

**16 July 2014**

## **NOMAD MARKET UPDATE**

The Board of Nomad Building Solutions Limited (Nomad or Company) provides the following unaudited update on the FY14 second half operating performance for continuing operations, the current market outlook for the continuing operations and an update on the status of legacy issues.

### **FY2014 Second Half Update - Continuing Operations**

#### McGrath Homes

Private residential sales for the second half of FY14 have continued at levels consistent with the first half despite poor sentiment affecting investment in regional areas exposed to mining and mining services. EBITDA from commercial projects for the second half of FY14 are below expectations, primarily as a result of a delay in the start of a 30 dwelling development in Karratha. Overall the second half of FY14 EBITDA result for McGrath will be approximately \$0.45m.

The FY15 outlook for McGrath homes remains positive for both the private residential and commercial sectors. The ongoing focus on sales to the private residential market is expected to produce continued growth and there remains a strong pipeline of opportunities in the commercial projects business. The commercial sector pipeline includes a number of housing projects with state and local government and private enterprise, accommodation requirements for lifestyle villages and housing projects for major resource companies.

#### Nomad Rental

The 56 room accommodation facility (King Village) in Karratha achieved an average 62% occupancy for the March quarter, up from the 47% average occupancy achieved in the first half of FY14. However the loss of a major tenant at the end of March has resulted in a significant drop in occupancy for the June quarter.

Currently there is an oversupply of accommodation in the Karratha area resulting in increased competition for occupancy. We have commenced a number of initiatives during the current quarter to secure improved occupancy.

### **Legacy and Other Issues**

#### Wacol Lease (Nomad Eastern States)

Nomad Eastern States (NES) has signed a Heads of Agreement for the sub lease of its Wacol site for a 12 month term plus two six month options thereafter. This provides for a material reduction in the carrying cash cost of the head lease while allowing NES to search for a tenant for the remainder of the lease period which runs until February 2019 and represents a significant ongoing liability. Sub leasing of the Wacol premises beyond the current agreement remains a major focus for management.

#### South Hedland Development

As reported at the half year Nomad is continuing to explore development options for the site in South Hedland. The Company has further progressed discussions with the relevant authorities to establish either a development lease leading to freehold based on development milestones or a 20 year lease agreement. These discussions are ongoing.

Nomad has a development application (DA), approved in 2012, for construction of a 113 unit development and is currently assessing the feasibility of progressing with the existing DA against all other options.

As part of this development Nomad committed to the infrastructure works for the site in 2011 and with this work now complete Nomad has settled all outstanding development costs. These works had a total cost \$2.645m and were paid in full in early July 2014.

#### Assets Available For Sale

Nomad has 5 houses for sale in Derby, WA and two properties in Roma Queensland which are currently being marketed for sale. We have engaged a specialist property consultant to assist with these sales and in total these are expected to provide cash receipts of approximately \$2.5m by December 2014.

As part of the end of year audit process Nomad will review the forecast financial outcomes on all ongoing legacy issues. Where considered appropriate provisions or provision adjustments will be posted for the full year accounts to be released on 29 August 2014.

#### **Cash Position**

At the 30 June 2014 Nomad's cash position was \$8.2m, adjusted for the South Hedland Development infrastructure payment net cash falls to \$5.6m. The \$5.6m includes \$1.7m held in trust against bank guarantees of which approximately \$0.7m will become available when three of the projects within the discontinued operations are closed out prior to December 2014.

#### **Board Changes**

Mr Peter Hogan will retire from the Board of Directors effective 31 July 2014. Peter served as the Managing Director of Nomad from August 2012 to November 2013 before accepting a non executive role. The Board wishes to thank Peter for his contribution to Nomad.

#### **Next Steps**

The Board of Nomad believes that the Company is making sound progress and with continued focus and timely resolution of the remaining legacy issues Nomad will be in an improved position to focus on growth opportunities to enhance shareholder value, including the potential for merger or acquisition transactions.

#### **For Further Information:**

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