

Skill Hire Vendors agree to convert majority of Deferred Consideration into GO2 Ordinary Shares

Highlights

- Over the past 18 months, GO2 has been executing a business turn-around strategy, and in parallel undertaking a program of balance sheet stabilisation & repair. The success of the business turn-around is evidenced by the positive trajectory of the Net Cash Operating Margin (a close proxy for EBITDA) over the past 3 quarters (refer Appendix 4C lodged with the ASX on 31 January 2023). A significant step in stabilising the balance sheet was achieved with the successful negotiation in October 2022 of all ATO liabilities under longer-term payment plans.
- The Skill Hire Vendors have been solid supporters of GO2, and in addition to lending their experience & expertise in relation to the Skill Hire business, remain the three largest shareholders of GO2.
- On the acquisition of Skill Hire in May 2021, the transaction included a deferred payment due from GO2 to the vendors of the Skill Hire business, with a current balance of \$3.51 million due 30 November 2023 ("Deferred Payment"). The Deferred Payment attracts interest at 8% p.a. which GO2 is paying monthly.
- The Skill Hire vendors have now agreed:
 - To accept 43% of the Deferred Payment (approximately \$1.34 million) in cash payable on or before 30 June 2023, as shown in the Use of Funds table in the Rights Issue Offer Document; and
 - To convert, subject to shareholder approval, the remaining 57% (approximately \$2.00 million) into GO2 shares at the current Rights Issue Shortfall Placement price of 1.2c per share
- This represents a further significant step in the de-leveraging of GO2's balance sheet, and a further demonstration of the value the Skill Hire Vendors see in the GO2 business at the current Shortfall Placement price.

Background

GO2's purchase of the Skill Hire business was announced via the ASX platform on 7 April 2021, with completion occurring on 31 May 2021. On completion, GO2 issued shares to the vendors of Skill Hire as part consideration for the purchase of Skill Hire. The Skill Hire vendors remain the three largest shareholders in GO2, and currently hold the following shares and are owed the following Deferred Payment amounts:

Skill Hire Vendors	# of Shares	% of GO2 Shares on Issue	Deferred Payment Amount
BC Fund II Pty Ltd <Banksia Capital Fund II A/C>	70,095,503	16.74%	\$1,408,897.50
Asstock Pty Ltd <Stock A/C>	48,279,371	11.53%	\$712,908.00
Shoreside Holdings Pty Ltd <Fitzpatrick Family A/C>	48,279,371	11.53%	\$712,908.00
All Other Holders (inc ESOP below)	252,071,456	60.20%	N/A
Totals	418,725,701	100%	\$2,834,713.50

Skill Hire also had four participants under its Employee Share Ownership Plan (ESOP). On GO2's acquisition of Skill Hire, these four ESOP participants were also issued ordinary shares in GO2 and became entitled to Deferred Consideration payments. The number of GO2 shares currently held by Skill Hire ESOP holders and their entitlement to Deferred Payment amounts are as follows:

Skill Hire ESOP Holders	# of Shares	% of GO2 Shares on Issue	Deferred Payment Amount
Shawn Murphy (GO2 MD)	13,428,963	3.21%	\$285,867.00
Skill Hire ESOP Holder #2	8,263,170	1.97%	\$263,119.50
Skill Hire ESOP Holder #3	2,844,339	0.68%	\$69,127.50
Skill Hire ESOP Holder #4	2,352,455	0.56%	\$57,172.50
Totals	26,888,927	6.42%	\$675,286.50

For clarity, none of the ESOP holders other than Shawn Murphy are current Key Management Personnel (KMP) of GO2.

Deferred Payment / Share Conversion Agreements

The Deferred Payment is due on 30 November 2023, and attracts interest at 8% p.a. which GO2 is currently paying monthly.

It is not possible for the Skill Hire Vendors to convert their entire Deferred Payment amounts into GO2 shares, without triggering takeover threshold limits for the larger shareholder.

The Rights Issue Offer Document dated 15 November 2022 contained provision in the Use of Funds table for the Skill Hire Vendors (and Skill Hire ESOP holders) to receive up to \$1.51 million in reduction of the Deferred Payment liability.

The Skill Hire Vendors, GO2 MD Shawn Murphy (as a Skill Hire ESOP Holder) and ESOP Holders #3 and #4 have all now committed that, provided they receive 43% of their Deferred Payment entitlement in cash by 30 June 2023, they will convert their remaining Deferred Payment entitlements to GO2 shares at the current 1.2c Shortfall Placement price, subject to any required shareholder approvals ("Deferred Payment Conversion"). These new shares will then be escrowed until 30 November 2023 when the Deferred Payment entitlement would have been due for payment.

In addition, ESOP Holder #4 has requested the immediate conversion of their Deferred Payment entitlement into GO2 shares at the current 1.2c Shortfall Placement price, and as this holder is no longer a GO2 KMP this will be achieved using the Company's Listing Rule 7.1 Placement Capacity. These shares will also be escrowed until 30 November 2023.

The effect of this series of agreements, assuming full take-up under the current Rights Issue Shortfall Placement and that shareholder approval to the conversion of portion of the Deferred Payment into GO2 shares is received, is shown on the two tables overleaf.

Effect on GO2 Share Capital of the Shortfall Placement and Initial Deferred Payment Conversion (ESOP Holder #4)

By 16 March 2023	# of Shares
GO2: Current Shares on Issue	418,725,701
Add ESOP Holder #4 Deferred Payment conversion (using Listing Rule 7.1 Placement Capacity)	4,764,375
Shortfall Placement Shares to be issued (assuming full take-up)	259,004,721
Forecast Shares on Issue	682,494,797

Effect on GO2 Share Capital of the Shortfall Placement and Full Deferred Payment Conversions

Subject to Shareholder Approval at a General Meeting to be convened prior to 30-Jun-2023	# of Shares	% of GO2 Shares on Issue	Deferred Payment Amount due 30-Jun-23	Deferred Payment Amount due 30-Nov-23
New Shortfall Placement Participants	259,004,721	30.60%	NA	NA
BC Fund II Pty Ltd	136,994,720	16.18%	\$606,106.90	Nil
Asstock Pty Ltd	82,130,653	9.70%	\$306,692.62	Nil
Shoreside Holdings Pty Ltd	82,130,653	9.70%	\$306,692.62	Nil
Shawn Murphy (GO2 MD)	27,002,895	3.19%	\$122,979.82	Nil
Skill Hire ESOP Holder #2	20,756,973	2.45%	\$113,193.86	Nil
Skill Hire ESOP Holder #3	6,126,747	0.72%	\$29,738.61	Nil
Skill Hire ESOP Holder #4	7,116,830	0.84%	Nil	Nil
All Other Holders	225,182,529	26.60%	N/A	NA
Totals	846,446,720	100%	\$1,485,404.42	Nil

Continued Director Support

As previously reported, as a demonstration of the Company's commitment to becoming cashflow self-sustaining, Non-Executive Board Chair Darren Cooper and Managing Director Shawn Murphy have committed to taking their Board Fees in GO2 shares for an initial period of six months from 1 January 2023 to 30 June 2023, and thereafter subject to review (for the sake of clarity, Mr Murphy will continue to receive his CEO salary in cash).

The number of shares will be calculated monthly at the VWAP for each month, with the grant of shares subject to approval by shareholders at the Company's Annual General Meeting in November 2023. Failing approval, the fees will be paid in cash following the General Meeting.

Board Chair Commentary

Board Chair Darren Cooper said, "As the three largest shareholders of the GO2 business, the Skill Hire vendors have been consistent supporters of the Group. They and the ESOP Holders initially agreed to postpone their Deferred Payment entitlement whilst the Company negotiated its ATO payment plans during 2022, and they have now agreed a reasonable mechanism to convert the majority of the total Deferred Payment into GO2 ordinary shares.

We are confident that this further step towards de-leveraging and improving the Group's balance sheet will be seen as a positive initiative by both current shareholders and potential Shortfall Placement participants."

For more information, please contact:

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About The GO2 People Ltd

The GO2 People Ltd (ASX:GO2) is a leading provider of recruitment and training services to industry throughout Australia. The day-to-day operations of the company are underpinned by strong core values and an ethical approach to business principles which drive innovation, collaboration and an ongoing commitment to continuous improvement. To learn more please visit: www.thego2people.com.au