

**ASX ANNOUNCEMENT
SIMONDS GROUP REVIEW OF OPERATIONS AND MARKET UPDATE**

7 November 2022

Simonds Group Limited (**Simonds, Group or Company**) (ASX: SIO), one of Australia's leading homebuilders, provides an update to its previously announced review of operations and market update.

In August, Simonds announced it was operating in an extremely challenging environment of rising construction costs and labour shortages and was restructuring the business by strengthening its core operations, putting a reasonable and sustainable limit on the number of contracts it commits to, and re-aligning its cost base to match market conditions.

Subsequent to the August announcement, a range of factors have continued to adversely impact the residential building sector and the Simonds business generally. These factors include prolonged wet weather and flooding, supply shortages and delivery delays for materials, availability of skilled labour, interest rate rises, reduced customer borrowing capacity, delays to land registration and inflation. While some of these factors have been experienced by the industry for some time now, Simonds considers that the impact of these factors is likely to continue for a prolonged period. In addition, there has been further adverse impacts from the recent floods in Victoria and what is predicted to be a reduction in demand for new homes over the next 6 to 12 months due to interest rate rises, inflation and as a result of the demand generated by the HomeBuilder Scheme coming to an end.

After completing a sensitivity analysis of the impacts of these factors on the Company's business, and further assessing the broader business conditions in which it operates, the Board considers it prudent to investigate options to strengthen the Company's balance sheet to withstand a more prolonged adverse trading period. These options include a capital solution on terms yet to be determined and the Board has established an independent board committee to consider the various options. The major shareholder has given its in-principle support to a capital solution.

The Board is confident that additional funding will allow Simonds to continue to operate strategically during this adverse period, including positioning the Company 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.

The Board will provide a further update to the market in due course.

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Authorised for lodgement by the Simonds Group Limited Board of Directors.