



19 April 2024

AGREEMENT TO SELL APPLYFLOW BUSINESS

Applyflow Limited (ACN 107 371 497) (ASX:AFW) (**AFW** or the **Company**) has entered into a conditional agreement to dispose of the Applyflow business through the sale of all of the issued capital of Applyflow International Pty Ltd (**Applyflow International**).

The disposal is proposed to be by way of a management buy-out to an entity controlled by current Applyflow business acting CEO, Richard Swanton (**MBO**). Further details on the Applyflow business, the terms of the proposed MBO and related matters are set out below.

This follows the Company's announcement to ASX on 12 March 2024 of its proposed acquisition of the highly prospective Fairfield Copper and Fintry REE Projects in Canada (**Proposed Acquisition**) and re-compliance listing on ASX. As the proposed MBO will constitute a disposal of the Company's main undertaking, shareholder approval for the sale will be required for the purposes of ASX Listing Rule 11.2. Such approval will be sought at the general meeting to be convened to approve the Proposed Acquisition and re-compliance listing on ASX. Shareholder materials for that meeting are expected to be dispatched in the coming weeks and the Company anticipates that the meeting will be held in late May 2024.

The Applyflow business

The Applyflow business, which the Company acquired in 2020 through the acquisition of JXT, operates as a global provider of HR technology products that support and empower recruitment agencies and hiring teams. Applyflow International is the operating parent entity of the Applyflow business that operates through various wholly owned subsidiaries in Australia, UK and USA.

The Company's principal activities at present consist of sales and ongoing development of its Applyflow cloud-based software-as-a-service (SaaS) platform focusing on recruitment management with enhanced offerings to the recruitment market.

During 2023, the Company restructured its executive management team and appointed Richard Swanton as acting CEO. The Company also undertook a review to identify opportunities to optimise operations and reduce costs. Since that time there has been a strong focus on efforts to grow market share in Australia and New Zealand and enhancing customer service via transition of customers of legacy systems onto its proprietary Applyflow system. The Applyflow team also recently launched ApplyflowX to align with the evolving needs of customers.

Whilst the above initiatives have resulted in improvements and some cost savings in the Applyflow business, the business remains cash flow negative. As announced in the Company's Quarterly Report dated 30 January 2024, receipts from customers were approx. \$749K for the quarter with net cash outflows from operating activities of \$175K for the same period.

MBO rationale

Given the Company intends on transitioning to becoming a diversified explorer with a focus on battery and critical minerals exploration and development (refer ASX Announcement dated 12 March 2024), the Board believes the proposed MBO of the Applyflow business will provide benefits for both the Company and Applyflow business customers. Further, disposal by the Company of the Applyflow business on terms reasonably acceptable to the vendors of the Fairfield and Fintry Projects in Canada is a condition precedent to the Proposed Acquisition and, accordingly, if the proposed MBO does not proceed the Proposed Acquisition will not proceed.

During the past 18 months there has been significant negative sentiment toward technology start-ups and such businesses have generally experienced difficulties in raising new capital to continue and grow. The re-rating of the technology sector in the US in 2022 following ongoing higher interest rates, inflation rates and uncertain economic conditions, saw sector-wide pressure on technology companies with significant value re-ratings, budget adjustments and operational reductions (including widespread redundancies) in response. Access to capital became more challenging, with a lack of investor interest and funds being raised at much lower valuations, or companies being faced with the inability to raise funds at all, particularly for start-ups and companies which were not yet cash flow positive. This pressure followed into the Australian technology sector, impacting significantly on valuations and the ability to raise funds.

The Company's share price on ASX has declined from highs of \$0.18 in July 2021 to \$0.016 immediately prior to the suspension of trading in its shares on 6 November 2023 and its market capitalisation from approximately \$14.7 million to approximately \$2.37 million over the same period. Its market capitalisation immediately prior to suspension was lower than its cash backing at the time (being approximately \$2.6 million), evidencing such negative market sentiment. It is noted that the net cash position of the Company immediately prior to suspension (after allowing for creditors) was approximately \$820,000, which provided the Company with an indicative enterprise value of approximately \$1.5 million at that time.

The Applyflow business will require further capital to achieve its growth and profitability objectives. The Board recognises the challenging environment globally to raise funds in public capital markets for technology businesses that are not yet profitable, regardless of the expectations of a business as to growth and future profitability. Accordingly the Company does not believe it can raise in the public capital markets and in its current structure the amount of money necessary to continue this business as a going concern at any price. Management of the Applyflow business sees potential for the business in a private structure where costs can be substantially lower and better controlled, with capital raised from select investors who are willing to support the business for its longer term potential.

In the circumstances, the Board believes it is in the best interests of the Company and shareholders to dispose of the business and shift its focus to battery and critical metals exploration following the Proposed Acquisition.

The Company has considered and canvassed alternatives to the proposed MBO, however given the current state of the Applyflow business, challenging market conditions and lack of buyer interest, the Company has not identified any other willing and able purchaser.

MBO structure and terms

Pursuant to the proposed MBO, Swanton Family Pty Ltd <Swanton Family Trust> (**Buyer**), being an entity controlled by Richard Swanton, has agreed to purchase 100% of the issued capital of Applyflow International subject to a number of conditions precedent (**Disposal**).

Under the terms of the MBO, the effective consideration to the Company is approximately \$1.2 million.

The purchase price is a nominal sum (\$1), however all liabilities of the Applyflow business at completion of the Disposal will be assumed by the Buyer (estimated to be \$1,698,823, inclusive of accrued employee entitlements of Applyflow business employees including Mr Swanton). The Buyer will retain all assets of the Applyflow business (including receivables but excluding cash) at completion, including the benefit of the lease premises bond, computer equipment and other assets used in the business (estimated value at completion of \$158,000). The Applyflow business will also be sold with an estimated \$344,000 of working capital which is based on current budgeted expenditure and revenues assuming the Disposal closes at the end of May 2024. This amount will be reduced where revenues are not as budgeted and to the extent actual costs exceed budgeted costs.

The effective consideration noted above represents the estimated liabilities of the Applyflow business at completion being assumed by the Buyer, less the estimated value of assets being transferred with the business (receivables, working capital and other assets used in the Applyflow business).

The Buyer is not a related party of the Company. The consideration for the Disposal was agreed to by the Board having conducted arm's length negotiations with the Buyer to arrive at the proposed MBO terms.

The MBO is subject to various conditions precedent including shareholder approval, cancellation or forgiveness of all intercompany loans between the Company and Applyflow International and its subsidiaries, and receipt of all required regulatory approvals.

The conditions need to be satisfied or waived by 31 May 2024 otherwise the agreement may be terminated by either party. Completion of the Disposal will occur no more than 5 business days after the conditions are satisfied or such other period agreed by the parties.

A pro forma balance sheet showing the financial impact of the proposed MBO, together with other information in relation to the MBO, will be set out in the Notice of Meeting to be dispatched to shareholders in the coming weeks.

This announcement has been authorised for release by the Board of Applyflow.

For further information, please contact:

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