

Appendix 4C: Operations Update & Quarterly Cashflow Report Quarter Ended 31 December 2022

Education, training and employment solutions provider The Go2 People Ltd (ASX:GO2) (“**GO2**” or the “**Company**”) is pleased to release its Operations Update and quarterly 4C Cashflow Report for Q2 FY2023 (**Quarter**).

Highlights:

- Another record quarter and half-year of cash receipts at \$22.6 million / \$44.3 million (respectively +17% and +21% year-on-year (YoY))
- Improved revenues and client margins have significantly reduced cash burn, with these positive trends expected to continue
- Right-sizing initiatives have significantly reduced operating expenditure to 16% of H1 FY2023 revenue (down from 28% in the prior corresponding period)
- Strong organic growth is continuing within the Labour Hire and Apprenticeship businesses throughout WA, SA and Queensland, with new leadership set to support the Company's growth plans
- Executive recruitment business Mechtech Australia acquired by GO2, expected to accelerate the Company's growth on the East Coast in executive search and across its business units
- Upcoming investor roadshow to build interest in the Company's Shortfall Placement, with a total amount of ~259 million shares available at 1.2c, equating to approximately \$3.1 million

Operational Overview

During the Quarter, the Company made significant progress setting foundations for sustainable growth, with all ATO liabilities having been successfully secured under payment plans over extended periods, and a capital raising via Rights Issue and subsequent Shortfall Placement having been launched to bolster the balance sheet.

Operationally, the business continued to build momentum across its diverse service offerings, with the structural economic and labour force tailwinds continuing to assist the Company's momentum. This resulted in another record quarter of cash receipts from customers at \$22.63 million, equating to an annualised run rate of \$90.5 million. This has grown from an annualised run rate of \$77.5 million in Q1 FY2022 – the first full quarter of revenue incorporating both Hunter Executive and Skill Hire, and whilst Skill Hire at the time still had the benefit of significant government contracts.

Strong organic growth is continuing within the Labour Hire and Apprenticeship businesses throughout WA, SA and Queensland with improvements to revenue, headcount and margin. Strong stable teams with capable leadership have worked to improve both client relationships and service delivery, boding well for continued improvement throughout 2023.

Workforce Development contracts with the Australian Government Department of Employment and Workforce Relations are smaller than this time last year, however they are performing well with lean teams and are enjoying strong feedback from the Department resulting in ongoing growth in client numbers.

The Company's Training business continues to experience strong demand for its services, albeit with some challenges in filling courses over the Christmas / New Year period. A focus on key account management among GO2's High Risk Training clients is positioning the Company well for continued improvement of this higher margin business unit going forward.

The strategy to focus on better collections & cash management, margin improvements and increased profitability is continuing to gather momentum. The improving trends for GO2's internal metrics gives management confidence that 2023 will see GO2 realise the potential of its strong client relationships, improved capabilities and synergistic, vertically integrated service offerings.

These improving trends are demonstrated by the following metrics:

Quarter:	Jun-2022 (\$'000s)	Sep-2022 (\$'000s)	Dec-2022 (\$'000s)	Source / Calculation
Cash Receipts from Customers	20,990	21,629	22,633	From Appendix 4C, Item 1.1
Gross Cash Margin	2,447	3,410	4,522	Cash Receipts from Customers less Operating Costs
Net Cash Operating Margin	(1,061)	(355)	970	Gross Cash Margin less Advertising & Marketing, Staff Costs, and Administration & Corporate Costs

Hunter Executive Expansion into Queensland

The Company's white collar executive search business, Hunter Executive, experienced performance challenges during the Quarter due to senior personnel changes, but is now set up well to deliver stronger results in H2 FY2023 with:

- Refreshed leadership in WA;
- The acquisition of Mechtech (see further commentary below) and the recruitment of Nick Connolly to lead Hunter's expansion into Queensland; and
- The continued growth of Hunter's Melbourne team.

Acquisition of Mechtech Australia (Qld)

Mechtech Australia is an executive recruitment business based in Queensland, servicing the key sectors of Infrastructure, Mining and Engineering. The business was founded in 2019 by its sole owner Nick Connolly.

The business assets of Mechtech Australia ("Mechtech Assets") have been acquired by GO2 subsidiary, Hunter Executive Search Consultants Pty Ltd ("Hunter Executive"). The assets include Mechtech's list of current & former clients, candidate database and marketing assets. The amount being paid by Hunter Executive is below the materiality threshold for the Group, and will be paid:

- In twelve months' time; and
- Only if the revenue generated for Hunter Executive by Nick Connolly exceeds certain thresholds over the first twelve months, and the contribution from the Mechtech Assets exceeds a certain component of this amount.

Mechtech's owner Nick Connolly has joined Hunter Executive as its new Regional Manager, Queensland. Coming with the benefit of an existing client list and candidate database, Mr Connolly is making immediate inroads into the Queensland white collar permanent recruitment market in the key sectors of Infrastructure, Mining and Engineering – all key targets for GO2 across its vertically integrated range of service offerings.

As GO2 has found in other markets, white collar recruitment is often a valuable beachhead into establishing wider relationships with new clients. Typically the recruitment of a C-Suite executive by Hunter Executive builds a strong relationship with that candidate, and that relationship then deepens with the business they're joining becoming a potential client of the Group's other service offerings including training, apprenticeships and labour hire.

New GO2 Leadership in Queensland

The Company is pleased to advise that it has appointed Josh Sexton as new State Manager to lead GO2's Queensland business. Josh is not only a well credentialled blue collar labour hire leader, but he also brings experience leading training and apprenticeship businesses which will support the Group's growth plans into the future.

Josh will work alongside Hunter Executive's Nick Connolly to bring GO2's Traffic Management, Registered Training Organisation (RTO) and Group Training Organisation (GTO) service offerings to both Mechtech Australia's current and former clients, and to GO2's existing labour hire clients. Likewise, the expanded suite of service offerings (now including white collar executive recruitment) will also present opportunities to open up other new client relationships in Queensland.

Cashflow Update & Analysis

The Company used \$274K in net operating cash during the Quarter, compared to \$1.085m cash used in the previous quarter. Improved revenues and client margins were the main contributors to the significantly reduced cash burn, with these positive trends expected to continue.

Included in net cash used in operating activities is the repayment of certain ATO liabilities (including payment plans) pertaining to prior years. After adding back the repayment of these legacy ATO liabilities, the Company would have generated \$869K in cash flow from operations in the Quarter:

	Current Quarter (\$'000s)	Year-To-Date (\$'000s)
Item 1.9: Net Cash Used in Operating Activities	-\$274	-\$1,359
Add-back: Repayment of ATO Liabilities pertaining to Prior Years (within Item 1.8)	\$1,143	\$1,422
Adjusted Net Cash from Operating Activities (Adjusted Item 1.9)	\$869	\$63

The table below highlights the Company's growth in cash receipts from customers, showing strong growth of 16.8% in the Quarter compared to the same quarter last year, and 20.8% growth on a YTD basis compared to last year.

	Qtr to Dec-22 (3 months) \$'000s	Qtr to Dec-21 (3 months) \$'000s	% Var.	YTD to 31-Dec-22 (6 months) \$'000s	YTD to 31-Dec-21 (6 months) \$'000s	% Var.
Receipts from customers (Item 1.1)	22,633	19,382	+16.8%	44,261	36,647	+20.8%

In addition, Operating Expenditure has been significantly reduced as a result of the Company's previously-announced rightsizing initiatives. When measured as a percentage of revenue, Operating Expenditure for H1 FY2023 has fallen to 16% (unaudited), a significant improvement from 28% in the prior corresponding period.

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.

Explanation of Interest Paid (4C Item 1.5)

Investors will note the generally lower amount of cash interest expense for the Quarter at \$169K, versus \$347K last quarter. This has arisen because:

- Included within the first quarter number were “good faith” payments the Company was making to the ATO pending approval of its payment plans;
- As it was assumed that the ATO would apply these payments against General Interest Charge, the amounts being paid were classified as interest costs;
- Upon approval of the payment plans, it became evident that the ATO had applied the amounts paid in direct reduction of the underlying liabilities;
- As such, the amount allocated to Interest was over-stated in the previous quarter, and in this Quarter those amounts have been reversed out of Item 1.5: Interest and Other Finance Costs Paid (with that reversal resulting in a lower number for this Quarter), and applied instead to Item 1.8: Other (Repayment of ATO Liabilities).

Cash & Unused Facilities at Quarter End

At 31 December 2022 the Company had available cash of \$867K, as well as unused finance facilities available of \$1.5 million, which includes further drawings available under the ScotPac facility referenced in the Company’s September 2022 Quarterly Report, and a Multi Option Facility with Bankwest.

Investor Relations Appointment & Upcoming East Coast Roadshow

GO2 has appointed NWR Communications to assist the Company with Investor Relations. An updated Investor Presentation incorporating unaudited half year FY2023 metrics will be released shortly, and an east coast roadshow to potential investors and broker partners has been scheduled for the week commencing Monday 6 February.

A key focus of the upcoming roadshow will be to build interest in the Company’s Shortfall Placement resulting from the Rights Issue conducted in late 2022. A total amount of approximately 259 million shares is available at 1.2c, equating to approximately \$3.1 million.

Shares On Issue

The Company has 418,725,701 fully paid ordinary shares on issue at 31 December 2022, of which 97,219,838 remain in voluntary escrow and are held by vendors of the Skill Hire business.

Related Party Payments During the Quarter

For the purposes of ASX Listing Rule 4.7C.3, payments of \$161K to related parties as disclosed at Item 6 of the Appendix 4C relate to payments to Directors for agreed Directors' salaries, fees and superannuation.

Board Chair Commentary

GO2 Board Chair, Darren Cooper, said:

"We are pleased to demonstrate that our previously announced initiatives around major client retention, margin renegotiation with major clients and margin improvements more generally, and the significant cost reduction programs we have executed, have now started to flow into the numbers in the December quarter.

"With all ATO liabilities now under extended payment plans and the Shortfall Placement open supported by some fresh investor relations activity, we are well underway rebuilding of the Group's balance sheet. For a diversified human resources business with its main operations in Western Australia and Queensland, with a modest market capitalisation but run-rating at \$90m p.a. revenue and generating significant underlying operating margins, we expect to attract and retain significant investor interest."

For more information, please contact:

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Issued by: The GO2 People Ltd

Approved by: The Board of The GO2 People Ltd

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

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

The GO2 People Limited

ABN

45 616 199 896

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (six months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	22,633	44,261
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(18,111)	(36,330)
(c) advertising and marketing	(172)	(308)
(d) leased assets	-	-
(e) staff costs	(2,418)	(4,423)
(f) administration and corporate costs	(962)	(2,586)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	(169)	(516)
1.6 Income taxes paid	(169)	(274)
1.7 Government grants and tax incentives	-	-
1.8 Other (Repayment of ATO liabilities)	(907)	(1,186)
1.9 Net cash from / (used in) operating activities	(274)	(1,359)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(23)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (six months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(23)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	138	138
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	118	1,227
3.6	Repayment of borrowings	(591)	(1,076)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Repayment of lease liabilities)	(310)	(550)
3.10	Net cash from / (used in) financing activities	(645)	(261)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,786	2,510
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(274)	(1,359)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(23)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (six months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(645)	(261)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	867	867

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	867	1,786
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	867	1,786

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	161
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities (Note 1)	2,025	719
7.2	Credit standby arrangements		
7.3	Other (please specify) (Note 2)	2,237*	2,021
7.4	Total financing facilities	4,262	2,740
7.5	Unused financing facilities available at quarter end		1,522
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>Note 1: Multi Option Facility ("MOF") The Skill Hire WA Pty Ltd subsidiary has a \$2.025 million MOF facility with Bankwest which includes a \$1,025,000 overdraft facility. At quarter end \$719,000 was drawn under this facility.</p> <p>Note 2: Debt Factoring Facility The GO2 labour hire subsidiaries have a Debtor Funding Facility with Scottish Pacific (BFS) Pty Ltd ("ScotPac Facility") in respect of labour hire debts owed by certain of their ScotPac-approved customers ("Approved Debtors"). A facility limit of \$15 million has been approved, however drawings are limited to 80% of the Approved Debtors at any point in time. As at 31 December 2022 Approved Debtors under the ScotPac Facility totalled approximately \$2.8 million, against which the draw down limitations apply as outlined above.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(274)
8.2	Cash and cash equivalents at quarter end (item 4.6)	867
8.3	Unused finance facilities available at quarter end (item 7.5)	1,522
8.4	Total available funding (item 8.2 + item 8.3)	2,389
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	8.7
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 January 2023

Authorised by: The Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.