

 Flamingo Ai

Annual Report 2019

ABN 99 000031 292



Contents

Corporate Directory	3
Chief Executive Officer's Report	5
Director's Report	8
Auditor's Independence Declaration	25
Financial Report	27
Directors' Declaration	63
Independent Auditor's Report	63
Additional ASX Information	71

Corporate Directory

Directors



Mr John Murray –
Non-Executive Chair



Dr Catriona Wallace –
Founder & Executive Director



Mr Peter Lloyd –
Non-Executive Director



Mr Olivier Cauderlier –
Chief Executive Officer



Mr Zane Lewis
Company Secretary

Registered Office

Level 1, 204 Clarence Street,
Sydney, NSW 2000
Australia
Ph: 1300 556 368

Auditor

William Buck (NSW) Pty Limited
Level 29, 66 Goulburn Street
Sydney NSW 2000
Australia

Share Registry

Automatic Registry Services
Level 2, 267 St Georges Terrace
Perth WA 6000
Australia

Securities Exchange Listings

ASX Limited
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

ASX Code

FGO

Website

flamingo.ai



Chief Executive Officer's Report

A year of transition and transformation

It is fair to say that the fiscal year 2019 has been a challenging year for Flamingo Ai. As Artificial Intelligence and Machine Learning technology is rapidly maturing, Flamingo Ai has had to reflect, learn and change.

We have effectively pivoted the business and initiated a profound business transformation organisation-wide. The fact is that pivoting is common in the start-up world. Companies such as Slack and Shopify survived and succeeded thanks to their capability to shift their strategy.

Nevertheless, 2019 has been disappointing for our shareholders and confronting for the Flamingo Ai team. However, it has also been a necessary milestone for the business to learn, rebirth and then succeed.

As the new Flamingo Ai CEO, I do not dismiss the size of the challenge we are facing. I equally will not stop being excited by the opportunity we have, and I am proud of the decisions we have made as a team. This is what already makes us different today and will make us successful tomorrow.

Flamingo Ai Knowledge sharing Hub

When I started as CEO in July 2019, I announced that we were repositioning and transforming the business. We stated that we were transitioning from selling a sophisticated AI technology platform towards a more focused, customer-centric Software as a Service (SaaS) product and value proposition powered by our Machine Learning technology.

Our vision is to be a significant player in productivity, collaboration and knowledge sharing software for Enterprise, worldwide.

This transition is now well underway, and our product vision is generating traction and interest with large organisations in both the US and Australian markets.

The market opportunity

As part of our business and product strategy initiative, we commissioned independent market research targeting the collaboration and knowledge sharing problem in business. The analyst estimated the market above US\$40 billion for North America and ANZ markets only.

As businesses evolve in an increasingly fast-paced changing environment, organisations, teams and employees are communicating and sharing information more than ever. According to our latest independent market research, collaboration and knowledge sharing inefficiency costs Australian and North American businesses more than US\$250 billion every year. We will provide organisations, teams and employees with an enterprise collaboration tool that delivers the right information at the right time, powered by Artificial Intelligence.

Lean and fit for purpose

One of the key focus areas of our transformation journey has been to reduce the company's burn rate while developing a fit-for-purpose team.

We have reduced our burn rate by 63% at June 2019 compared to the corresponding quarter in June 2018. At the same time, we have created a lean and agile team. We have equipped the business with the skills needed to build a SaaS product that solves real customer problems. The Flamingo Ai team is for the first time composed of product managers, user interface and user experience designers, as well as software and machine learning engineers.

Early customer engagement and pipeline movement

Within four months, we have pivoted the business, reduced the burn, created a new team and started to test Australian and American markets with our Knowledge Sharing Hub which is under development. The response from the market is already promising. Our strategy is to partner with a small number of lighthouse customers who buy into our product vision and are prepared to act as beta customers as we deliver on our product roadmap and vision.

Our current client engagements with companies such as HSBC and Nationwide are all in-line with our new business strategy, confirming the interest in solving the collaboration and knowledge sharing problem. Our goal is to develop a high level of end-user engagement with these early customers who are also expected to act as reference customers.

While remaining focused on delivery and supporting our beta customers, we have also commenced building a pipeline of future customers. In less than four months, we have grown our sales pipeline and generated over 80 new active leads.

Velocity

As we are increasing our velocity, I am convinced that Flamingo Ai can capitalise on the tide of opportunity. The team and I are passionate, focused on delivering on the vision, and ready for the year ahead. We are grateful for your patience, ongoing support and look forward to demonstrating results soon.



Mr Olivier Cauderlier
Chief Executive Officer



Director's Report

The Directors of Flamingo AI Limited (“the Company”) present their report, together with the financial statements of the Company and its controlled entities (“the Group” or “the Consolidated Entity”) for the financial year ended 30 June 2019.

Directors

The names and the particulars of the Directors of the Company during or since the end of the financial year are:

Name	Status	Appointment/Resignation date
Dr Catriona Wallace	CEO and Managing Director	Appointed 3 November 2016
Mr Bryn Hardcastle	Non-Executive Director	Appointed 5 November 2015, resigned 27 August 2018
Mr Mark Kehoe	Executive Director	Appointed 10 April 2018, resigned 21 May 2019
Mr Peter Lloyd	Non-Executive Director	Appointed 10 April 2018
Mr John Murray	Non-Executive Chair	Appointed 1 October 2018

Principal activities

The Group is an innovative enterprise Software as a Service (**SaaS**) company which has developed an Artificial Intelligence (**AI**) platform (**Flamingo Platform**) based on Unsupervised Machine Learning technology. The Group provides AI-based products including Cognitive Virtual Assistants and a Knowledge Engine which are used by enterprises to improve their sales, service and internal knowledge processes.

Dividends

There were no dividends paid or recommended during the financial year ended 30 June 2019 (2018: Nil).

Review of operations

The Group reported a loss after tax for the year of \$7,209,184 (2018: loss after tax of \$8,308,101). The net assets of the Group have decreased to \$4,742,112 at 30 June 2018 (2018: net asset of \$12,150,707).

The Group's cash and cash equivalents decreased from a balance of \$11,403,297 at 30 June 2018 to a balance of \$5,018,109 at 30 June 2019 and the Group had a net working capital surplus of \$4,701,168 (2018: net working capital surplus of \$11,355,106).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year, other than disclosed elsewhere in this report.

Highlights during the year

During the year ended 30 June 2019, the Group transformed from a technology platform business to a more focused, customer-centric Software as a Service (SaaS) product business, powered by AI.

Over the 12 months to June 2019, the Group:

- Repositioned its product offering as a Virtual Assistant for Employees
- Conducted a successful Proof of Concept for its Virtual Assistant for Employees with HSBC Bank, Australia
- Signed a Master Services Agreement (MSA) and Statement of Work (SoW) for a Virtual Assistant for Employees with HSBC Bank Australia
- Contracted with US based Fortune 100 Nationwide Insurance to deploy two Virtual Assistants for Employees
- Conducted several trials of its products with various financial services companies in order to determine the best Use Case for potential further usage of the Company's services
- Maintained its high level of accreditation in SOC2 Type2 and PCI Compliance
- Continued to develop the technology platform with a particular emphasis on UX/UI and product feature functionality for Virtual Assistant for Employees
- Built out a sales pipeline in the US and Australia focused on the Virtual Assistant for Employees
- Significantly reduced recurring quarterly operating expenditures from \$3.5m in Q1FY19 to \$1.4m in Q4FY19 by restructuring the business
- Hired a new COO, Olivier Cauderlier, who comes with a SaaS product background
- Hired UX/UI and Product Management team members in order to support the revised and focused strategy on the Virtual Employee Assistant

Key Activities

- The Group conducted a review of its business and recognised the need to pivot the product focus from customer facing Virtual Assistants, which had long sales cycles and significant competition, to employee facing Virtual Employee Assistants (VEA) which have faster sales cycles and are faster to deploy. This strategy has seen early stage traction with the signing of two multinational organisations, HSBC and Nationwide.
- Gartner predicts that by 2021, 25% of digital workers will use a Virtual Employee Assistant on a daily basis, an increase from less than 2% in 2019.
- The Group also revisited its Vision, Mission, Values and product strategy in order to align it with the revised business strategy focused on the development and trialling of Virtual Assistants for Employees. The problem that the Company sets out to solve is the high level of inefficiency experienced by enterprise employees related to accurate and compliant knowledge retrieval. The Virtual Employee Assistant creates augmented collaboration workflows that empower employees to access, manage, mine and share compliant knowledge at scale, all powered by native Ai. According to McKinsey (2019) employees on average spend 19% of their time searching for information – a highly inefficient process. On average for a large enterprise \$47million of time is lost due to employees not being able to locate accurate information. Globally, this is a \$3 trillion problem.

Key Activities (continued)

- In order to deliver against the revised product and business strategy the Group also conducted a review of its Board, leadership and management. Mr John Murray was appointed to the Board as Chairman. Mr Olivier Cauderlier was appointed to the leadership team as COO and Dr Catriona Wallace, Founder and Executive Director, announced that she would move out of the CEO role upon the Group finding a suitable candidate for CEO. Subsequent to the end of the financial year, and with the full support of Dr Wallace, Mr Olivier Cauderlier was promoted from COO to CEO, effective 11 July 2019. Dr Wallace remains with the Group in the role of Founder, Executive Director and will lead business development activities. Dr Wallace and Mr Cauderlier have highly complementary skill sets and have a very close working relationship.
- The Group also recognised the need to restructure the business and reduce costs while the new product was developed and trialled with early customers. As a result, full time headcount was reduced from 42 at 30 June 2018 to 21 at 30 June 2019 and the quarterly operating expenditures from \$3.5m in Q1FY19 to \$1.4m in Q4FY19.
- The Group also purposefully chose to focus on a small number of high-profile multinational clients within which to prove out the technology and product roadmap. A strategy of 'land and expand' within existing clients was used and will continue be used by the Group in order to increase the number of individual employee users of the platform.
- The Group also focused on building out a product roadmap which focuses on the development of the underlying AI based technology and other features in order for the product to be a highly effective employee productivity tool that will enable not only knowledge retrieval but also knowledge management, distribution and collaboration.
- A sales pipeline was also built in the US and Australia, and included successful sales engagements with HSCB Australia, a new contract with Nationwide Insurance as well as a new engagement with an Australian based financial services company. Sales efforts also focused on developing a pipeline for FY20.
- A Client Partnership sales approach was also developed by the Group in order to secure a number of enterprise clients who are willing to work in partnership with Flamingo Ai in order to build out the product roadmap. This partnership approach was successfully taken up by both HSBC Bank Australia and Nationwide Insurance and will be the core attribute of sales activities going forward.
- The Group also participated with the Australian Government in advising on its AI and Ethics and Human Rights frameworks and guidelines expected to be released to industry imminently.

Significant events and progress after the reporting period

On 11 July 2019, Mr Oliver Cauderlier was appointed as CEO for the Company and Dr Catriona Wallace will take up the role of Founder & Head of Business Development.

There were no other significant events after the reporting date.

Information on Directors

<i>Dr Catriona Wallace</i>	Chief Executive Officer and Managing Director (appointed 3 November 2016)
Qualifications	PhD in Organisational Behaviour: Technology as a Substitute for Human Leaders
Experience	Dr Catriona Wallace is the founder and CEO of the Group. Dr Wallace is a multi- award winning, internationally recognised business leader, well published author, with a PhD and is statistically trained. She is the founder and now major shareholder of two successful businesses (excluding Flamingo), including the multi-award-winning customer experience design firm, Fifth Quadrant.
Interest in shares and options at the date of this report	155,229,994 ordinary shares 38,604,796 Class B performance shares 38,604,796 Class C performance shares
Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	None
<i>Mr Bryn Hardcastle</i>	Non-Executive Director (appointed 5 November 2015, resigned 27 August 2018)
Qualifications	Bachelor of Laws, Bachelor of Arts
Experience	<p>Mr Hardcastle is an experienced corporate lawyer specialising in corporate, commercial and securities law. He is the founder of Bellanhouse Legal which predominantly advises on equity capital markets, re-compliance transactions and takeovers across a variety of industries.</p> <p>Mr Hardcastle has extensive international legal experience and has advised on numerous cross border transactions working in the United Kingdom, the Middle East and North America. He also has experience acting as a Non-Executive Director of ASX listed companies.</p>
Interest in shares and options at the date of this report	1,500,000 ordinary shares 1,000,000 Class E performance rights 1,000,000 Class F performance rights 3,000,000 Class G performance rights
Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	Attila Resources Limited (AYA) New Century Resources Limited (NCZ)

Information on Directors (continued)

Mr Mark Kehoe	Executive Director (appointed 10 April 2018, resigned 21 May 2019)
Qualifications	B Bus MAICD
Experience	Mr Kehoe is an experienced Executive Director, early stage investor and advisor with over 15 years specialising in transformative digital/online businesses. Successful track record of increasing business value through building and leading success in digital disruption, with comprehensive general management, sales, marketing and operations credentials.
Interest in shares and options at the date of this report	3,209,318 ordinary shares 4,000,000 Class E performance rights 4,000,000 Class G performance rights
Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	None
Mr Peter Lloyd	Non-Executive Director (appointed 10 April 2018)
Qualifications	MAICD
Experience	Mr Lloyd has over 40 years' experience on computing technology, and in the sales and marketing of computer software products and services. For the past 35 years, Peter has been specifically involved in the provision of payments solutions for banks and financial institutions. He is currently the proprietor of The Grayrock Group Pty Limited, a management consultancy company focusing on the payments industry, and a Non-Executive Director of Taggle Pty Limited.
Interest in shares and options at the date of this report	2,062,500 ordinary shares 2,000,000 Class G performance rights
Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	Integrated Research Limited (IRI) Identitii Limited (ID8)

Information on Directors (continued)

Mr John Murray	Non-Executive Chair (appointed 1 October 2018)
Qualifications	MAICD, Chartered Accountant
Experience	Internationally experienced investor, director and advisor to growth companies. Experienced in many industries with a particular focus on technology and innovation in business.
Interest in shares and options at the date of this report	0 ordinary shares 4,000,000 Class H performance rights 4,000,000 Class I performance rights
Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	PainChek Ltd (PCK)

Information on Company Secretary

Mr Zane Lewis	Appointed 6 February 2017
Experience	Mr Zane Lewis has over 20 years' experience with small cap multinational companies including corporate advisory roles at several ASX listed companies. Mr Lewis is a member of Chartered Secretaries Australia and is a Non-Executive Director and Company Secretary for a number of ASX Listed companies.

Meetings of Directors

The number of formal meetings of Directors held during the year and the number of meetings attended by each director was as follows:

DIRECTORS' MEETINGS

Director	Appointment/Resignation date	Number eligible to attend	Number attended
Catriona Wallace	Appointed 3 November 2016	12	12
Bryn Hardcastle	Appointed 5 November 2016, resigned 27 August 2018	2	2
Mark Kehoe	Appointed 10 April 2018, resigned 21 May 2019	11	11
Peter Lloyd	Appointed 10 April 2018	12	12
John Murray	Appointed 1 October 2018	9	9

Options

Unissued shares under option

At the date of this report, the unissued ordinary shares of the Group under option are as follows:

Expiry date	Grant date	Exercise price	Number under option
4 November 2019	4 November 2015	\$0.020	14,062,502
3 November 2021	3 November 2016	\$0.029	4,922,948
18 December 2019	19 December 2017	\$0.050	5,000,000
23 December 2019	23 December 2016	\$0.080	500,000
16 December 2021	16 December 2016	\$0.040	2,932,808
22 March 2023	13 December 2017	\$0.040	361,111
30 June 2020	16 February 2017	\$0.080	200,000
30 June 2020	1 January 2018	\$0.070	6,836,325
28 February 2022	25 March 2019	\$0.008	1,100,000
28 February 2022	25 March 2019	\$0.008	6,780,000
28 February 2022	2 May 2019	\$0.008	8,500,000
Total			51,195,694

No option holder has any right under the options to participate in any other share issue of the Company or of any associated entity.

Performance rights

At the date of this report, the Company had the following performance rights on issue:

Grant date	Performance right class	Expiration date	Number of rights issued
30 November 2016	Class E	30 May 2020	3,000,000
30 November 2016	Class F	30 May 2020	3,000,000
19 October 2017	Class G	19 October 2020	9,000,000
10 April 2018	Class E	10 October 2021	4,000,000
10 April 2018	Class G	10 April 2021	6,000,000
1 October 2018	Class H	1 October 2021	4,000,000
1 October 2018	Class I	1 October 2021	4,000,000
Total			33,000,000

Performance rights (continued)

Class	Performance milestone
Class E	Flamingo achieves \$13,000,000 in Revenue in any 12-months period within 36 months of 3 November 2016
Class F	Flamingo achieves \$28,000,000 in Revenue in any 12-month period within 36 months of 3 November 2016
Class G	Upon volume weighted average price (VWAP) for 10 consecutive trading days of shares equals or exceeds 10 cents, within 36 months from date of issue
Class H	Upon volume weighted average price (VWAP) for 10 consecutive trading days of shares equals or exceeds 10 cents, within 36 months from date of issue
Class I	Upon volume weighted average price (VWAP) for 10 consecutive trading days of shares equals or exceeds 6 cents, within 36 months from date of issue

At the grant date, the Class E and F performance rights, with non-market vesting conditions, have been valued by reference to the prevailing share price at the grant date. No expense has been recognised in the current year in respect of these performance rights due to the uncertainty of meeting the performance milestones, which are based on future events.

The fair value of the Class G, H and I performance rights, with market linked vesting conditions, have been valued at the grant date by reference to the prevailing share price at that date, and adjusted for managements best estimate of achieving the respective performance milestones. The fair value of the Class G, H and I performance rights is being recognised equally over a 36-month vesting period.

Performance shares

At the date of this report, the Company had the following performance shares on issue:

Expiry date	Grant date	Performance share class	Number of shares issued
3 May 2020	3 November 2016	Class B	93,292,407
3 May 2020	3 November 2016	Class C	93,292,407
Total			<u>186,584,814</u>

Class	Performance milestones
Class B	Flamingo achieves \$13,000,000 in Revenue in any 12-month period within 36 months of 3 November 2016
Class C	Flamingo achieves \$28,000,000 in Revenue in any 12-month period within 36 months of 3 November 2016

The Class B and C performance shares have been valued at the grant date by reference to the prevailing share price at that date. No expense has been recognised in the current year due to the uncertainty of meeting the performance milestones which are based on future events.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Indemnifying officers

The Company indemnifies each of its directors, officers and company secretary. The Company indemnifies each director or officer to the maximum extent permitted by the Corporations Act 2001 from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a director or officer against any liability, which does not arise out of conduct constituting a wilful breach of duty or a contravention of the Corporations Act 2001. The Company must also use its best endeavours to insure a Director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

Insurance premiums

During the year, the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

Environmental regulations

In the normal course of business, there are no environmental regulations or requirements that the Group is subject to.

Likely developments and expected results of operations

The Group's principal continuing activity is the development and commercialisation of the Flamingo Platform. The Group's future developments, prospects and business strategies are to continue to develop the Virtual Assistant for Employees product based on the Flamingo Platform which is expected to improve the Group's sales revenue.

Indemnification of auditors

To the extent permitted by law, the Group has agreed to indemnify its auditors, William Buck (NSW) Pty Limited, as part of the terms of its audit engagement agreement against claims by third parties arising from their report on the financial report.

Non-audit services

During the year, William Buck (NSW) Pty Limited, provided the Company with other non-audit services totalling to \$7,975.

Details of their remuneration can be found within the financial statements at note 5.

Where non-audit services are provided by William Buck (NSW) Pty Limited, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and

ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 25 of the financial report.



Remuneration Report (Audited)

This remuneration report for the year ended 30 June 2019 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 (Cth), as amended (Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements
4. Director fee arrangements
5. Performance conditions linked to remuneration
6. Details of remuneration
7. Additional disclosures relating to equity instruments
8. Loans to key management personnel (KMP) and their related parties
9. Other transactions and balances with KMP and their related parties
10. Voting of shareholders at least years AGM

1. Introduction

Key Management Personnel (KMP) have authority and responsibility for planning, directing and controlling the major activities of the Group. KMP comprise the directors of the Company and identified key management personnel.

Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board may seek independent advice on the appropriateness of compensation packages, given trends in comparable companies both locally and internationally and the objectives of the Group's compensation strategy.

2. Remuneration governance

The Directors believe the Group is not currently of a size nor are its affairs of such complexity as to warrant the establishment of a separate remuneration committee. Accordingly, all matters are considered by the full Board of Directors, in accordance with a remuneration committee charter.

During the financial year, the Group did not engage any remuneration consultants.

3. Executive remuneration arrangements

The compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages may include a mix of fixed compensation, equity-based compensation, as well as employer contributions to superannuation funds. Shares and options may only be issued subject to approval by shareholders in a general meeting.

At the date of this report the Group has one executive appointed, being the appointment of Dr Catriona Wallace as the Chief Executive Officer and Managing Director. The terms of their Executive Employment Agreements are summarised in the following table.

3. Executive remuneration arrangements (continued)

Executive Name	Remuneration
Dr Catriona Wallace (Chief Executive Officer and Executive Director)	Base executive salary of \$300,000 per annum, inclusive of superannuation and Directors fees; Is entitled to other incentives such as bonus schemes and employee share option plans and may be reimbursed for actual and reasonable business expense; In the event of change in control Dr Wallace is entitled to receive a bonus payment of three months base salary; and Dr Wallace's Agreement is for indefinite term and will continue until terminated by either the Company giving the three months written notice or by Dr Wallace giving the Company three months written notice (or shorter period in limited circumstances)

In considering the relationship between the Group's remuneration policy and the consequences to Company's shareholder wealth, changes in share price are analysed.

4. Director fee arrangements

The Board policy is to remunerate Directors at a level to comparable companies for time, commitment, and responsibilities. Directors may receive performance related compensation. Directors' fees cover all main Board activities and membership of any committee. The Board has no established retirement or redundancy schemes in relation to Directors.

The maximum aggregate amount of fees that can be paid to Directors is presently limited to an aggregate of \$500,000 per annum and any change is subject to approval by shareholders at the General Meeting. Fees for Directors are not linked to the performance of the Company, however, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

Total fees for the Directors for the financial year were \$206,985 (2018: \$145,000) and cover main Board activities only. Directors may receive additional remuneration for other services provided to the Group.

5. Performance conditions linked to remuneration

The Group has established and maintains Flamingo AI Limited Employee Option Plan (Plan) to provide ongoing incentives to Eligible Participants of the Company. Eligible Participants include:

- a Director (whether executive or non-executive) of any Group company;
- a full or part time employee of any Group company;
- a casual employee or contractor of a Group company; or
- a prospective participant, being a person to whom the Offer was made but who can only accept the Offer if arrangement has been entered into that will result in the person becoming an Eligible Participant.

The Board adopted the Plan to allow Eligible Participants to be granted Options to acquire shares in the Company.

The purpose of the Plan is to assist in the reward and motivation of Eligible Participants and link the reward of Eligible Participants to performance and the creation of shareholder value. It is designed to align the interest of Eligible Participants more closely to the interests of shareholders by providing an opportunity for Eligible Participants to receive shares. It provides the Eligible Participants with the opportunity to share in any future growth in value of the Company and provides greater incentives for Eligible Participants to focus on the Company's longer-term goals. During the year ended 30 June 2019 16,380,000 options have been issued under this Plan.

6. Details of remuneration

The Key Management Personnel of Flamingo AI Limited includes the current and former Directors of the Company and Key Management Personnel of the Consolidated Entity during the year ended 30 June 2019.

30-Jun-19	Short term salary, fees & commissions \$	Post-Employment superannuation \$	Bonus \$	Share-based payments \$	Total \$	Performance based % of remuneration \$
Directors:						
Catriona Wallace ¹	320,219	20,531	-	-	340,750	-
Bryn Hardcastle ²	8,652	-	-	-	8,652	-
Mark Kehoe ³	244,112	19,542	-	-	263,654	-
Peter Lloyd ⁴	55,000	-	-	-	55,000	-
John Murray ⁵	56,250	5,344	-	-	61,594	-
Total	684,233	45,417	-	-	729,650	

30-Jun-18	Short term salary, fees & commissions \$	Post-employment superannuation \$	Bonus \$	Share-based payments \$	Total \$	Performance based % of remuneration \$
Directors:						
Catriona Wallace	355,701	23,611	37,500	-	416,812	9.0%
Cathie Reid ⁶	36,000	-	-	39,000	75,000	52.0%
Bryn Hardcastle	40,750	-	-	39,000	79,750	48.9%
Mark Kehoe	65,704	3,417	-	-	69,121	-
Peter Lloyd	13,750	-	-	-	13,750	-
Key management:						
Joseph Waller	232,806	20,883	-	390,708	644,397	60.6%
Total	744,711	47,911	37,500	468,708	1,298,830	

¹ Appointed on 3 November 2016

² Appointed on 5 November 2015, resigned 27 August 2018

³ Appointed 10 April 2018, resigned 21 May 2019

⁴ Appointed on 10 April 2018

⁵ Appointed on 1 October 2018

⁶ Appointed on 3 November 2016, resigned 30 June 2018

6. Details of remuneration (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed for the current year are as follows:

30-Jun-19	Fixed remuneration %	At risk: short term incentive %	At risk: share-based payments (options) %
<i>Directors:</i>			
Catriona Wallace	100.0%	-	-
Bryn Hardcastle	100.0%	-	-
Mark Kehoe	100.0%	-	-
Peter Lloyd	100.0%	-	-
John Murray	100.0%	-	-

7. Additional disclosures relating to equity instruments

KMP ordinary shareholdings

The number of ordinary shares in the Company, held by each KMP of the Group during the financial year is as follows:

30-Jun-19	Balance at the start of the year	Issued on conversion of performance rights/shares	Acquired on market purchase	Other changes during the year	Balance at end of the year/ at resignation date
<i>Directors:</i>					
Catriona Wallace	155,229,994	-	-	-	155,229,994
Bryn Hardcastle	1,500,000	-	-	-	1,500,000
Mark Kehoe	3,209,318	-	-	-	3,209,318
Peter Lloyd	2,062,500	-	-	-	2,062,500
John Murray	-	-	-	-	-
Total	162,001,812	-	-	-	162,001,812

KMP performance shares holdings

The number of performance shares in the Company held by each KMP of the Group during the financial year is as follows:

30-Jun-19	Balance at the start of the year	Granted as remuneration during the year	Exercised and converted to ordinary shares during the year	Other changes during the year	Balance at end of the year/ at resignation date
<i>Directors:</i>					
Catriona Wallace	77,209,592	-	-	-	77,209,592
Bryn Hardcastle	-	-	-	-	-
Mark Kehoe	-	-	-	-	-
Peter Lloyd	-	-	-	-	-
John Murray	-	-	-	-	-
Total	77,209,592	-	-	-	77,209,592

7. Additional disclosures relating to equity instruments (continued)

Options awarded, vested and lapsed during the year

The table below discloses the number of share options granted, vested or lapsed during the year. Share options do not carry any voting or dividend rights and can only be exercised once the vesting conditions have been met, until their expiry date.

KMP options holdings

The number of options over ordinary shares of the Company held by each KMP of the Group during the financial year is as follows:

30-Jun-19	Balance at the start of the year	Granted as remuneration during the year	Expired during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable	Vested and un-exercisable
<i>Directors:</i>							
Catriona Wallace	-	-	-	-	-	-	-
Bryn Hardcastle	-	-	-	-	-	-	-
Mark Kehoe	-	-	-	-	-	-	-
Peter Lloyd	-	-	-	-	-	-	-
John Murray	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

KMP performance rights holdings

The number of performance rights held by each KMP of the Group during the financial years is as follows:

30-Jun-19	Balance at the start of the year	Granted as remuneration during the year	Issued during the year	Exercised/converted during the year*	Balance at the end of the year	Vested and exercisable	Vested and un-exercisable
<i>Directors:</i>							
Catriona Wallace	-	-	-	-	-	-	-
Bryn Hardcastle	5,000,000	-	-	-	5,000,000	-	5,000,000
Mark Kehoe	8,000,000	-	-	-	8,000,000	-	8,000,000
Peter Lloyd	2,000,000	-	-	-	2,000,000	-	2,000,000
John Murray	-	-	8,000,000	-	8,000,000	-	8,000,000
Total	15,000,000	-	8,000,000	-	23,000,000	-	23,000,000

*Refer to note 16 for details on the specific performance milestones of each class of the performance shares.

8. Loans to key management personnel and their related parties

There were no loans made to key management personnel during the financial year.

9. Other transactions and balances with KMP and their related parties

Some Directors or former Directors of the Group hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. During the year, the following entities provided corporate services and rental to the Group. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Entity	Nature of transactions	Key management personnel	Total transactions		Payable balance	
			2019 \$	2018 \$	2019 \$	2018 \$
Bellanhouse Legal	Legal retainer fee	Bryn Hardcastle*	25,000	90,000	-	-
Bellanhouse Legal	Legal fees	Bryn Hardcastle*	7,995	19,613	2,773	8,166

*Bryn Hardcastle resigned 27 August 2018

The following transactions occurred with Bellanhouse Legal, a company related to director Mr Bryn Hardcastle during the year ended 30 June 2019:

- a total of \$25,000 was paid for legal retainer fees during the period 1 July 2018 to 30 June 2019;
- a total of \$7,995 was paid as legal fees relating to various legal matters including the costs associated with the capital raising.

10. Voting of shareholders at last year's annual general meeting

At the 2018 AGM, 90% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

THIS IS THE END OF THE AUDITED REMUNERATION REPORT

Signed in accordance with a resolution of the Board of Directors.



Dr Catriona Wallace

Executive Director

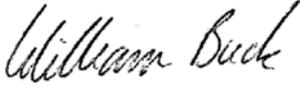
27 August 2019

Flamingo AI Limited and its controlled entities

Auditor's independence declaration under section 307c of the Corporations Act 2001

I declare that, to the best of my knowledge and belief during the year ended 30 June 2019 there have been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.



William Buck
Accountants & Advisors
ABN 16 021 300 521



R. Ahrens
Director

Sydney, 28 August 2019

ACCOUNTANTS & ADVISORS

Sydney Office
Level 29, 66 Goulburn Street
Sydney NSW2000

Parramatta Office
Level 7, 3 Horwood Place
Parramatta NSW 2150

Telephone: +61 2 8263 4000
williambuck.com

Financial Report

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019**

	Note	30 June 2019	30 June 2018
		\$	\$
Revenue	2(a)	769,683	526,758
Other income	2(a)	1,342,463	1,673,809
Amortisation and depreciation		(765,809)	(705,410)
Impairment expenses	11	(50,000)	-
Corporate expenses		(420,560)	(381,828)
Employee expenses		(5,306,437)	(6,236,716)
Consulting and recruitment expenses		(779,958)	(1,159,000)
Network and platform costs		(524,083)	(523,574)
Occupancy and office expenses		(454,219)	(496,483)
Public company expenses		(393,125)	(356,511)
Sales and marketing		(108,414)	(70,395)
Transaction costs		-	(1,047)
Travel and entertainment		(349,915)	(479,504)
Interest expense		(1,368)	(4)
Loss before income tax	2(b)	(7,041,742)	(8,209,905)
Income tax expense	3	(35)	(2,469)
Loss for the year		(7,041,777)	(8,212,374)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(167,407)	(95,727)
Total comprehensive loss for the year		(7,209,184)	(8,308,101)
Loss per share for the year attributable to the members of Flamingo AI Limited			
Basic loss per share (cents per share)	6	(0.59)	(0.69)
Diluted loss per share (cents per share)	6	(0.59)	(0.69)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	30 June 2019 \$	30 June 2018 \$
CURRENT ASSETS			
Cash and cash equivalents	7(a)	5,018,109	11,403,297
Trade and other receivables	8	202,843	1,284,215
Other current assets		74,412	167,249
TOTAL CURRENT ASSETS		5,295,364	12,854,761
NON-CURRENT ASSETS			
Plant and equipment	9	40,944	77,548
Development assets	11	-	718,053
TOTAL NON-CURRENT ASSETS		40,944	795,601
TOTAL ASSETS		5,336,308	13,650,362
CURRENT LIABILITIES			
Trade and other payables	12	324,980	980,494
Deferred income	13	112,143	240,811
Provisions	14	157,072	278,350
TOTAL CURRENT LIABILITIES		594,195	1,499,655
TOTAL LIABILITIES		594,195	1,499,655
NET ASSETS		4,742,113	12,150,707
SHAREHOLDERS' EQUITY			
Issued capital	15	34,893,595	34,893,595
Reserves	17	913,930	1,280,747
Accumulated losses		(31,065,412)	(24,023,635)
SHAREHOLDERS' EQUITY		4,742,113	12,150,707

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2019

	Issued Capital \$	Option Reserve \$	Foreign Currency Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2017	19,913,416	180,708	(4,358)	(15,811,261)	4,278,505
Loss for the year	-	-	-	(8,212,374)	(8,212,374)
Other comprehensive income	-	-	(95,727)	-	(95,727)
Total comprehensive loss for the year	-	-	(95,727)	(8,212,374)	(8,308,101)
Transactions with owners, recognised directly in equity					
Issue of shares September 2017, net of equity raising costs	4,815,103	-	-	-	4,815,103
Issue of shares December 2017, net of equity raising costs	9,454,720	-	-	-	9,454,720
Conversion of performance rights	300,971	-	-	-	300,971
Transactions involving options	409,385	1,200,124	-	-	1,609,509
Balance at 30 June 2018	34,893,595	1,380,832	(100,085)	(24,023,635)	12,150,707
Balance at 1 July 2018	34,893,595	1,380,832	(100,085)	(24,023,635)	12,150,707
Loss for the year	-	-	-	(7,041,777)	(7,041,777)
Other comprehensive income	-	-	(167,407)	-	(167,407)
Total comprehensive loss for the year	-	-	(167,407)	(7,041,777)	(7,209,184)
Transactions with owners, recognised directly in equity					
Transactions involving options	-	(199,410)	-	-	(199,410)
Balance at 30 June 2019	34,893,595	1,181,422	(267,492)	(31,065,412)	4,742,113

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	30 June 2019 \$	30 June 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		565,801	789,222
R&D tax offset received		2,241,395	178,715
Interest received		136,388	76,177
Payments to suppliers		(2,780,944)	(1,624,093)
Payments to employees		(6,754,025)	(5,954,965)
Net cash used in operating activities	7(b)	(6,591,385)	(6,534,944)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	9	(21,856)	(66,796)
Investment in development assets	11	(38,442)	(34,972)
Deposit returned		-	30,662
Net cash used in investing activities		(60,298)	(71,106)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		-	15,532,211
Payments for capital raising costs		-	(853,003)
Net cash provided by financing activities		-	14,679,208
Net (decrease)/increase in cash and cash equivalents		(6,651,683)	8,073,158
Cash and cash equivalents at the beginning of the financial year		11,403,297	3,383,003
Effects of foreign currency translation		266,495	(52,864)
Cash and cash equivalents at the end of the financial year	7(a)	5,018,109	11,403,297

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

These consolidated financial statements cover Flamingo AI Limited (the **Company**) and the entities it controlled for all or part of the financial year (also referred to as the **Consolidated Entity** or the **Group**). Flamingo AI Limited is a company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity.

The financial statements were issued by the board of directors on 27 August 2019.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated. Where applicable, comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial report

a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (**AASBs**) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (**AASB**), International Financial Reporting Standards (**IFRSs**), and the Corporations Act 2001.

b) Going concern

For the year ended 30 June 2019 the consolidated entity recorded a loss of \$7,041,777 (30 June 2018: loss \$8,212,374), net cash outflows from operating activities of \$6,591,387 (30 June 2018: outflows \$6,534,944), and net assets of \$4,742,112 as at that date (30 June 2018: net assets \$12,150,707).

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and liabilities in the normal course of business for the following reasons:

- management have considered the future capital requirements of the consolidated entity and will consider all funding and strategic options as required;
- management has conducted an extensive cost review and has been able to significantly reduce monthly cash utilisation needs and continues to review its cost base monthly; and
- the Group is agile in its ability to respond to market changes and if required, could scale back operations in response to any adverse market changes.

Management believe there are sufficient funds to meet the consolidated entity's working capital requirements as at the date of this report. Subsequent to the period end, if the consolidated entity is successful in further developing its products and customer engagements, it expects to receive additional funds from a capital raising.

The ability of the consolidated entity to continue as a going concern is dependent on:

- securing additional funding to continue its current level of operational activities, including raising additional capital; and
- further development of its technology assets to improve its commercialisation.

These conditions indicate a material uncertainty that may cast a significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, may be unable to realise its assets and discharge its liabilities in the normal course of business.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**c) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Flamingo AI Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Flamingo and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

d) Income tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**d) Income tax (continued)**

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

e) Leases

Leases are classified at their inception as either operating or finance leases based on economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item.

The cost of improvements to or on leased property is capitalised, disclosed as leasehold improvements and amortised.

Finance leases

Leases which effectively transfer substantially all of the risks and rewards incidental to ownership of the leased item to the consolidated entity are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and a reduction of the lease liability, with the interest expense calculated using the interest rate implicit in the lease and recognised directly in net profit.

f) Financial instruments*Initial recognition and measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the consolidated entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.



WE BUILD
SOFTWARE
FOR BUSINESS
PEOPLE

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**f) Financial instruments (continued)****f) Impairment of non-financial assets**

At the end of each reporting period, the consolidated entity assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits.

If any such indication exists, an impairment test is carried out on the asset by comparing the asset's recoverable amount, being the higher of its fair value less costs to sell and its value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

g) Intangible assets (including development assets)

Acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured on initial recognition at fair value at the acquisition date.

Internally developed intangible assets (referred to as development assets) are initially recognised at cost, including directly attributable costs.

Intangible assets with indefinite useful lives are not systematically amortised and are tested for impairment annually. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continued to be supportable. If the events and circumstances do not continue to support the assessment, the change in the useful life assessment from indefinite to finite is accounted for prospectively as a change in accounting estimate and on that date the asset is tested for impairment.

h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, and deposits available on demand with banks with original maturity of three months or less.

i) Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or

service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Time based and fixed fee consulting

The Group's performance obligations in relation to time based and fixed fee consulting are defined within client contracts. The activities in the consulting contracts are considered to be highly interrelated, with clients being provided integrated services.

Revenue in relation to time-based consulting is recognised over time, as services are delivered, with revenue being calculated based on time incurred and material used.

Revenue in relation to fixed fee consulting is recognised over time, as the customer simultaneously receive and consume the benefit of financial advice and consulting services.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Revenue relating to government grants and the receipt of R&D tax credits from the Australian Government are recorded on an accrual basis. It is accrued in the period relating to which the relevant authority has a definite legal obligation to provide the grant. All grants presented have actually been received as cash as of the date of this report.

Other revenue is recognised when it is received or when the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**j) Goods and Services Tax (GST)**

Revenues and expenses, are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (**ATO**).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of the GST recoverable from, or payable to, the ATO is included with other receivables and payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

k) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees during the reporting period.

Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. No employee benefits payable later than 12 months have been recognised in the current period.

Share-based payments

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. The fair value of performance right options is determined using the satisfaction of certain performance criteria ('performance milestones').

The number of share options and performance rights expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest. The fair value is determined using either a Black Scholes model (options) or by reference to the prevailing share price at the grant date, adjusted for management's best estimate of achieving the performance milestones attached to the issue (performance rights/shares).

l) Equity and reserves

Share capital represents the fair value of shares that have been issued. Any direct transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

The option reserve records the value of share-based payments.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**m) Foreign currency transactions and balances***Functional and presentation currency*

The functional currency of each entity within the Group is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the legal Parent's functional currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognized other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the historical exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

n) Segment information*Identification of reportable segments*

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. There is currently one reportable segment.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**o) Earnings per share**

Basic earnings per share is calculated by dividing:

- the loss attributable to the members of the parent entity, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (if any).
- Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:
- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

p) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. The consolidated entity reviews intangible assets for impairment once a year, or more frequently if events or changes in circumstances indicate that there is impairment.

Share-based payments

Share-based payments are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Development assets

Costs relating to the development of Flamingo's cognitive virtual assistant are capitalised using the sprint methodology. The capitalisation includes all direct costs associated with the development of the asset plus a portion of unavoidable non-direct costs, including some overheads. The development asset is amortised over a three-year period from the capitalisation date which is determined to be the useful life of the asset. When capitalising costs, management makes judgements on the technical feasibility, intention and ability to complete the intangible asset, ability to use or sell the asset, the expected generation of future economic benefits and the ability to measure the costs reliably and whether costs, including payroll costs, were directly attributable to relevant projects.

NOTE 2(a): REVENUE AND OTHER INCOME

	30 June 2019	30 June 2018
	\$	\$
Revenue		
Fee income	412,268	286,324
Trials income	321,491	240,434
Other revenue	35,924	-
	769,683	526,758
Other income		
Grant income	1,195,630	1,584,387
Interest income	63,789	76,176
Net gain on foreign exchange	83,044	13,246
	1,342,463	1,673,809

NOTE 2(b): LOSS FOR THE YEAR

Loss before income tax includes the following specific expenses:

<i>Amortisation and depreciation</i>		
Amortisation of development assets	706,495	649,050
Depreciation of plant and equipment	59,314	56,360
	765,809	705,410
<i>Impairment charge</i>		
Impairment charge on development assets	50,000	-
<i>Rental expenses relating to operating leases</i>		
Minimum lease payments	389,010	345,801
<i>Employee benefit expense</i>		
Defined contribution superannuation expense	327,857	302,361
Share-based payment expense	-199,410	1,500,915

NOTE 3: INCOME TAX

The financial accounts for the year ended 30 June 2019 comprise the results of Flamingo and Flamingo AI. The legal parent is incorporated and domiciled in Australia where the applicable tax rate for 30 June 2019 is 27.5%. The applicable tax rate in USA is 21%, which is applicable to the rate relevant for the financial year ended 30 June 2019.

	30 June 2019	30 June 2018
	\$	\$
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
(b) The prima facie tax payable on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Income tax benefit on operating loss at 27.5% (2018: 27.5%)	(1,936,489)	(2,258,403)
Non-deductible items		
Non-deductible expenditure	187,305	714,909
Adjustment for difference in tax rates	(88,003)	(78,070)
Benefits from tax losses not brought to account – Australian operations	1,526,388	1,271,272
Benefits from tax losses not brought to account – US operations	284,318	
Temporary differences not recognised	26,481	98,066
Income tax attributable to operating income/(loss)	-	-
The applicable weighted average effective tax rates are as follows:	Nil%	Nil%
Balance of franking account at year end	Nil	Nil
Deferred tax assets		
Tax losses	1,765,933	1,456,339
Black hole expenditure	44,773	67,159
Unrecognised deferred tax asset	1,810,706	1,523,498
Less deferred tax assets not recognised	(1,810,706)	(1,523,498)
Net deferred tax	-	-
Unused tax losses for which no deferred tax asset has been recognised	1,810,706	1,523,498
	FY18	1,456,339
	FY19	1,765,933
Accumulated tax losses available not recognised	3,222,272	

NOTE 3: INCOME TAX (CONTINUED)

Carry forward losses

Assessable future income tax benefits attributable to tax losses carried forward have not been brought to account at 30 June 2019, because the Directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

Furthermore, for purposes of assessing the consolidated tax position of the Group, the US based operations are deemed to not be classified as an Australian tax resident nor is the foreign operation deemed to be carrying on business in Australia, in terms of the Australian tax law.



NOTE 4: RELATED PARTY TRANSACTIONS

a) Key management personnel compensation

The totals of remuneration paid to key management personnel during the year are as follows:

	30 June 2019	30 June 2018
	\$	\$
Short-term salary, fees and commissions (including bonus)	477,248	637,211
Post-employment superannuation	45,417	47,911
Share based-payments	-	468,708
Directors fees	206,985	145,000
	729,650	1,298,830

b) Other related party transactions

Some Directors or former Directors of the consolidated entity hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. During the year, the following entities provided corporate services and rental to the Group. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Entity	Nature of transactions	Key management personnel	Total transactions		Payable balance	
			2019	2018	2019	2018
			\$	\$	\$	\$
Bellanhouse Legal	Legal retainer fee	Bryn Hardcastle*	25,000	90,000	-	-
Bellanhouse Legal	Legal fees	Bryn Hardcastle*	7,995	19,613	2,773	8,166

*Bryn Hardcastle resigned 27 August 2018

The following transactions occurred with Bellanhouse Legal, a company related to director Mr Bryn Hardcastle during the year ended 30 June 2019:

- a total of \$25,000 was paid for legal retainer fees during the period 1 July 2018 to 30 June 2019;
- a total of \$7,995 was paid as legal fees relating to various legal matters.

NOTE 5: AUDITOR'S REMUNERATION

	30 June 2019 \$	30 June 2018 \$
Remuneration of the auditor of the Group for:	William Buck	William Buck
Audit and review services of the financial report (provided by Audit Director)	38,950	31,864
Other services (provided by Tax Director)	7,975	42,614
	43,518	74,478

NOTE 6: LOSS PER SHARE

	30 June 2019 \$	30 June 2018 \$
Loss per share (EPS)		
Loss used in calculation of basic EPS and diluted EPS	(7,041,777)	(8,212,374)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share	1,120,127,703	1,194,177,981

At 30 June 2018, the Group had a total of 107,33,7138 performance rights and options, and 186,584,814 performance shares on issue which are considered to have a non-dilutive effect.

NOTE 7(a): CASH AND CASH EQUIVALENTS

	30 June 2019	30 June 2018
	\$	\$
Cash at bank	5,018,109	11,403,297
	5,018,109	11,403,297

Refer to Note 20 which details the risk associated with cash and cash equivalents.

NOTE 7(b): CASH FLOW INFORMATION

	30 June 2019	30 June 2018
	\$	\$
Loss after income tax	(7,401,777)	(8,212,374)
Non-cash flows in loss after income tax		
Depreciation	59,314	56,360
Amortisation	706,495	649,050
Share based payment expense	(199,410)	1,500,915
Impairment expenses	50,000	-
Foreign currency loss/ (gain)	-	(13,246)
Changes in assets and liabilities		
Decrease in trade and other receivables	1,071,978	(1,064,414)
Decrease in other current assets	92,703	(60,650)
Decrease in trade and other payables	(1,104,442)	589,066
Decrease in deferred income	(104,000)	(93,309)
Decrease in provisions	(122,248)	113,658
Net cash used in operating activities	(6,591,387)	(6,534,944)

Credit standby facilities

The Group has no credit standby facilities at 30 June 2019 (30 June 2018: none).

Non-cash investing and financing activities

There were no non-cash investing and financing activities during the year ended 30 June 2019 (30 June 2018: none).

NOTE 8: TRADE AND OTHER RECEIVABLES

	30 June 2019	30 June 2018
	\$	\$
CURRENT		
Trade receivables	182,535	135,135
Term deposits	-	-
GST receivable	20,308	35,716
Other receivables	-	1,113,364
	202,843	1,284,215

All trade and other receivable amounts are short-term. The net carrying value is considered a reasonable approximation of fair value. Refer to Note 20 which details the risks associated with trade and other receivables.

At 30 June 2019, trade receivables are aged as follows: 100% of the balance is current (30 June 2018: 100% of the balance current).

NOTE 9: PLANT AND EQUIPMENT

	30 June 2019	30 June 2018
	\$	\$
Plant and equipment at cost		
Opening balance at 1 July	187,372	120,576
Additions	22,710	66,796
Disposals	(1,662)	-
Closing balance at 30 June	210,082	187,372
Accumulated depreciation		
Opening balance at 1 July	109,824	53,464
Depreciation expense for the year	59,314	56,360
Writeback of depreciation on disposal	(1,192)	-
Closing balance at 30 June	168,292	109,824
Net book value at 30 June	40,944	77,548

NOTE 10: INTANGIBLE ASSETS

	30 June 2019	30 June 2018
	\$	\$
Opening balance at 1 July	-	84,856
Additions	-	-
Disposals	-	(84,856)
Closing balance at 30 June	-	-

Intangible assets relate to legal fees capitalised for the provision of services relating to patent and trademark application. This has been expensed during the prior year in accordance with the progress of patent and trademark applications.

NOTE 11: DEVELOPMENT ASSETS

	30 June 2019	30 June 2018
	\$	\$
Opening balance at 1 July	718,053	1,332,131
Development costs capitalised for Flamingo	38,442	34,972
Amortisation expense for the period	(706,495)	(649,050)
Impairment of development costs	(50,000)	-
Closing balance at 30 June	-	718,053

Development assets comprise of total direct costs and a portion of other non-avoidable indirect costs relating to the development of the Group's Cognitive Virtual Assistant platform. Development costs are capitalised using the sprints methodology and are amortised over a three-year period from the date of capitalisation.

Impairment of development assets

Management has considered if any indicators of impairment exist at 30 June 2019 and subsequent to this date and have determined that impairment existed and that the carrying value of the asset be written off as at 30 June 2019.

A fee of \$50,000 was paid to a related entity, Global Agenda Technologies Pty Ltd to develop software for the Crea8tek business. The development was not completed. Furthermore, the Global Agenda entity was de-registered with ASIC in June 2019.

NOTE 12: TRADE AND OTHER PAYABLES

	30 June 2019	30 June 2018
	\$	\$
CURRENT		
Trade payables	184,300	459,555
Accruals	45,542	26,000
PAYG withholdings*	62,719	376,527
Others	32,419	118,412
	324,980	980,494

*PAYG withholding tax payable has been fully settled following the year-end.

All trade and other payable amounts are short-term. The net carrying value is considered a reasonable approximation of fair value.

NOTE 13: DEFERRED INCOME

	30 June 2019	30 June 2018
	\$	\$
CURRENT		
Deferred income	112,143	240,811
Total deferred income	112,143	240,811

NOTE 14: PROVISIONS

	30 June 2019	30 June 2018
	\$	\$
CURRENT		
Provision for annual leave	157,072	278,350
	157,072	278,350

NOTE 15: ISSUED CAPITAL

	30 June 2019	30 June 2018
	\$	\$
(a) Share capital		
1,120,127,703 (30 June 2018: 1,120,126,765) fully paid ordinary shares	34,893,595	34,893,595
	No.	\$
(b) Movements in fully paid ordinary capital		
Opening balance at 1 July 2017	687,282,551	19,913,416
Shares issued under Placement	289,360,961	15,122,826
Conversion of Class A Performance Shares	93,292,459	-
Conversion of Class A, B, C and D Performance Rights	33,000,000	300,971
Exercise of options	17,190,794	409,385
Less: capital raising costs	-	(853,003)
Closing balance at 30 June 2017	1,120,126,765	34,893,595
Opening balance at 1 July 2018	1,120,126,765	34,893,595
Exercise of Options	938	-
Closing balance at 30 June 2019	1,120,127,703	34,893,595

(c) Capital Management

Due to the nature of the Group's activities, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet research and development programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

NOTE 15: ISSUED CAPITAL (CONTINUED)

Performance shares

In addition to the number of shares disclosed above, there are also 279,877,273 performance shares which have been issued as part of the reverse takeover transaction (272,727,273 issued to the vendor and 7,150,000 to the facilitators).

The performance shares will convert to ordinary shares on 1:1 basis subject to the performance milestones being met prior to the expiry date, being 3.5 years from the date of the issue of performance shares.

The terms of the performance shares on issue during the current financial year, all of which have a grant date of 3 November 2016, are summarised in the following table.

Class	Number of performance shares	Period escrowed	Performance milestones
Class A	93,292,459	29,146,358 escrowed for a period of 12 months 64,146,101 escrowed for a period of 24 months.	Flamingo executes a legally binding Master Service Agreement (MSA) and completes a security audit with a substantial US corporation, and either: <ul style="list-style-type: none"> • that MSA remains valid, binding and enforceable for at least 12 months after its execution; or • the Flamingo Platform technology is applied in another business vertical of the substantial US corporation outside any business unit where the technology is being trialled.
Class B	93,292,407	29,146,311 escrowed for a period of 12 months 64,146,096 escrowed for a period of 24 months.	Flamingo achieves \$13,000,000 in revenue in any 12-month period within 36 months of 3 November 2016
Class C	93,292,407	29,146,311 escrowed for a period of 12 months 64,146,096 escrowed for a period of 24 months.	Flamingo achieves \$28,000,000 in revenue in any 12-month period within 36 months of 3 November 2016

On 3 November 2017, the performance milestone relating to the Class A performance shares had been satisfied and these have converted into ordinary shares on a 1:1 basis.

The Class B and C performance shares have been valued at the grant date by reference to the prevailing share price at that date. No expense has been recognised in the current year due to the uncertainty of meeting the performance milestones which are based on future events.

NOTE 16: PERFORMANCE RIGHTS

During the year ended 30 June 2019, the consolidated entity had the following performance rights on issue:

Grant Date	Performance right class	Expiration dates	Number of rights issued	Performance milestones
22-Jan-16	Class A	05-Feb-18	9,999,999	Upon volume weighted average price (VWAP) for 10 consecutive trading days of shares equals or exceeds 3 cents
22-Jan-16	Class B	05-Feb-18	9,999,999	Upon volume weighted average price (VWAP) for 10 consecutive trading days of shares equals or exceeds 4 cents
22-Jan-16	Class C	05-Feb-18	10,000,002	Upon volume weighted average price (VWAP) for 10 consecutive trading days of shares equals or exceeds 5 cents
30-Nov-16	Class D	30-May-20	3,000,000	Flamingo executes a legally binding Master Service Agreement (MSA) and completes a security audit with a substantial US corporation, and either: <ul style="list-style-type: none"> • that MSA remains valid, binding and enforceable for at least 12 months after its execution; or • the Flamingo Platform technology is applied in another business vertical of the substantial US corporation outside any business unit where the technology is being trialled
30-Nov-16	Class E	30-May-20	3,000,000	Flamingo achieves \$13,000,000 in Revenue in any 12-month period within 36 months of 3 November 2016
10-Apr-18	Class E	10-Oct-21	4,000,000	Flamingo achieves \$13,000,000 in Revenue in any 12-month period within 36 months of 3 November 2016
30-Nov-16	Class F	30-May-20	3,000,000	Flamingo achieves \$28,000,000 in Revenue in any 12-month period within 36 months of 3 November 2016
19-Oct-17	Class G	19-Oct-20	9,000,000	Upon volume weighted average price (VWAP) for 10 consecutive trading days of shares equals or exceeds 10 cents, within 36-months of issue
10-Apr-18	Class G	10-Apr-21	6,000,000	Upon volume weighted average price (VWAP) for 10 consecutive trading days of shares equals or exceeds 10 cents, within 36-months of issue
1-Oct-18	Class H	1-Oct-21	4,000,000	Upon volume weighted average price (VWAP) for 10 consecutive trading days of shares equals or exceeds 10 cents, within 36-months of issue
1-Oct-18	Class I	1-Oct-21	4,000,000	Upon volume weighted average price (VWAP) for 10 consecutive trading days of shares equals or exceeds 6 cents, within 36-months of issue



Ai in it's
DNA

NOTE 17: RESERVES

	30 June 2019	30 June 2018
Reserves	\$	
Option reserve 84,195,694 (30 June 2018: 107,337,138) options on issue	1,181,422	1,380,832
Foreign currency reserve	(267,492)	(100,085)
	913,930	1,280,747

The option reserve records the value of share-based payment transactions. The foreign currency reserve records the exchange differences arising on translation of foreign operations with functional currencies, other than Australia dollars.

Movement in option reserve	No.	\$
Opening balance at 1 July 2017	165,769,206	180,708
Expiration of free existing options attached to Private Placement	(45,926,468)	-
Exercise of employee options issued under the Employee Offer with exercise price of \$0.03	(5,600,000)	485,634
Exercise of employee options issued under the Employee Offer with exercise price of \$0.02	(10,937,498)	121,781
Issue of Class D, E and F Performance Rights	28,000,000	-
Exercise of Class A, B, C and D Performance Rights	(33,000,000)	-
Movement of employee options issued under the Employee Offer with exercise price of \$0.029	(1,154,427)	39,052
Movement of employee options issued under the Employee Offer with exercise price of \$0.040	(1,100,000)	106,254
Movement of employee options issued under the Employee Offer with exercise price of \$0.080	-	(4,126)
Movement of employee options issued under the Employee Offer with exercise price of \$0.070	7,786,325	253,294
Movement of options issued to consultants	3,500,000	198,235
Closing balance at 30 June 2017	107,337,138	1,380,832
Opening balance at 1 July 2018	107,337,138	1,380,832
Movement of Performance Rights issued during the year	8,000,000	106,150
Movement of employee options issued under the Employee Offer with exercise price of \$0.008	16,380,000	-
Movement of employee options issued under the Employee Offer with exercise price of \$0.029	-	77,723
Movement of employee options expired, which initially were issued under the Employee Offer with exercise price of \$0.030	(44,400,000)	(485,634)
Movement of employee options issued under the Employee Offer with exercise price of \$0.040	(1,471,444)	50,578
Movement of employee options issued under the Employee Offer with exercise price of \$0.080	(700,000)	2,137
Movement of employee options issued under the Employee Offer with exercise price of \$0.070	(950,000)	49,636
Closing balance at 30 June 2019	84,195,694	1,181,422

NOTE 18: SHARE BASED PAYMENTS

During the year ended 30 June 2019, the following share-based payment transactions occurred:

- 6,077,375 Employee Options were issued on 3 November 2016 of which 1,154,427 have been forfeited due to their departure and not meeting the vesting conditions. This gives rise to 4,922,948 options.
- 5,865,363 Employee Options were issued on 16 December 2016 of which 3,387,100 have been forfeited due to the departure and not meeting the vesting conditions, and an additional 454,545 issued. This gives rise to 2,932,800 options.
- 400,000 Employee Options were issued on 9 June 2017 of which 200,000 have been forfeited due to their departure and not meeting the vesting conditions. This gives rise to 200,000 options.
- 2,000,000 Options were issued on 23 December 2016 to a consultant under the Consultancy Agreement of which 1,500,000 have since been forfeited. This gives rise to a remaining 500,000 options.
- 5,000,000 Options were granted on 19 December 2017 at \$0.05 each expiring 18 December 2019 to a consultant under the Consultancy Agreement.
- 650,000 Employee Options were issued on 13 December 2017 of which 288,889 have been forfeited due to their departure and not meeting the vesting conditions. This gives rise to 361,111 options.
- 7,786,325 Employee Options were issued on 1 January 2018 of which 950,000 have been forfeited due to their departure and not meeting the vesting conditions. This gives rise to 6,836,325 options.
- 25,000,000 Investor Options were issued on 4 November 2015 of which 10,937,498 have been exercised. This gives rise to 14,062,502 options.
- 50,000,000 Investor Options were issued on 21 January 2016 of which 5,600,000 have been exercised. This gives rise to 44,400,000 options which is all expired on 5 February 2019.
- 1,100,000 Employee Options were granted on 25 March 2019 at \$0.008 each expiring 28 February 2022 under the Employee Share Option Plan.
- 6,780,000 Employee Options were granted on 25 March 2019 at \$0.008 each expiring 28 February 2022 under the Employee Share Option Plan.
- 8,500,000 Employee Options were granted on 2 May 2019 at \$0.008 each expiring 28 February 2022 under the Employee Share Option Plan.
- These options have been valued using the Black and Scholes option valuation methodology taking into accounts the terms and conditions prevalent at the grant date, upon which the options were granted.

NOTE 18: SHARE BASED PAYMENTS (CONTINUED)

A summary of the inputs used in the valuation of the options and shares is as follows:

Options	Employee Replacement Options	Employee Options	Consultant Options	Consultant Options	Employee Options	Employee Options
Exercise price	\$0.029	\$0.04	\$0.08	\$0.05	\$0.08	\$0.08
Grant date	03-Nov-16	16-Dec-16	23-Dec-16	19-Dec-17	16-Feb-17	09-Jun-17
Expected volatility (i)	100%	100%	100%	100%	100%	100%
Expiry date	03-Nov-21	16-Dec-21	16-Dec-19	18-Dec-19	30-Jun-20	30-Jun-20
Value per option	\$0.0316	\$0.0665	\$0.0396	\$0.0394	\$0.0451	\$0.0158
Number of options	4,922,948	4,115,363	500,000	5,000,000	500,000	400,000
Vesting date	(ii)	(ii)	(iii)	(iii)	(ii)	(iv)

Options	Employee Options	Employee Options	Investors Options	Employee Options	Employee Options	Employee Options
Exercise price	\$0.04	\$0.07	\$0.02	\$0.008	\$0.008	\$0.008
Grant date	13-Dec-17	01-Jan-18	4-Nov-15	25-Mar-19	25-Mar-19	2-May-19
Expected volatility (i)	100%	100%	100%	100%	100%	100%
Expiry date	22-Mar-23	30-Jun-20	4-Nov-19	28-Feb-22	28-Feb-22	28-Feb-22
Value per option	\$0.0579	\$0.0489	\$0.0139	\$0.0057	\$0.0057	\$0.0032
Number of options	650,000	7,786,325	14,062,502	1,100,000	6,780,000	8,500,000
Vesting date	(ii)	(iv)	(iii)	(iv)	(ii)	(ii)

(i) Volatility was determined in reference to similar companies for the same period.

(ii) All employee options vest on the following basis; 1/3 vest on one-year anniversary of the grant date of the option with 1/36 vesting each month after the initial vesting date until all options have vested.

(iii) The consultant options are fully vested at year-end.

(iv) All employee options vest on second-year anniversary of the employment date.

The share-based compensation at 30 June 2019 comprises of the following:

Description	30 June 19 \$
Movement in options issued to employees at exercise price of \$0.029	77,722
Movement in options issued to employees at exercise price of \$0.040	50,578
Movement in options issued to employees at exercise price of \$0.080	2,137
Movement in options issued to consultant at exercise price of \$0.070	49,636
Movement in performance rights (class E, F, G, H and I) issued	106,150
Movement in options which expired on 5 Feb 2019	(485,633)
Total	(199,410)

NOTE 19: OPERATING SEGMENTS

The Group has identified its operating segment based on internal reports that are reviewed by the Board and management. The company has determined that it has one operating segment. The Board does not identify separate segments for internal management reporting hence no segment information has been reported.

NOTE 20: FINANCIAL INSTRUMENTS

Financial risk management policies

The Group’s financial instruments consist mainly of deposits with banks, accounts receivable and accounts payable. The main purpose of non-derivative financial instruments is to raise finance for the Group’s operations.

Specific financial risk exposures and management

The main risk the Group is exposed to through its financial instruments are market risk (including fair value and interest rate risk), cash flow interest rate risk, credit risk, and liquidity risk.

(a) Interest Rate Risk

From time to time the Group has significant interest-bearing assets, but they are as a result of the timing of equity-raising and capital expenditure rather than a reliance on interest income. The interest rate risk arises on the rise and fall of interest rates. The Group’s income and operating cash flows are not expected to be materially exposed to changes in market interest rates in the future and the exposure to interest rates is limited to the cash and cash equivalents balances.

The Group’s exposure to interest rate risk, which is the risk that a financial instrument’s value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is below:

	Floating interest rate	Non-interest bearing	2019 Total	Floating interest rate	Non-interest bearing	2018 Total
	\$	\$	\$	\$	\$	\$
Financial assets						
- <i>Within one year</i>						
Cash and cash equivalents	5,018,109	-	5,018,109	11,403,297	-	11,403,297
Trade and other receivables	-	202,843	202,843	-	1,284,215	1,284,215
Total financial assets	5,018,109	202,843	5,220,952	11,403,297	1,284,215	12,687,512
<i>Weighted average interest rate</i>	0.70%			1.03%		
Financial liabilities						
- <i>Within one year</i>						
Trade and other payables	-	324,980	324,980	-	980,494	980,494
Total financial liabilities	-	324,980	324,980	-	980,494	980,494
<i>Weighted average interest rate</i>	n/a			n/a		
Net financial assets	5,018,109	(122,137)	4,895,972	11,403,297	303,721	11,707,018

NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity analysis

The following table illustrates sensitivities to the consolidated entity’s exposures to changes in interest rates. The table indicates the impact on how profit or equity values reported at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Movement in profit	Movement in equity
Year ended 30 June 2019	\$	\$
+/-1% in interest rates	82,107	82,107
Year ended 30 June 2018		
+/-1% in interest rates	73,931	73,931

(b) Credit risk

The maximum exposure to credit risk is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor’s rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor’s counterparty credit ratings.

	Note	30 June 2019 \$	30 June 2018 \$
Cash and cash equivalents - AA Rated	8(a)	5,018,109	11,403,297

(c) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The Group has no access to credit standby facilities or arrangements for further funding or borrowings in place. The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

30 June 2019		Interest rate	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount assets/(liabilities)
			\$	\$	\$	\$	\$	\$	\$
<i>Financial liabilities at amortised cost</i>									
Trade and other payables			324,980	-	-	-	-	324,980	324,980
			324,980	-				324,980	324,980

30 June 2018		Interest rate	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount assets/(liabilities)
			\$	\$	\$	\$	\$	\$	\$
<i>Financial liabilities at amortised cost</i>									
Trade and other payables			980,494	-	-	-	-	980,494	980,494
			980,494	-				980,494	980,494

(d) Net fair value of financial assets and liabilities
Fair value estimation

Due to the short-term nature of the receivables and payables of the Group, the carrying value approximates fair value.

(e) Financial arrangements

The consolidated entity had no other financial arrangements in place at 30 June 2019 based on the information available to the current board (30 June 2018: none).

(f) Currency risk

The currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the consolidated entity's functional currency. The consolidated entity is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US \$.

The Group's policy is not to enter into any currency hedging transactions.

Cash and cash equivalents	30 June 2019		30 June 2018	
	Foreign Currency	AUD Equivalent	Foreign Currency	AUD Equivalent
US \$	22,407	32,011	30,335	40,993

NOTE 21: PARENT ENTITY FINANCIAL INFORMATION

The following information has been extracted from the books and records of the legal parent Flamingo AI Limited have been prepared in accordance with Australian Accounting Standards and the accounting policies as outlined in Note 1.

(a) *Statement of financial position*

	30 June 2019	30 June 2018
	\$	\$
ASSETS		
Current assets	4,214,771	10,686,974
Non-current assets	6,151,267	7,692,990
TOTAL ASSETS	10,366,038	18,379,964
LIABILITIES		
Current liabilities	276,928	656,988
TOTAL LIABILITIES	276,928	656,988
NET ASSETS	16,240,376	17,722,976
SHAREHOLDERS' EQUITY		
Issued capital	34,893,595	34,893,595
Reserves	1,181,422	1,380,832
Accumulated Losses	(25,985,907)	(18,551,451)
SHAREHOLDERS' EQUITY	10,089,109	17,722,976

(b) *Statement of profit or loss and other comprehensive income*

Loss for the year	(7,434,456)	(2,827,182)
Total comprehensive loss	(7,434,456)	(2,827,182)

Included in the parent entity's loss for the year of 2019, is an impairment charge of \$6,151,267, representing half of related party non-current loan receivables owed to the parent by its subsidiaries. Management considers the recognition of the impairment charge to be reflective of the Group's overall going concern position.

(c) *Guarantees entered into by Flamingo AI Limited for the debts of its subsidiaries*

There are no guarantees entered into by Flamingo AI Limited as at 30 June 2019 (30 June 2018: none).

(d) *Contingent liabilities of Flamingo AI Limited*

There were no known contingent liabilities of the Company as at 30 June 2019 (30 June 2018: none).

(e) *Commitments by Flamingo AI Limited*

The Company did not have any commitments or contractual obligations as at 30 June 2019 (30 June 2018: none).

NOTE 22: CONTROLLED ENTITIES

Controlled entity	Country of incorporation	Percentage ownership	
		30 June 2019	30 June 2018
Global Agenda Technologies Pty Limited	Australia	100%	100%
Flamingo Ventures Pty Limited	Australia	100%	100%
Flamingo Customer Experience Inc	USA	100%	100%

NOTE 23: COMMITMENTS

	30 June 2019 \$	30 June 2018 \$
No longer than 1 year	82,164	237,533
Longer than 1 year and not longer than 5 years	-	25,767
Longer than 5 years	-	-
	82,164	263,300

Commitments represent contractual obligations for office leases and insurance.

NOTE 24: CONTINGENT LIABILITIES

The Group has no known contingent liabilities as at 30 June 2019 (30 June 2018: none).

NOTE 25: EVENTS SUBSEQUENT TO REPORTING DATE

On 11 July 2019, Mr Oliver Cauderlier has been appointed as CEO for the company and Dr Catriona Wallace will take up the role of Founder & Head of Business Development.

There were no other significant events after the reporting date.

Director's Declaration

Australian accounting standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2019 are outlined in the table below.

New/revised pronouncement	Explanation of amendments	Application date of standard	Application date of group
AASB 16 Leases	<p>AASB 16 requires lessees to account for all leases under a single on balance sheet model in a similar way to finance leases under AASB 117 <i>'Leases'</i>. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right- of-use asset.</p> <p>Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.</p> <p>Impact on Flamingo AI Limited</p> <p>The consolidated entity has assessed that there is no expected material impact of the above standard due to the short-term nature of lease agreements.</p> <p>The Group has decided not to early adopt any of the new and amended pronouncements. The impact of the above standards has been determined by management and is not considered material based on current contractual arrangements.</p>	1 January 2019	1 July 2019

In the Director's opinion:

The consolidated financial statements and notes set out on pages 27 and 61 are in accordance with the Corporations Act 2001;

The consolidated financial statements complying with Australian Accounting Standards and Corporations Regulations 2001, noting the matters documented in Note 1(a);

The consolidated financial statements and notes give a true and fair view, the consolidated entity's financial position

as at 30 June 2019 and of its performance for the year ended on that date; and

There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declaration required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.



Dr Catriona Wallace Executive

Director

27 August 2019

Flamingo AI Limited and its controlled entities

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Flamingo AI Limited (the Company) and its controlled entities (the Group)), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial report, which indicates that the Consolidated Entity incurred a net loss after tax expense of \$7,041,777 (30 June 2018: loss \$8,212,374) and had cash outflows from operations of \$6,591,387 (30 June 2018: outflows \$6,534,944) during the year ended 30 June 2019 and, as of that date maintained net assets of \$4,742,112 as at that date (30 June 2018: net assets \$12,150,707).

As stated in Note 1, these circumstances, along with other events and conditions as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt about the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

ACCOUNTANTS & ADVISORS

Sydney Office
Level 29, 66 Goulburn Street
Sydney NSW2000

Parramatta Office
Level 7, 3 Horwood Place
Parramatta NSW 2150

Telephone: +61 2 8263 4000
williambuck.com

William Buck is an association of firms, each trading under the name of William Buck across Australia and New Zealand with affiliated offices worldwide. Liability limited by a scheme approved under Professional Standards Legislation other than for acts or omissions of financial services licensees.



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for development costs	
Area of focus Refer also to notes 1 and 11	How our audit addressed it
<p>The capitalisation of development costs is a key audit matter due to the significant judgements required under AASB 138 'Intangible Assets' which defines whether costs incurred reflects the research or development of a product and limits capitalisation to development costs.</p> <p>The assessment of whether costs can be capitalised as development or expensed requires insights into the technical feasibility, intention and ability to complete the asset, an understanding of the Group's ability to use or sell the asset, ability to generate future economic benefits and the ability to measure costs reliably.</p> <p>In addition, the estimation of the useful economic life of the development asset, as well as impairment considerations, include a level of management judgement.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> — Discussions with management to determine the nature of research and development activities conducted during the year-ended 30 June 2019; — Evaluation of management's key assumptions applied in determining the value of development costs to be capitalised, including an assessment as to whether the costs incurred reflected the development phase of the asset, in line with AASB 138 'Intangible Assets'; — Assessing the adequacy of management's assessment of the useful economic lives of the capitalised assets and managements impairment considerations; and <p>Ensuring sufficient and adequate disclosure in the consolidated financial report at note 11 and in respect of development assets.</p>

Tax residency structure	
Area of focus Refer also to note 1 and note 3	How our audit addressed it
<p>The Group does not represent a consolidated group for taxation purposes.</p> <p>The ATO's taxation ruling TR 2018/5 confirmed that any entity which has its central management and control located in Australia and carries on business (anywhere in the world) is an Australian tax resident, subject to any double tax agreement (DTA), even where the company's business (active or passive) is located in a foreign jurisdiction.</p>	<p>Our audit work included, but were not limited to:</p> <ul style="list-style-type: none"> — Discussions with management regarding the composition of the respective local board of directors and the documentation protocol reflecting local key decision processes; — Reviewing and assessing the status of the tax residency in relation to the Group's overall taxation profile and overall operational performance.

<p>The assessment whether the entity is an Australian tax resident involves management judgement with respect to the following:</p> <ul style="list-style-type: none"> — their governance arrangements to confirm whether central management and control is (and continues to be) exercised outside Australia; — ensure appropriate documentation and records are maintained of board meetings and key decisions made; and — apply careful attention to the way that foreign subsidiary board is run, where there are potential decision making 'influencers' in Australia and when a majority of directors have not participated in decision making from the place of incorporation of a foreign company. 	<p>Ensuring sufficient and adequate disclosure in the consolidated financial report at note 3(b) relating to the tax residency basis adopted.</p>
---	---

Treatment of share-based payments (including options, performance rights and performance shares)	
Area of focus Refer also to notes 1 and 16, 17, 18	How our audit addressed it
<p>Accounting for share-based payments is a key audit matter due to the significance of the balances involved and the transactions occurring during the year, and the inherent complexities involved in accounting for them correctly, in line with AASB 2 '<i>Share-Based Payments</i>'.</p> <p>Management is required to ensure the correct identification of the relevant criteria of each specific share-based payment transaction (i.e. market vs. non-market conditions, vesting vs. non-vesting conditions, equity vs. cash settlement), and ensure that it is being accounted for correctly.</p> <p>In addition, the fair value assessment of share-based payments involves a high level of management judgement and estimation.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> — Review of the share-based payment expense, cross-referencing material issues to supporting documentation, as well as a review of management's reconciliation of movements in the option reserve during the year; — Testing on a sample basis: <ul style="list-style-type: none"> — Management's valuation techniques to assess the grant date fair value of share-based payments issued, verifying the reasonableness and accuracy of inputs applied; — amounts recognised in the current year for issued share-based payments, in-line with the terms and conditions specified by the applicable agreement; — other movements in share-based payments (including the exercise, lapsing and conversation of incentives); <p>Ensuring sufficient and adequate disclosure in the remuneration report in regard to share-based payment transactions with key management personnel, and in the consolidated financial report at notes 16, 17 and 18.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

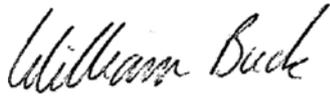
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Flamingo AI Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

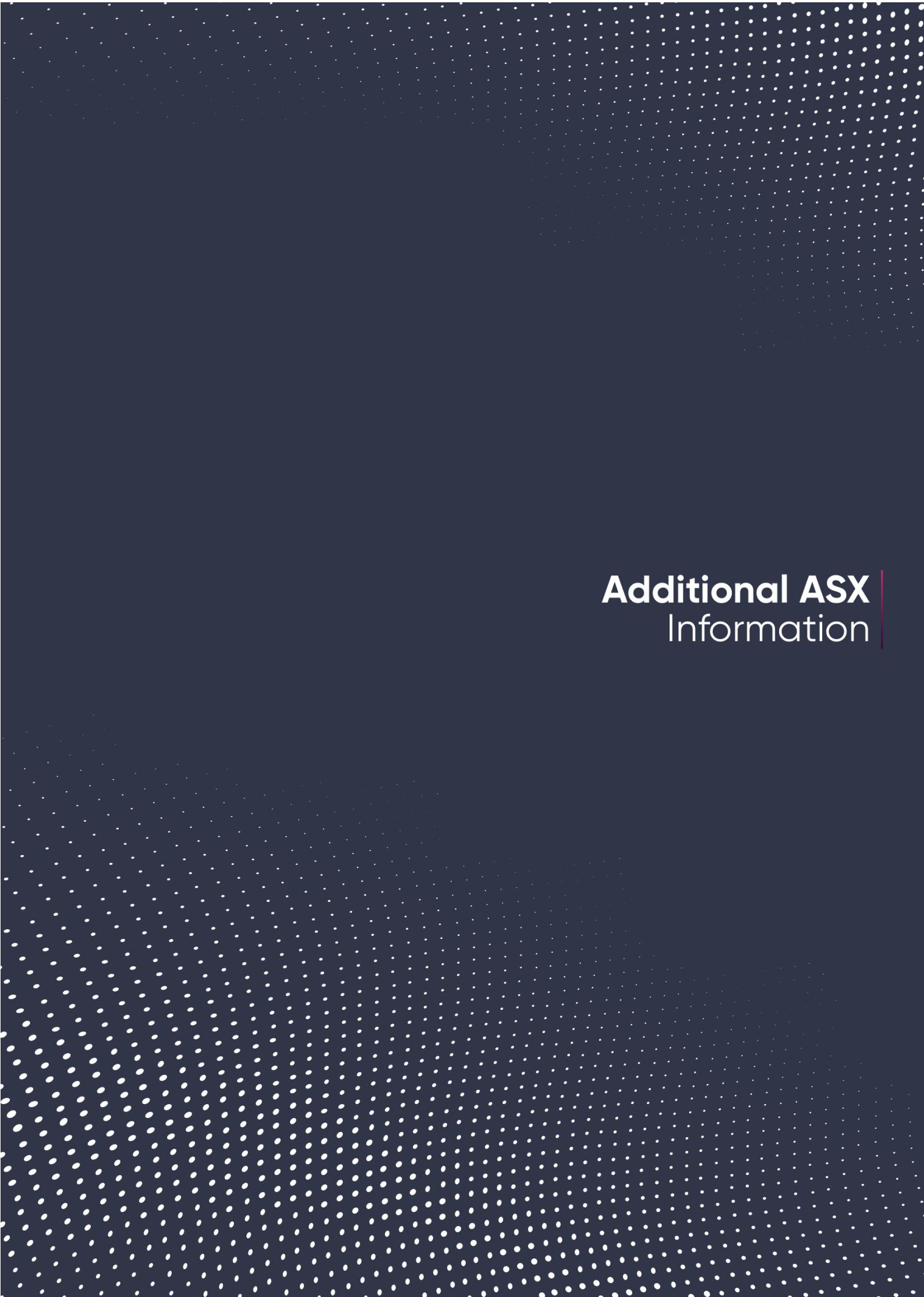


William Buck
Accountants & Advisors
ABN 16 021 300 521



R. Ahrens
Director

Sydney, 28 August 2019



Additional ASX Information

EQUITY SECURITY HOLDERS

The names of the 20 largest holders of ordinary shares, and the number of ordinary shares and percentage of capital held by each holder is as follows:

Position	Holder Name	Holding	% IC
1	PHOENIXAVIER PTY LTD	154,419,184	13.79%
2	FLAMINGO 31 PTY LTD	68,687,024	6.13%
3	STEPHEN PILLINGER PTY LTD	26,271,136	2.35%
4	GINGA PTY LTD <T G KLINGER SUPER FUND A/C>	22,969,400	2.05%
5	MR PAUL PETER KAWTAL	20,765,000	1.85%
6	DEFENDER EQUITIES PTY LTD <DEFENDER AUS OPPORTUN FD A/C>	20,000,000	1.79%
7	DR DANIEL ROBERT TSUI	14,808,765	1.32%
8	WOODVILLE SUPER PTY LIMITED <WOODVILLE AVE SUPER FUND A/C>	12,000,000	1.07%
9	JAM GROUP PTY LTD <A/C MORTON INVESTMENT A/C>	11,317,990	1.01%
10	FIRST INVESTMENT PARTNERS PTY LTD	10,000,000	0.89%
10	EMS ARCADIA PTY LTD <CB FILMS SUPERFUND NO2 A/C>	10,000,000	0.89%
10	MR WILLIAM JOHN LAUKKA & MRS ELIZABETH ANNE LAUKKA <LAUKKA FAMILY S/F A/C/>	10,000,000	0.89%
10	MR WILLIAM JOHN LAUKKA & MRS ELIZABETH ANNE LAUKKA <LAUKKA INVESTMENT A/C>	10,000,000	0.89%
11	PAUL HUNYOR <BUTE HALL DISCRETIONARY A/C>	7,950,200	0.71%
12	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	7,539,752	0.67%
13	CITICORP NOMINEES PTY LIMITED	6,545,415	0.58%
14	MR STEPHEN SHERRIN	6,500,000	0.58%
15	YNWA HOLDINGS PTY LIMITED	6,397,258	0.57%
16	ELISE HUKINS & NOEL HUKINS <THE HUKINS FAMILY S/FUND A/C>	6,272,260	0.56%
17	MR KARL BAARDA	6,000,000	0.54%
18	MR LUKE ALEXANDER CARRUTHERS	5,755,452	0.51%
19	COAST EQUITY PTY LTD <COAST TRADING A/C>	5,350,000	0.48%
20	KM & EA TAYLOR SUPERANNUATION PTY LTD <TAYLOR FAMILY S/FUND A/C>	5,050,508	0.45%
Total		454,599,344	40.58%
Total issued capital - selected security class(es)		1,120,127,703	100.00%

Report Generated on 09-Oct-2019 at 03:59 PM

The names of the 20 largest holders of options, and the number of options and percentage of capital held by each holder is as follows:

Position	Holder Name	Holding	% IC
1	JOSEPH WALLER	7,272,688	19.17%
2	SHREWSBURY LTD	5,000,001	13.18%
3	BUZZ CAPITAL PTY LTD <ZI VESTMENT A/C>	4,250,001	11.20%
4	IRONSIDE CAPITAL PTY LTD	4,000,000	10.54%
5	JOSEPH WALLER	2,727,312	7.19%
6	MR NICHOLAS DAVID YOUNG & MR ANDREW STEVEN YOUNG <YOUNG A/C>	2,597,222	6.85%
7	JACK ELLIOT	2,000,000	5.27%
8	LANEWAY INVESTMENTS PTY LTD <JOLA FAMILY A/C>	1,000,000	2.64%
9	ATTOLLO INVESTMENTS PTY LTD <ATTOLLO INVESTMENT A/C>	791,666	2.09%
10	DR HAN XU	650,000	1.71%
11	PHILLIPA BELTRAN	620,006	1.63%
12	SLAM CONSULTING PTY LTD <DAR FAMILY A/C>	555,556	1.46%
13	SALTY DROP INVESTMENTS PTY LTD <THE SALTY DROP A/C>	555,555	1.46%
14	EVOLVE LEADERSHIP PTY LTD	500,000	1.32%
15	CAMERON LAZELL	420,006	1.11%
15	FRANCISCO PRELLER	420,006	1.11%
15	JULIE MAIDANA	420,006	1.11%
16	ANIL GULLAPALLI	315,500	0.83%
17	DI HOLMES	300,000	0.79%
18	CHANDRA SHASTRY	263,500	0.69%
19	BREE CLARE	200,000	0.53%
19	DONG (DANNY) KIM	200,000	0.53%
19	DOUGLASS CALLAHAN	200,000	0.53%
19	OLEKSANDR TKACHUK	200,000	0.53%
19	YI (MATILDA) PAN	200,000	0.53%
19	SABER ZRELLI	200,000	0.53%
19	QIAN (TIM) ZHANG	200,000	0.53%
19	FRANCISCO PRELLER	200,000	0.53%
19	SONIA MARTIS	200,000	0.53%
19	ROHITHA WANNI ACHCHIGE	200,000	0.53%
20	MR BENJAMIN OWEN PAYNE	198,336	0.52%
	Total	36,857,361	97.15%
	Total issued capital - selected security class(es)	37,937,138	100.00%

Report Generated on 09-Oct-2019 at 04:00 PM

CORPORATE GOVERNANCE STATEMENT

The directors of Flamingo AI Limited support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement and the appendix 4G released to ASX and posted on the Company website at flamingo.ai.

The directors are focused on fulfilling their responsibilities individually, and as a Board, for the benefit of all the Company's stakeholders. That involves recognition of, and a need to adopt, principles of good corporate governance. The Board supports the guidelines on the "Principles of Good Corporate Governance and Recommendations – 3rd Edition" established by the ASX Corporate Governance Council.

Given the size and structure of the Company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which enables it to meet the principles of good corporate governance. The Company's practices are mainly consistent with those of the guidelines and where they do not correlate with the recommendations in the guidelines the Company considers that its adopted practices are appropriate to it.

Anual report 2019

ABN 99 000031 292