

ASX RELEASE

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

Key Developments

- Granting of Patent for Semi-supervised Question Answering Machine
- Financial services company signs Services Agreement and paid pilot contract
- Net operating cash burn reduced to \$1.060 million (\$1.276m Q1FY20)
- Change in Board composition

SYDNEY, 30 January 2020, Flamingo Ai Limited (“Flamingo Ai” or “the Company”) (ASX: FGO), machine learning based company and provider of the Intelligent Knowledge Sharing Hub product for enterprise, is pleased to provide the following Quarterly update and lodgement of its Appendix 4C.

Business strategy update

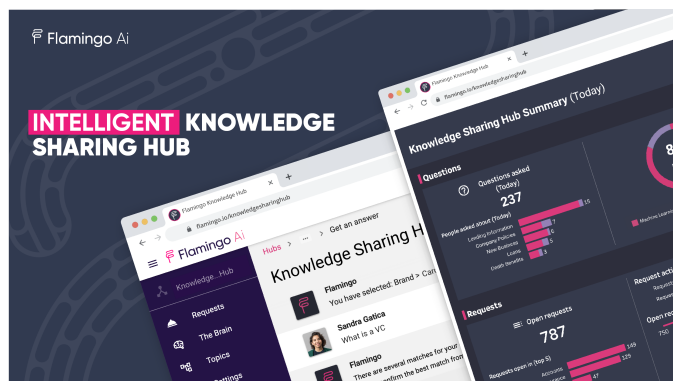
Patent granted

As announced on 15th January 2020, the Company was granted an Australian patent (Patent No. 2018223010) for its Semi-supervised Question Answering Machine. The patent sets out the method that Flamingo Ai uses for semi-supervised machine learning to propagate answer weights around a question space. The Company’s conversational intelligence is powered by a novel form of semi-supervised machine learning which hybridises supervised and unsupervised machine learning to give the best of both worlds, namely the rapid learning of unsupervised learning and the tight control of supervised approaches. The patent rights last 20 years until August 30, 2038. The patent is also currently awaiting examination in the US.

SaaS Product development and launch

In the previous quarterly update, the Company targeted December 2019 as the date for a production release of its Intelligent Knowledge Sharing Hub, requiring the product to be designed, developed then launched within a ten-week timeframe.

Figure 1: Intelligent Knowledge Sharing Hub product



The Company met this December target and the SaaS Product is now deployed in production, active in both Australian and American regions. The Intelligent Knowledge Sharing Hub is utilised by companies such as HSBC Bank in Australia and Nationwide Insurance and Church Mutual in the US.

The Company’s product is suited to any organisation or team where performance and success rely on providing the right information at the right time, at scale. Orchestrated through

machine learning, the software facilitates compliant information sharing, collaboration, improves customer experience, reduces operating costs and offers organisations a unique understanding of knowledge and

information sharing gaps across employee, team, channel partner and consumer interactions. Although focused on the financial services sector, the product is suitable to all industry verticals and company size.

New financial services client signs Services Agreement and paid contract

During the quarter, the Company signed a Services Agreement and Pilot Contract with an Australian financial services company to trial its Intelligent Knowledge Sharing Hub. The client will deploy the Company's machine learning product for an initial period of 6 months from January 2020. The paid contract will not have a material impact on the Company's revenue and cash burn. At the completion of the trial the client may choose to extend the use of the Company's products to other areas of their business.

Current client engagements

Existing Flamingo Ai clients in both Australia and the US are utilising the Intelligent Knowledge Sharing Hub and are all progressing well. This includes Fortune 100 HSBC Bank Australia, Fortune 100 Nationwide Insurance and large US based insurer, Church Mutual.

During the quarter the Company's clients were actively involved in product roadmap design, user testing and feedback. This strong partnership approach demonstrates client interest and commitment, further validating the Company's product positioning and strategy.

Sales pipeline development

During the quarter the Company progressed its go-to-market strategy. This resulted in further growth in the sales pipeline, progressing enterprise clients through various stages of engagement. Flamingo Ai also maintained its efforts to educate the business community on machine learning related topics through participating in events, podcasts and government advisory groups. This approach has proven to be an effective sales lead generation for the Company.

Operating cost

The Company is constantly reviewing its cost base and has further reduced its operating expenses. The net operating cash burn reduced to \$1.060 million (\$1.276m Q1FY20) as referenced in Table 9 of Appendix 4C.

Board composition update

During the quarter, as announced on 21st November 2019, Mr Zane Lewis was appointed as Non-Executive director of the Company, replacing Mr Peter Lloyd following his resignation. Mr Lewis is also the Company Secretary of the Company.

Table 1: Cash receipts and revenue

STAGE	Q1FY20	Q2FY20	Q1FY20	Q2FY20
	Cash receipts \$A'000	Cash receipts \$A'000	Revenue \$A'000	Revenue \$A'000
Recurring Revenue (RR)	241	117	236	83
Concluded trial/review	-	-	-	-
Paid trial	9	-	12	-
Other	49	6	7	1
Total	299	123	255	84

Notes:

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

Table explanation:

Following a successful Pilot of its Intelligent Knowledge Sharing Hub in Q2FY19, during Q4 FY19, the Company signed a Master Services Agreement (MSA) with HSBC Bank Australia Limited as well as the first Statement of Work (SOW) under the MSA to deploy the technology into a production environment. The contract includes a Monthly Subscription arrangement and has an initial term of 3 years and can be extended to up to 5 years.

The current engagement with Fortune 100, US-based Nationwide Insurance, operating under a Master Services Agreement (MSA) since May 2016, involves the deployment of the Enterprise Knowledge Sharing Hub. Flamingo continues to enjoy a strong relationship with Nationwide. The Company looks forward to advising further on developments as they progress.

Operations and People

The Company further reduced headcount during the quarter from 17 to 11 staff. As a result, the Company incurred a non-recurring termination cost of approximately \$112,000 and is reported in the net operating cash burn of \$1.060 million in Table 2.

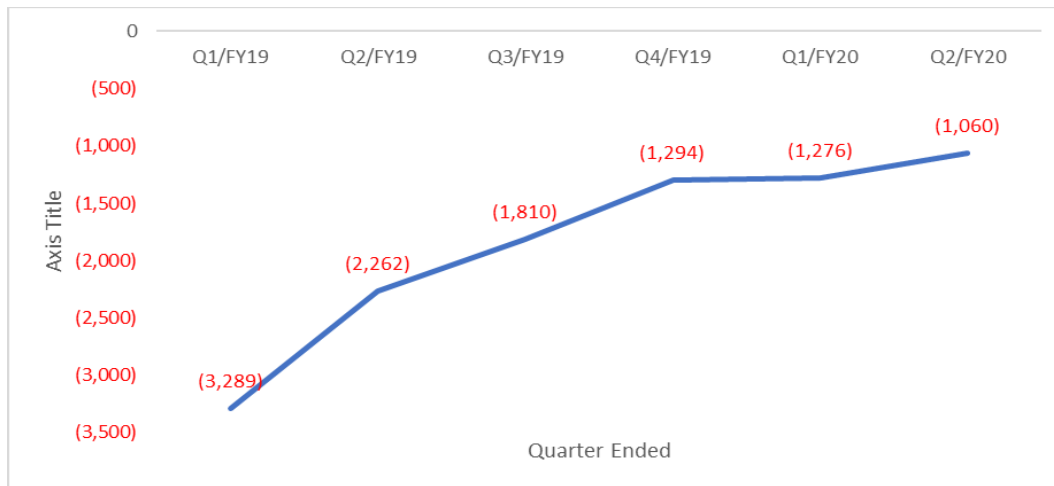
Financial Update

As referenced in Table 2, the quarterly net operating cash burn of \$1.060m was reduced further from preceding quarters due to continued cost management and improved receipts from customers of \$123,000.

The Company reported a cash balance of \$2.675 million as at 31 December 2019, compared to \$3.756 million for the preceding quarter.

The Company has 'Estimated cash outflows for the March 2020 quarter' as referenced in Table 9 of Appendix 4C of \$0.780 million. This indicates a further reduction in operational costs from preceding quarters.

Table 2: Net operating cash burn (excluding Government grants/tax incentives)



Outlook

As the Artificial Intelligence software market continues to experience massive growth with revenues growing twelve-fold to an expected US\$119 billion by 2025 (Statista, 2020), the Company is positive about its strategy, product, client engagements and market potential. The Company continues to review its current product offerings and will utilise the team's extensive machine learning skills and experience to address market opportunities.

[ENDS]

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

Email: investor@flamingo.ai

ABOUT Flamingo Ai

Flamingo Ai (ASX: FGO) is an Australian listed company based in Australia (Sydney) and the USA (Hartford). The Company develops a machine-learning-based Intelligent Knowledge Hub software used by Enterprises to improve operational efficiency, compliance and internal customer experience

www.flamingo.ai

Flamingo Ai - Social Media Policy

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

Company Investor Newsletter

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

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

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

Name of entity

Flamingo AI Limited

ABN

99 000 031 292

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	123	422
1.2 Payments for		
(a) research and development	(351)	(733)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(63)	(127)
(d) leased assets	-	-
(e) staff costs	(426)	(1,208)
(f) administration and corporate costs	(373)	(763)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	13	36
1.5 Interest and other costs of finance paid	(2)	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives - <i>R&D rebate received</i> ¹	-	40
1.8 Other (provide details if material)	19	41
1.9 Net cash from / (used in) operating activities	(1,060)	(2,296)

¹ Proceeds received from R&D rebate.

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(21)	(42)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	(21)
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other – cash on reverse takeover acquisition	-	-
2.6 Net cash from / (used in) investing activities	(21)	(63)

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

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	3,756	5,032
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,060)	(2,296)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(21)	(63)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	-	2
4.6 Cash and cash equivalents at end of quarter	2,675	2,675

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	2,675	3,756
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,675	3,756

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	(121)
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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

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

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

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(250)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing, net of grants	(30)
9.4 Leased assets	-
9.5 Staff costs	(250)
9.6 Administration and corporate costs	(260)
9.7 Other (provide details if material) ²	-
9.8 Total estimated cash outflows	(790)

² Mainly related to legal fee for IP.

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

Compliance statement

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

Sign here: Date:

Print name:Zane Lewis.....
(Company secretary)

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.