitlement Offer, neither of them were prepared to commit to taking up their entire Entitlement prior to the launch of the Entitlement Offer.

Given the Company needs to raise net proceeds of \$24.5 million under the Entitlement Offer, the Company determined that the Entitlement Offer should be underwritten to ensure that amount could be raised. The Company considered engaging a third-party professional underwriter, however, based on advice from 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 Entitlement Offer.

Entitlements to New Shares will firstly be issued to any Eligible Shareholder who submits a valid application for New Shares under the Entitlement Offer.

Ineligible Shareholders will not be entitled to participate in the Entitlement Offer. 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 Entitlement Offer (see Section 5.5). The Lead Manager will act in this capacity.

As the Entitlement Offer is renounceable, it is proposed that Eligible Shareholders who do not intend to take up their Entitlements may trade those Entitlements on ASX or transfer them privately in accordance with the Timetable.

In order to maximise the level of take-up under the Entitlement Offer and also reduce the scope for the Entitlement Offer to impact control, the Entitlement Offer 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 based 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 Entitlement Offer Period, the Lead Manager and the Company will determine the number of any Shortfall Bookbuild Shares after acceptances by Eligible Shareholders (after taking into account any allotment of Additional New Shares). These Shortfall Bookbuild Shares will be offered to new and existing institutional and sophisticated investors (to the extent permitted by law) in the Shortfall Bookbuild. The Shortfall Bookbuild will be conducted at the Offer Price and, as such, will be a bookbuild as to volume only. The IBC reserves the right to issue Shortfall Bookbuild Shares in accordance with its allocation policy, and in consultation with the Lead Manager.

⁴ 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 Valence Gary Simonds.

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

An Independent Board Committee of the Company's directors (**IBC**) was formed for the purpose of considering the terms and pricing of the Entitlement Offer, with support from external advisors. The IBC has reviewed and approved the terms and pricing of the Entitlement Offer. All allocation decisions will be made by the IBC in consultation with the Lead Manager.

Ownership of the Company following completion of the Entitlement Offer

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 Entitlement Offer (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 Entitlement Offer, 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 Entitlement Offer, 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%.

In accordance with section 708AA(7)(e) of the Corporations Act, the cleansing statement released by the Company to ASX on 25 November 2022, a copy of which is reproduced in this Offer Booklet at Section 3, states the potential effect that the issue of the New Shares will have on control of the Company and the consequences of that effect.

The table below illustrates the effect of the Entitlement Offer on the control of the Company where all Eligible Shareholders take up 0%, 50% and 100% of their Entitlement.

		Mr Simonds post Entitlement Offer shareholding based on take-up from Eligible Shareholders other than Mr Simonds		
	Current Shareholding	0% take up ⁵	50% take up	100% take up ⁶
Mr Simonds	45.7%	77.8%	61.8%	45.7%

⁵ Assumes there are no investors under the Shortfall Bookbuild and no sub-underwriting commitments have been obtained. Accordingly, it shows a "worst case" impact on control.

⁶ Assumes that all Eligible Shareholders take up their Entitlements (and that there are no Ineligible Shareholders), or that all New Shares are placed to new or existing shareholders through the Oversubscription Facility or the Shortfall Bookbuild.

Mr Simonds has confirmed to the Company that should his shareholding interest in the Company increase as a result of the Entitlement Offer, 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.

5.10 Reconciliation, Top-Up Shares and the rights of Simonds and the Lead Manager

The Entitlement Offer is a complex process and in some instances investors may believe that they will own more Shares than they ultimately did as at the Record Date or are otherwise entitled to more New Shares than initially offered to them. If reconciliation is required, it is possible that Simonds may need to issue additional New Shares (**Top-Up Shares**) to ensure that the relevant investors receive their appropriate allocation of New Shares. The price at which these New Shares would be issued, if required, is the same as the Offer Price.

Simonds also reserves the right to reduce the size of an Entitlement or number of New Shares allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders or other applicable investors, if Simonds believes in its complete discretion that their Entitlement claims are overstated or if they or their nominees fail to provide information requested to substantiate their claims. In that case, Simonds may, in its discretion, require the relevant shareholder to transfer excess New Shares to the Lead Manager at the Offer Price per New Share. If necessary, the relevant shareholder may need to transfer existing Shares held by them or to purchase additional Shares on-market to meet this obligation. The relevant shareholder will bear any and all losses caused by subscribing for New Shares in excess of their Entitlement and any actions they are required to take in this regard.

By applying under the Entitlement Offer, those doing so irrevocably acknowledge and agree to do the above as required by Simonds in its absolute discretion. Those applying acknowledge that there is no time limit on the ability of Simonds or the Lead Manager to require any of the actions set out above.

5.11 Risks

The Investor Presentation details important factors and key risks that could affect the financial and operating performance of Simonds, a copy of which is included in Section 3 of this Offer Booklet. Please refer to Appendix 2 (Key Risks) of the Investor Presentation for details. You should consider these risks carefully in light of your personal circumstances, including financial and taxation issues, before making an investment decision in connection with the Entitlement Offer.

5.12 Notice to nominees and custodians

Persons who hold Shares as a nominee or custodian must not purport to accept, or make an application under, the Entitlement Offer in respect of:

- a) beneficiaries on whose behalf they hold existing Shares who would not satisfy the criteria for an Eligible Shareholder;
- b) any Shareholder that is in the United States, including any Shareholder in the United States for whom the nominee or custodian holds Shares or acts; or
- c) Shareholders who are not eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

Persons acting as nominees or custodians for other persons must not take up any Entitlements on behalf of, or send any documents related to the Entitlement Offer to, any person who is an Ineligible Shareholder or any person in the United States or any person that is acting for the account or benefit of a person in the United States.

Simonds is not required to determine whether or not any registered holder or investor is acting as a nominee or custodian or the identity or residence of any beneficial owners of existing Shares or Entitlements. Where any person is acting as a nominee or custodian for a foreign person, that person, in dealing with its beneficiary, will need to assess whether indirect participation in the Entitlement Offer by the beneficiary, including following acquisition of Entitlements on ASX or otherwise, complies with applicable laws. Simonds is not able to provide legal advice.

Nominees and custodians may not distribute any part of this Offer Booklet in the United States or in any other country outside Australia and New Zealand.

5.13 Continuous Disclosure

Simonds is a "disclosing entity" under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules, including the preparation of annual reports and half yearly reports.

Simonds is required to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the stock markets conducted by ASX. In particular, Simonds has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price of value of Shares. That information is available to the public from ASX at www.asx.com.au.

5.14 Not investment advice

This Information is not a prospectus or a product disclosure statement under the Corporations Act and has not been lodged with ASIC. It is also not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Simonds is not licensed to provide financial product advice in respect of the New Shares. This Information does not purport to contain all the information that you may require to evaluate a possible application for New Shares, nor does it purport to contain all the information which would be required in a prospectus prepared in accordance with the requirements of the Corporations Act. It should be read in conjunction with Simonds' other periodic statements and continuous disclosure announcements lodged with ASX, which are available at www.asx.com.au.

Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. You should also consider whether you need to seek appropriate advice, including financial, legal and taxation advice appropriate to your jurisdiction. If, after reading the Information, you have any questions about the Entitlement Offer, you should contact your stockbroker, solicitor, accountant or other independent professional adviser or call the Share Registry on 1300 737 760 (inside Australia) or +61 2 9290 9600 (outside Australia) at any time between 8.30am to 5.30pm (Melbourne time) Monday to Friday during the Entitlement Offer Period.

5.15 Rounding of Entitlements

Where fractions arise in the calculation of Entitlements, they will be rounded up to the nearest whole number of New Shares.

5.16 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application once it has been accepted.

5.17 Information availability

Eligible Shareholders in Australia and New Zealand can obtain a copy of the Information during the period of the Entitlement Offer by calling the Share Registry on 1300 737 760 (inside Australia) or +61 2 9290 9600 (outside Australia) or from ASX at www.asx.com.au. Eligible Shareholders who access the electronic version of the Information should ensure that they download and read the entire Information. The electronic version of the Information on the Simonds or ASX website will not include a personalised Entitlement and Acceptance Form.

A replacement Entitlement and Acceptance Form can be obtained during the period of the Entitlement Offer by calling the Share Registry on 1300 737 760 (inside Australia) or +61 2 9290 9600 (outside Australia) at any time between 8.30am to 5.30pm (Melbourne time) Monday to Friday during the Entitlement Offer Period.

5.18 Governing law

The Information, the Entitlement Offer and the contracts formed on acceptance of Entitlement Offers pursuant to the personalised Entitlement and Acceptance Forms are governed by the laws applicable in Victoria, Australia. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.

5.19 Foreign jurisdictions

The Information has been prepared to comply with the requirements of the securities laws of Australia. Simonds is not able to advise on the laws of any other foreign jurisdictions.

To the extent that you hold Shares or Entitlements on behalf of another person resident outside Australia or New Zealand, it is your responsibility to ensure that any participation (including for your own account or when you hold Shares or Entitlements beneficially for another person) complies with all applicable foreign laws.

The Information does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Entitlement Offer, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand.

The distribution of the Information (including an electronic copy) outside Australia and New Zealand may be restricted by law. If you come into possession of the Information, you should observe such restrictions and should seek your own advice on such restrictions.

5.20 Privacy

As a shareholder, Simonds and the Share Registry have already collected certain personal information from you. If you apply for New Shares, Simonds and the Share Registry may update that personal information or collect additional personal information. Such information may be used to assess your acceptance of the New Shares, service your needs as a shareholder, provide facilities and services that you request and carry out appropriate administration.

To do that, Simonds and the Share Registry may disclose your personal information for purposes related to your shareholdings to their agents, contractors or third party service providers to whom they outsource services, in order to assess your application for New Shares, the Share Registry for ongoing administration of the register, printers and mailing houses for the purposes of preparation of the distribution of shareholder information and for handing of mail, or as otherwise under the *Privacy Act 1988* (Cth).

If you do not provide us with your personal information we may not be able to process your application. In most cases you can gain access to your personal information held by (or on behalf of) Simonds or the Share Registry. We aim to ensure that the personal information we retain about you is accurate, complete and up to date. To assist us with this please contact us if any of the details you have provided change. If you have concerns about the completeness or accuracy of the information we have about you, we will take steps to correct it. You can request access to your personal information by telephoning or writing to Simonds through the Share Registry using the details shown in the Corporate Directory (refer to Section 7).

5.21 Disclaimer of representations

No person is authorised to give any information, or to make any representation, in connection with the Entitlement Offer that is not contained in this Information.

Any information or representation that is not in this Information may not be relied on as having been authorised by Simonds, or its related bodies corporate in connection with the Entitlement Offer. Except as required by law, and only to the extent so required, none of Simonds, or any other person, warrants or guarantees the future performance of Simonds or any return on any investment made pursuant to this Information or its content.

5.22 Withdrawal of the Entitlement Offer

Simonds reserves the right to withdraw all or part of the Entitlement Offer and this Information at any time, subject to applicable laws, in which case Simonds will refund Application Monies in relation to New Shares not already issued in accordance with the Corporations Act and without payment of interest.

To the fullest extent permitted by law, you agree that any Application Monies paid by you to Simonds will not entitle you to receive any interest and that any interest earned in respect of Application Monies will belong to Simonds.

6. Definitions

\$ or A\$ or dollars means Australian dollars.

Additional New Shares means New Shares which Eligible Shareholders are able to apply for in excess of their Entitlement under the Oversubscription Facility.

Announcement means the announcement released by the Company to the ASX on 25 November 2022 in relation to the Entitlement Offer, incorporated in Section 3 of this Offer Booklet.

Applicant means an Eligible Shareholder who has submitted a valid Application.

Application means the arranging for payment of the relevant Application Monies through BPAY® in accordance with the instructions on the Entitlement and Acceptance Form or the submission of an Entitlement and Acceptance Form accompanied by the relevant Application Monies.

Application Monies means the aggregate amount payable in Australian dollars for the New Shares applied for through BPAY® or in a duly completed Entitlement and Acceptance Form.

ASIC means the Australian Securities and Investments Commission.

ASIC Instruments means ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73).

ASX means ASX Limited (ABN 98 008 624 691) or the securities exchange operated by it (as the context requires).

ASX Listing Rules means the listing rules of ASX (including the ASX Settlement Operating Rules, the ASX Operating Rules and the ASX Clear Operating Rules) as waived or modified by ASX in respect of Simonds or the Offer in any particular case.

ASX Offer Materials means the Announcement, Investor Presentation and Cleansing Statement.

Cleansing Statement means the notice given by the Company to ASX under section 708AA(2)(f) of the Corporations Act on 25 November 2022 in relation to the Entitlement Offer, incorporated in Section 3 of this Offer Booklet

Closing Date means the time and date on which the Entitlement Offer closes, as specified in the Timetable.

Company or Simonds means Simonds Group Limited (ACN 143 841 801).

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

Eligible Person means a person who:

- is registered as the holder of the Entitlement as at the date of exercise;
- has a registered address on the Company's register for Entitlements in Australia or New Zealand;
- not be in the United States and must not be acting for the account or benefit of a person in the United States (to the extent such a person holds Entitlements for the account or benefit of such persons in the United States); and
- be eligible under all applicable laws to exercise Entitlements without a prospectus, disclosure document, product disclosure statement or any lodgement, filing, registration or qualification.

Eligible Shareholders has the meaning given in Section 5.1 of this Offer Booklet.

Entitlement means the right to subscribe for 13 New Shares for every 9 existing Share held by Eligible Shareholders on the Record Date at an Offer Price of \$0.12 per New Share, pursuant to the Entitlement Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form that will accompany this Offer Booklet when it is dispatched to Eligible Shareholders.

Entitlement Offer or Offer means the renounceable entitlement offer to Eligible Shareholders to 13 New Shares for every 9 Share of which the Shareholder is the registered holder on the Record Date, at an Offer Price of \$0.12 per New Share pursuant to this Offer Booklet.

Entitlement Offer Period means the period commencing from when the Entitlement Offer opens and the ceasing on the Closing Date.

Entitlement Trading Period means the period during which Entitlements may be traded on ASX, as specified in the Timetable.

How to Apply has the meaning given in Section 2 of this Offer Booklet.

IBC has the meaning given in Section 5.8 of this Offer Booklet.

Ineligible Shareholder means a Shareholder who is not an Eligible Shareholder.

Information has the meaning given in Section 5 of this Offer Booklet.

Investor Presentation means the means investor presentation released by the Company to the ASX on 25 November 2022 in relation to the Entitlement Offer, incorporated in Section 3 of this Offer Booklet.

Lead Manager means Ord Minnett Limited (ACN 002 733 048).

New Shares means Shares to be allotted and issued under the Entitlement Offer and includes Additional New Shares.

Offer Price means \$0.12 per New Share.

Offer Booklet means this booklet.

Oversubscription Facility means the opportunity for Eligible Shareholders who take up all of their Entitlement to also apply for Additional New Shares in excess of their Entitlement on the terms set out in this Offer Booklet.

Record Date means 7.00pm (Melbourne time) on 30 November 2022.

Renouncing Shareholder means an Eligible Shareholder who does not take up (or sell) all of their Entitlement, and who is therefore deemed to have renounced any part of their Entitlement which they have not taken up or sold.

Renunciation and Acceptance Form means the form for the transfer of Entitlements in the Entitlement Offer as obtained from the Share Registry.

Section means a section of this Offer Booklet.

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

Share Registry means Boardroom Pty Limited (ACN 003 209 836).

Shareholder means a holder of Shares.

Shortfall Bookbuild has the meaning given to in Section 5.6 of this Offer Booklet.

Shortfall Bookbuild Shares has the meaning given to in Section 5.6 of this Offer Booklet.

TERP means the theoretical price at which Shares trade immediately after the ex-date for the Entitlement Offer assuming 100% take-up of the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which Shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated by reference to the 30-day VWAP of Simonds' shares as traded on the ASX of \$0.168 up to and including 24 November 2022.

Timetable means the indicative table set out in the "Key dates" section of this Offer Booklet.

Top-Up Shares means the issue of additional New Shares to ensure that the relevant investors receive their appropriate allocation of New Shares.

Underwriter means has the meaning given in Section 5.8 of this Offer Booklet.

Underwriting Agreement means the underwriting agreement dated on or around 25 November 2022 between the Company and the Underwriter, as amended from time to time.

U.S. Securities Act means the U.S. Securities Act of 1933, as amended.

VWAP means volume-weighted average price.

7. Corporate Directory

SIMONDS REGISTERED OFFICE

Simonds Group Limited
Level 4, 570 St Kilda Road
Melbourne VIC 3004

SIMONDS WEBSITE

<http://simondsgroup.com.au/>

LEAD MANAGER

Ord Minnett Limited
Grosvenor Place
Level 18, 225 George Street
Sydney NSW 2000

LEGAL ADVISER

Gilbert + Tobin
Level 35, Tower 2, International Towers Sydney
200 Barangaroo Avenue
Sydney NSW 2000

SHARE REGISTRY

Boardroom Pty Limited
Level 8, 210 George Street
Sydney NSW 2000
Phone: 1300 737 760
E-mail: enquiries@boardroomlimited.com.au
Website: <https://boardroomlimited.com.au/>

OFFER INFORMATION LINE

Between 8.30am and 5.30pm (Melbourne time), Monday to Friday
Within Australia:
1300 737 760
Outside Australia
+61 2 9290 9600