

ASX RELEASE

Quarterly Update and Appendix 4C Quarterly Cash Flow – March 2019

Key Developments

- Nationwide signed Statement of Work in April 2019 for Life & Annuities machine learning deployments. This contract represents the single largest contract for Flamingo Ai to-date
- Monthly Recurring Revenue (MRR) contract discussions advanced with several key customers during the quarter
- Sales pipeline developed in both the US and Australia with significant interest in the company's Intelligent Assistant for FAQs and Knowledge Retrieval product
- Chief Operating Officer heading product, technology and delivery, commenced with the Company on 29th April 2019. Chief Technology Officer resigned and will depart during May 2019.
- Cash outflows for the June 2019 quarter estimated to reduce by \$150,000 per month from the March 2019 quarter to approximately \$525,000 per month

SYDNEY, April 2019, Flamingo Ai Limited ("Flamingo Ai" or "the Company") (ASX: FGO), Artificial Intelligence and Machine Learning company, provider of Intelligent Assistants, FAQ & Knowledge Retrieval Assistants and Data Science as a Service business analytics, is pleased to provide the following Quarterly update and lodgement of its Appendix 4C.

Commercial Update

During the quarter a number of customers were live with or completed trials of the Company's machine learning based Intelligent Assistants. In each of these customers additional sales efforts were focused on specific Use Cases for Intelligent Assistants for FAQ's and Knowledge Retrieval (previously known as MAGGIE) and Data Science as a Service (previously known as LIBBY) with both offerings generating significant interest across the customers' broader business.

The Company is now focused on directly selling and delivering these products and services over the next six months to a small number of well qualified key prospects predominantly in the financial services sector, with a view to clearly establishing the value of its technology to the customer, as evidenced by high quality reference implementations. Discussions continue to be positive with these prospects and have progressed during the quarter. While this approach is not expected to result in significant revenue in the short term, it is essential to establish this foundation for a viable, long term business; as well as to clearly establish the value of the Company's intellectual property. In addition, it is essential to establish these customer proof points in order to enable our channel partners such as EXL to be successful.

During the quarter the Company attained renewal of its PCI Compliance and also successfully completed and commenced a number of security reviews with existing and prospective customers. Given the Company's existing high level of security accreditation including SOC2 Type2 certification and PCI Compliance, the sales and procurement timelines for these prospective customers has been substantially reduced.

Subsequent to the quarter end, the Company announced that it had signed a new six-month engagement with Nationwide in the US, commencing in April 2019. The value of this Statement of Work ('SOW') is the single largest contract the Company has signed. This latest contract represents the sixth order under the Master Service Agreement ('MSA') signed with Nationwide in May 2016 and illustrates the strength and continued development of the relationship between the two companies. In order to secure this contract Nationwide required the Company go through a renewed round of rigorous Security Reviews which were successfully passed by the Company. This very important paid engagement involves Flamingo Ai using its core technology to

deploy a proprietary Life & Annuities machine learning based 'Brain' (a continuation/progression of the Brain built with 'GRIN' – Guaranteed Retirement Income product, a previous engagement with Nationwide) and other Flamingo Ai solutions and has the potential to expand Flamingo Ai's offering further throughout this US Fortune 100 company.

Current Customer Implementations

The Company has six current engagements across the US and Australia where products are at various stages of implementation. Table 1 summarises the current status.

Table 1: FGO Customer Status

STAGE	Q2FY19 Engagements	Q3FY19 Engagements	Progress on prior quarter
MRR	2	2	Nationwide GRIN and CUA in MRR (excludes recent Nationwide SOW signed April 2019). The current Nationwide GRIN contract ceased in April 2019 and is replaced by a new contract (see above)
Paid trial	3	2	One domestic insurer and Nationwide
Concluded trial/review (Awaiting decision to proceed)	5	2	One domestic insurer and one multinational bank [Four customers have not progressed further within three months of their trial completion hence have been removed from current customer status]
	10	6	

Table 2: - Cash receipts and revenue

STAGE	Q2FY19 Cash receipts \$A'000	Q3FY19 Cash receipts \$A'000	Q2FY19 Revenue \$A'000	Q3FY19 Revenue \$A'000
MRR	25	83	89	92
Paid trial	96	125	40	30
Concluded trial/review	-	1	10	-
Other	9	6	8	11
	130	215	147	133

- **Notes:**
- *Cash receipts includes GST / Revenue excludes GST*
- *Other Engagements receipted refers to recovery of agreed costs*

Where:

MRR refers to: Monthly Recurring Revenue. Product is live, and customer is paying monthly license fee.

Paid trial refers to: Customer has paid for a Proof of Concept, Flamingo Ai has built and delivered product, and product is in trial phase.

Concluded trial refers to: Customer has concluded paid trial, is still under a current engagement, and is assessing next use case(s).

Management Team update

During April, Mr Olivier Cauderlier was appointed as Chief Operating Officer (COO). Mr Cauderlier worked previously as Chief Operating Officer and Chief Product Officer at cloud contact centre software vendor, ipSCAPE. Prior to ipSCAPE, Mr Cauderlier worked with mass media multinational company, Bertelsmann. Mr Cauderlier has been on contract with the Company since 18 March 2019 and commenced in the COO role on 29th April 2019.

On 29th April 2019, the Chief Technology Officer, Mr Tony Coorey resigned from the Company with effect from 29th May 2019. The Company would like to thank Mr Coorey for his contribution and wish him the best in his future endeavours.

The responsibility for product, technology and delivery has been transitioned to Mr Cauderlier, who has deep experience in SaaS software.

Mr Cauderlier commented, *"I am excited to be part of the Flamingo Ai journey. The combination of Flamingo Ai's values, technology and team skillset really resonates with my vision of customer experience. I'm especially proud to have the opportunity to grow one of Australia's most innovative start-ups"*.

In February 2019, the Chief Commercialisation Officer and Executive Director, Mr Mark Kehoe resigned from the Company and is scheduled to leave during May 2019. Mr Kehoe was also running the US operations and has transitioned this role to Mr Bob Hilborn and has returned to Australia. The Company would like to thank Mr Kehoe for his contribution and wish him the best in his future endeavours.

Mr Bob Hilborn has been appointed as Vice President and Head of US Operations, effective as at 1st March 2019. Mr Hilborn is a highly experienced senior level executive and entrepreneur with over 30 years in the IT, Financial Services, Insurance and Start Up sectors. In conjunction with this appointment, the Company's office in the US has moved from New York to Hartford, Connecticut.

Financial Update

The Company reported a cash balance of \$5.124 million as at 31 March 2019.

Net operating cash outflow for the quarter was \$1.810 million, an improvement of \$0.452 million from the preceding December quarter of \$2.262 million.

Furthermore, the Company continues to review its operational cost base and has 'Estimated cash outflows for the June quarter' as referenced in Table 9 of Appendix 4C of \$1.575 million, compared to \$2.025 million in the March 2019 quarter. This represents a further reduction of approximately \$0.150 million per month from the March quarter of \$0.525 million per month.

Outlook

Market interest in the Company's technology and products remains very positive as confirmed with the recent decision by Nationwide to contract an additional SOW. It is critical that the Company continues to establish clear proof points evidencing the value of its technology to target customers during the remainder of 2019, an objective which the whole Company is focused on. The Company looks forward to keeping the market updated on progress with existing and new customers.

[ENDS]

For further information, investor or media enquiries, please contact:

Email: investor@flamingo.ai

ABOUT Flamingo Ai

Flamingo Ai (ASX: FGO) is an Australian listed company based in Sydney and the US. Flamingo Ai is an Enterprise SaaS company in the Artificial Intelligence (AI) field, providing a Machine Learning platform and capabilities that include Intelligent FAQ & Knowledge Retrieval Assistants, Intelligent Assistants for simple to complex workflows and Data Science as a Service. Flamingo Ai is one of IT Analyst Gartner's 'Cool Vendors' and customers include large financial services firms. www.flamingo.ai

Flamingo Ai - Social Media Policy

Flamingo Ai is committed to communicating with the investment community through all available channels. Whilst ASX remains the prime channel for all material announcements and news, investors and other interested parties are encouraged to follow Flamingo on Twitter - [@FlamingoAI](https://twitter.com/FlamingoAI)

Company Investor Newsletter

The Company encourages investors to subscribe to the Flamingo Ai investor community newsletter at <https://flamingo.ai/investors/>

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Flamingo AI Limited

ABN

99 000 031 292

Quarter ended ("current quarter")

31 March 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	215	524
1.2 Payments for		
(a) research and development	(593)	(2,343)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(59)	(347)
(d) leased assets	-	-
(e) staff costs	(1,023)	(3,220)
(f) administration and corporate costs	(380)	(2,075)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	65
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives - <i>R&D rebate received¹</i>	-	1,113
1.8 Other (provide details if material)	18	36
1.9 Net cash from / (used in) operating activities	(1,810)	(6,247)

¹ Proceeds received from R&D rebate.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	(23)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	9	9
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – cash on reverse takeover acquisition	-	-
2.6	Net cash from / (used in) investing activities	9	(14)

3.	Cash flows from financing activities		
3.1	Proceeds from issue of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	6,925	11,403
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,810)	(6,247)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	9	(14)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	(18)
4.6	Cash and cash equivalents at end of quarter	5,124	5,124

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	5,124	6,925
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)	5,124	6,925

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	(126)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

The aggregate amount of payments to directors and their associates during the quarter ended 31 March 2019 is related to director fees and salary.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
None		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(500)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing, net of grants	(60)
9.4 Leased assets	-
9.5 Staff costs	(600)
9.6 Administration and corporate costs	(400)
9.7 Other (provide details if material) ²	(15)
9.8 Total estimated cash outflows	(1,575)

² Mainly related to legal fee for IP.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.

Sign here:Zane Lewis.....
 (Company secretary)

Date:30/04/2019.....

Print name:Zane Lewis.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.