ASX RELEASE

Quarterly Company Update – Q3FY18

- Flamingo AI establishes foundation for long term growth
- Commercialisation strategy commenced
- Fortune 100 US Insurer Liberty Mutual goes live with Flamingo AI's Virtual Assistant
- New Sales and Product executives hired – sales strategy commenced
- Relationship established in new industry vertical – Telecommunications
- Potential partnership agreements with technology firms progressed
- Relationships and progress with all current clients remain strong across US, Australia and Asia
- Flamingo AI progresses global security certifications

SYDNEY, 20 April 2018, Flamingo AI Limited ("Flamingo" or "the Company") (ASX: FGO), Artificial Intelligence and Machine Learning company and provider of Cognitive Virtual Assistant technology, is pleased to provide a quarterly update on company activities.

Commercial Update

Following the raising of $15.5m in the previous Quarter, during Q3FY18 the Company has been highly active in shifting the focus of the business from product development to commercialisation. In addition to progressing existing clients, significant work has been conducted in establishing a strong sales and commercial capability to focus the Company on revenue generation.

New hires into the sales and commercial team will assist in building then accelerating the Company's commercialisation strategy, whilst focussing on long term drivers of success.

During the Quarter the Company also successfully completed work on security certifications (subsequently achieving PCI Compliance and SOC2 Type 1 Certification) that will reduce both sales and implementation timeframes.

The Company continues to see positive results from current client implementations. Through additional staffing and compliance initiatives, the Company has invested in a foundation for long term growth and is now in a strong position to continue to build from the initial market interest and acceptance already demonstrated in the US, Australia and Asia.

Sales

Execution of the commercialisation strategy commenced during the Quarter with the hiring of Dana Stetson, VP Global Sales, based in New York and Product Manager, Dr Nick Mariette, based in the Sydney office. Hiring for two additional sales positions progressed during the Quarter and recently a Sales Engineer was hired into the New York office.

Progress was made with sales prospects in both the US and Australia with work performed to move companies through the sales process including undertaking scoping, security reviews, rolling out Statements of Work and negotiating new contractual arrangements.

The Company continues to explore utilisation opportunities for the Flamingo Virtual Assistant product in additional market verticals, including the telecommunications sector. During the Quarter the Company established a relationship with a telecommunications provider to explore the potential that the Flamingo AI's Virtual Assistant may deliver to call-centre and helpdesk systems. The relationship will not have a material impact on the Company's revenue. The Company will keep the market appropriately updated.

During the Quarter the Company progressed negotiations with potential technology channel partners based in the US. These companies may act as lead generation as well as integration partners for the Company. The Company anticipates future revenue should be generated through channel partners in addition to direct sales.

Current Client Implementations

The Company has nine clients across the US, Australia and Asia, where the product is being deployed. US-based Fortune 100 Insurer, Nationwide Mutual Insurance Company, is in a Monthly Recurring Revenue (MRR) relationship. All other clients are progressing through integration, User Acceptance Testing and go-live phases of their formally contracted and paid trials

US Client Update

The Company continues to progress well with Nationwide using the Cognitive Virtual Assistant platform, ROSIE, to guide customers through their application and account set up for the Guaranteed Retirement Income product. In March 2018, work was completed by the Company to upgrade the Nationwide Virtual Assistant to a fully automated Virtual Assistant that guides customers through the sales journey without the need for any human intervention. The Company remains in active and progressed discussions related to other potential deployments in multiple Nationwide business units.

In February, US-based Fortune 100 insurer, Liberty Mutual Insurance Company, completed User Acceptance Testing (UAT) and launched Flamingo AI's Virtual Assistant that guides Liberty Mutual's customers from the quotation through to binding policy and payment for auto insurance sales. The Virtual Assistant was launched in a fully automated mode that can escalate to a human operator in HAVA (Human Assisted Virtual Assistant) mode if required.

Another US based insurance company completed a trial of the Company's Virtual Assistant on a paid basis to pilot Flamingo AI's proprietary software. The Company has subsequently commenced positive discussions with other parts of this insurer during the Quarter.

Australian Market Update

The go-live trial phase with AMP has progressed during the Quarter with the upgrading of the Company's Virtual Assistant for AMP. AMP's customers continue to interact with Flamingo AI's Virtual Assistant.

The implementation of the Flamingo AI's Virtual Assistant is waiting Wisr's rebranding (formerly known as DirectMoney) to be incorporated into the platform and is expected to continue once the Wisr rebrand is complete.

The systems integration with CUA Health Ltd, a subsidiary of Credit Union Australia, is progressing very well with a deployment of a Virtual Assistant for a health insurance customer application demonstrated to the client in March 2018. CUA required PCI compliance for the go-live, which the Company worked on during the Quarter and subsequently obtained.

Asian Market Update

The MetLife Innovation Centre Pte Ltd (Singapore) agreement has progressed with a Virtual Assistant capability being provided to the client who is now determining the most suitable market for deployment in the Asia Pacific region.

The CHUBB Asia Pacific Virtual Assistant integration has progressed well during the Quarter. PCI compliance was required and has been recently delivered. The next scheduled stage of the paid trial is an internal User Acceptance Testing (UAT) phase.

Product Development

During the Quarter the Company progressed improving its unique and self-developed Machine Learning based algorithms, engine and capabilities, with three patents pending in 14 jurisdictions. Of note is the business community's growing interest in Unsupervised Learning platforms such as Flamingo AI's Machine Learning Engine, as opposed to traditional Supervised Learning engines provided by other players.

Also, during this Quarter significant capacity improvements were made with the platform able to sustain a very high number of customer sessions simultaneously, suitable for large international scale deployments. Platform stability remained high for the Quarter with no significant outages.

Consistent with Flamingo's commitment to security and compliance, the Company progressed important security certification credentials including PCI (Payment Card Industry Data Security Standard) Compliance and SOC2 (Service Organization Control 2) Type 1 Certification both of which are globally recognised standards.

Both PCI and SOC2 Type 1 certifications are recognised globally and are onerous to obtain. The advantages that these certifications will give the Company include a faster procurement and security review process when engaging clients; opening of additional target markets, such as the credit card sector; and creating a significant barrier to entry for other players in the field. Each of these factors supports the Company's commercialisation strategy and development of faster paths to revenue.

Given the business community's concerns with regard to recent security violations with large AI enabled companies, Flamingo AI's work on building a strongly secured platform capability is being regarded positively by clients and prospective customers.

Financial Update

As a result of the capital raised during the half year to 31 December 2017, the Company is now resourced and adequately funded to meet its working capital requirements and is positioned to commercialise the product and technology. The Company's key focus for deployment of funds over the remainder of FY18 is both conversion of existing clients to Monthly Recurring Revenue and new sales of the Flamingo AI machine learning products.

The Company received AUD$206k of cash receipts from clients during the quarter, $60K of which was a prepayment for services to be delivered in the Apr-June 18 quarter.

In March 2018, the Company also received approximately AUD$36k from the Export Market Development Grant (EMDG) and expects to receive up to AUD$100k (before costs and pro-rata allocation) from the EMDG later this year.

The planned expenditure in the next Quarter is focussed on continuing to focus on converting existing clients from trial to MRR build and for accelerated sales in the US and Australia.

As in prior years the Company is expecting the R&D credit in the June Quarter. In prior years this has been ~$750k and it is expected that this will be same or higher.

Outlook

The Company's key focus over the remainder of 2018 is commercialisation of the product and technology, which includes converting a number of paid trials into monthly recurring revenue, actively pursuing sales across US, Australia and Asia and developing partner relationships.

The Company recently appointed two new Directors, Mark Kehoe and Peter Lloyd, specifically to support the focus on commercialisation. Mr Kehoe joins as Chief Commercial Officer and will be responsible for the commercialisation of the technology, operations and business model with a key focus on revenue generation. He brings over 30 years commercial experience to the Company, and importantly is highly experienced in monetising and growing technology businesses. Mr Lloyd is a highly experience commercial technologist, and current director of ASX300 company Integrated Research Limited (ASX:IRI). He brings significant Australian and international experience to the Company.

Market interest in the Company's products remains very strong with new opportunities being scoped in Australia, North America (US and Canada) and Asia.

In addition, based on positive results from existing clients, the Company is exploring a broadening its product offering to address market demand from the wider financial services sector and new industry verticals, in addition to insurance, and looks forward to providing further updates in due course.

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For further information, investor or media enquiries, please contact:
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ABOUT Flamingo AI
Flamingo AI (ASX: FGO) is an Australian listed company based in Sydney and New York. In the Machine Learning sector, Flamingo is a SaaS company, providing Cognitive Virtual Assistant (AI) platforms designed for enterprises selling and servicing complex products online. Flamingo is one of IT Analyst Gartner's 'Cool Vendors' and clients include large financial services firms. www.flamingo.ai

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