



**FLAMINGO AI LIMITED**

**ABN 99 000 031 292**

**INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

**FLAMINGO AI LIMITED**  
**ABN 99 000 031 292**  
**INTERIM FINANCIAL REPORT 31 DECEMBER 2019**

**CORPORATE DIRECTORY**

**Registered Office**

Level 4, 208 Clarence Street  
Sydney NSW 2000

**Share Registry**

Automic Registry Services  
Level 5, 126 Phillip Street  
Sydney NSW 2000

**Securities Exchange Listing**

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

ASX Code: FGO

**Legal Advisor**

HWL Ebsworth Lawyers  
Level 20, 240 St Georges Terrace  
Perth WA 6000  
AUSTRALIA

**Auditor**

William Buck  
Level 29, 66 Goulburn Street  
Sydney NSW 2000

**FLAMINGO AI LIMITED**  
**ABN 99 000 031 292**  
**INTERIM FINANCIAL REPORT 31 DECEMBER 2019**

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**FLAMINGO AI LIMITED**  
**ABN 99 000 031 292**  
**INTERIM FINANCIAL REPORT 31 DECEMBER 2019**

**DIRECTORS' REPORT**

The Directors of Flamingo AI Limited ("the Company") and controlled entities ("the Group" or "the Consolidated Entity") submit the following report for the half year ended 31 December 2019 ("Financial Period").

**DIRECTORS**

The names and the particulars of the Directors of the Company during the half year and to the date of this report are:

<b>Name</b>	<b>Status</b>	<b>Appointed</b>
Dr Catriona Wallace	Executive Director and Founder	Appointed 3 November 2016
Mr Peter Lloyd	Non-Executive Director	Appointed 10 April 2018, Resigned 21 November 2019
Mr John Murray	Non-Executive Chair	Appointed 1 October 2018, Resigned 27 October 2019
Olivier Cauderlier	CEO and Managing Director	Appointed 28 October 2019
Zane Lewis	Non-Executive Director	Appointed 21 November 2019

**COMPANY SECRETARY**

Mr Zane Lewis (Appointed 6 February 2017)

**REVIEW AND RESULTS OF OPERATIONS**

The net loss of the Group after income tax for the half year ended 31 December 2019 amounted to \$2,242,780 (31 December 2018: \$5,459,003 net loss).

**REVIEW OF ACTIVITIES**

**1. Overview of Half Year to 31<sup>st</sup> December 2019**

During the half-year ended 31<sup>st</sup> December 2019 the Group focused on developing and executing on its new business strategy, which included the following activities and milestones:

- Retaining and nurturing existing client engagements
- Designing, developing and launching its new product, the 'Smart Hub'
- Reducing costs
- Optimising the operational structure
- Progressing a patent for its Machine Learning proprietary technology

While it was a challenging half-year, the Group achieved its targeted milestones and has generated good momentum in the business as well as with clients and its target market.

**2. Operational structure and cashflow optimisation**

The Group closed the half-year 2019 with a 40% cashflow reduction compared to the equivalent 2018 period. The Company is leaner, organised as a Software as a Service company and has a structure appropriate for its business maturity. The Group also improved the capabilities of its software engineering team bringing in essential skills in product management and User Experience design.

**3. Identifying a new market opportunity**

Market research commissioned by the Group shows that the enterprise 'information sharing problem' represents AU\$250 billion of lost productivity annually across Australia and the US (Wark, 2019). The Group identified this business problem as the market opportunity to pursue capitalising on its existing back-end and machine learning technology as well as on its current client engagements.

**4. Designing, developing and launching its new product, the Smart Hub**

Within the half year, the Group successfully shifted its strategy, aligned its operational structure, identified a new market opportunity, then designed, developed and launched a new product: the Enterprise Knowledge Hub or 'Smart Hub'.

The SmartHub is a software-as-a-service product designed for business people. The 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 Group's 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. The product is suitable for large organisations in all industry verticals.

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**DIRECTORS' REPORT (CONTINUED)**

The Group's product is currently deployed in Australia and the US, utilised by clients such as HSBC Bank Australia, Nationwide Insurance, Church Mutual Insurance and another Australian financial services company.

**5. Retaining and nurturing existing client engagements as well as creating sales momentum**

During the half-year 2019 the Group's clients were actively involved in product roadmap design, user testing and feedback. Existing Flamingo Ai clients in both Australia and the US are utilising Smart Hub and are all progressing well. This includes HSBC Bank Australia, Nationwide Insurance and large USA based insurer, Church Mutual.

Over the period, the Group commenced its go-to-market strategy, presenting its product to prospects in both US and Australian markets with the intention of attracting a selected set of Enterprise clients. The Group has generated over 80 qualified leads, signed 2 new enterprise clients, migrated major clients to its new product and is in advanced negotiations with a number of other potential clients.

**6. Progressing patent(s) for its Machine Learning proprietary technology**

During the half-year 2019, the Group progressed the processing of a patent for its semi-supervised Question Answering Machine, which was subsequently granted on 9 January 2020. This patent sets out the algorithms that Flamingo Ai uses for the semi-supervised machine learning engine to propagate answer weights around a question space.

Two additional patents were also progressed during the half year.

**OUTLOOK**

Building on the solid work performed by the Group during the half-year to 31st December 2019, over the next 6 months the Group will focus on maturing its Smart Hub product preparing for the next immediate objective which is the monetisation of existing and future client engagements.

**SUBSEQUENT EVENTS**

On 15 January 2020 Flamingo Ai Limited announced the granting of a patent for its semi-supervised Question Answering Machine. This Australian Patent (No. 2018223010) sets out the method that Flamingo Ai Ltd uses for semi-supervised machine learning to propagate answer weights around a question space.

There have been no other matters or circumstances that have arisen since 31 December 2019 that has significantly affected, or may significantly affect the operations, the results of those operations, or the state of affairs in future financial years of the Company and Group. The patent covers the core technology used in the Group's proprietary software solution, the Smart Hub, used by enterprises in the Australian and US markets. These rights last 20 years until August 30, 2038. The patent is also currently awaiting examination in the US.

**AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration to the Directors of the Consolidated Entity on page 18 forms part of the Directors' Report for the half year ended 31 December 2019.

This report is signed in accordance with a resolution of the Board of Directors.



Dr Catriona Wallace  
Executive Director

**FLAMINGO AI LIMITED**  
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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

	Note	Half year ended 31 December 2019 \$	Half year ended 31 December 2018 \$
Revenue		345,798	351,319
Other income		72,213	43,438
Net gain / (loss) on foreign exchange		(620)	77,563
Amortisation and depreciation		(18,717)	(332,177)
Corporate expenses		(217,226)	(269,144)
Employee expenses		(1,805,280)	(4,222,765)
Interest expense		(2,988)	-
Network and platform costs		(160,774)	(286,291)
Office expenses		(132,949)	(280,053)
Other non-operating expenses		-	(7,601)
Public company expenses		(178,975)	(211,991)
Sales and marketing		(49,777)	(65,140)
Travel and entertainment		(93,485)	(256,161)
Loss before income tax expense		(2,242,780)	(5,459,003)
Income tax expense		-	-
<b>Loss after tax for the period</b>		<b>(2,242,780)</b>	<b>(5,459,003)</b>
<b>Other comprehensive income for the period</b>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Foreign currency translation differences		(4,947)	(152,207)
<b>Total comprehensive loss for the period net of tax</b>		<b>(2,247,727)</b>	<b>(5,611,210)</b>
Basic and diluted loss per share (cents)	8	(0.19)	(0.46)

The accompanying notes form part of these financial statements.

**FLAMINGO AI LIMITED**  
**ABN 99 000 031 292**  
**INTERIM FINANCIAL REPORT 31 DECEMBER 2019**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Notes	31 December 2019 \$	30 June 2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,651,725	5,018,109
Trade and other receivables		56,491	202,843
Other current assets		63,163	74,412
<b>TOTAL CURRENT ASSETS</b>		<b>2,771,379</b>	<b>5,295,364</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		60,875	40,944
Development assets	3	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>60,875</b>	<b>40,944</b>
<b>TOTAL ASSETS</b>		<b>2,832,254</b>	<b>5,336,308</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		134,854	324,980
Employee benefits		121,955	157,072
Deferred income		27,984	112,143
<b>TOTAL CURRENT LIABILITIES</b>		<b>284,793</b>	<b>594,195</b>
<b>TOTAL LIABILITIES</b>		<b>284,793</b>	<b>594,195</b>
<b>NET ASSETS</b>		<b>2,547,461</b>	<b>4,742,113</b>
<b>EQUITY</b>			
Issued capital	4	34,893,595	34,893,595
Reserves	5	547,708	913,930
Accumulated losses		(32,893,842)	(31,065,412)
<b>TOTAL EQUITY</b>		<b>2,547,461</b>	<b>4,742,113</b>

The accompanying notes form part of these financial statements.

**FLAMINGO AI LIMITED**  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

	Share Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Total \$
Balance as at 1 July 2019	34,893,595	(31,065,412)	1,181,422	(267,492)	4,742,113
Loss after tax expense for the period	-	(2,242,780)	-	-	(2,242,780)
Foreign currency translation differences	-	-	-	(4,947)	(4,947)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(2,242,780)</b>	<b>-</b>	<b>(4,947)</b>	<b>(2,247,727)</b>
<i>Transactions with owners in their capacity as owners:</i>					
Reclassifications arising upon expiry of options		414,350	(414,350)		
Transactions involving options	-		53,075	-	53,075
<b>Balance as at 31 December 2019</b>	<b>34,893,595</b>	<b>(32,893,842)</b>	<b>820,147</b>	<b>(272,439)</b>	<b>2,547,461</b>

	Share Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Total \$
Balance as at 1 July 2018	34,893,595	(24,023,635)	1,380,832	(100,085)	12,150,707
Loss after tax expense for the period	-	(5,459,003)	-	-	(5,459,003)
Foreign currency translation differences	-	-	-	(152,207)	(152,207)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(5,459,003)</b>	<b>-</b>	<b>(152,207)</b>	<b>(5,611,210)</b>
<i>Transactions with owners in their capacity as owners:</i>					
Transactions involving options	-	-	223,947	-	223,947
<b>Balance as at 31 December 2018</b>	<b>34,893,595</b>	<b>(29,482,638)</b>	<b>1,604,779</b>	<b>(252,292)</b>	<b>6,763,444</b>

The accompanying notes form part of these financial statements.



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**CONSOLIDATED STATEMENT OF CASHFLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

	Note	Half year ended 31 December 2019 \$	Half year ended 31 December 2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of GST)		449,752	268,578
R&D tax offset received		-	1,113,363
Interest received		42,212	39,885
Payments to suppliers (inclusive of GST)		(963,722)	(1,001,844)
Payments to employees		(1,871,584)	(4,784,790)
Net cash used in operating activities		<u>(2,343,342)</u>	<u>(4,364,808)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments to acquire plant and equipment		(38,480)	(25,627)
Payments to acquire development assets	3	-	(38,442)
Net cash used in investing activities		<u>(38,480)</u>	<u>(64,069)</u>
<b>Net (decrease)/increase in cash and cash equivalents held</b>		(2,381,821)	(4,428,877)
Cash and cash equivalents at the beginning of period		5,018,109	11,403,297
Exchange rate changes on the balance of cash held in foreign currencies		15,437	(75,395)
<b>Cash and cash equivalents at the end of period</b>		<u>2,651,725</u>	<u>6,899,025</u>

The accompanying notes form part of these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

**NOTE 1: REPORTING ENTITY**

The interim financial report (“the Report”) of Flamingo AI Limited (“the Company”) and its controlled entities (“the Group” or “the Consolidated Entity”) for the half year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 27 February 2020.

Flamingo AI Limited is a listed public company, trading on the Australian Securities Exchange, limited by shares, incorporated and domiciled in Australia.

The Group’s registered office and principal place of business is:  
Level 4, 208 Clarence Street  
Sydney NSW 2000

**NOTE 2: BASIS OF PREPARATION**

This Report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period, in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The Report has been prepared on an accruals basis and is based on historical costs.

The same accounting policies and methods have been consistently applied by the Consolidated Entity in these interim financial statements as compared with the most recent annual financial statements, except as follows:

*a) Adoption of new and revised accounting standards*

In the financial period, the Consolidated Entity has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2019.

It is noted that whilst AASB 16 came into effect on 1 July 2019 and requires lessees to account for all leases at the commencement date of a lease, recognising 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); the consolidated entity has assessed that there is no impact of the above standard due to the short-term nature of all premises lease agreements.

No other accounting policies have been adopted since 30 June 2019 as a result of the review conducted.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

**NOTE 2: BASIS OF PREPARATION (CONTINUED)**

*b) Going concern*

For the half year ended 31 December 2019, the Consolidated Entity recorded a loss after tax expense of \$2,242,780 (half year ended 31 December 2018: loss \$5,459,003), incurred net cash outflows from operating activities of \$2,343,342 (half year ended 31 December 2018: outflows \$4,364,808), and maintained net assets of \$2,547,461 as at that date (30 June 2019: \$4,742,113).

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, and on increasing sales.

These circumstances currently point towards a material uncertainty, and if not addressed, may cast significant doubt about the Consolidated Entity's ability to continue as a going concern, and, as a result may be unable to realise its assets and discharge its liabilities in the normal course of business over the next 12 months period.

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 settlements of liabilities in the normal course of business over the next 12 months period for the following reasons:

- since the half year ended 31 December 2019, the Consolidated Entity, following internal restructuring initiatives, has been able to further significantly reduce its projected recurring monthly operating expenditures compared to the half-year then ended, and may be able to make further reductions if required;
- the Board has prepared detailed cashflow forecasts through to February 2021 which reflects the Consolidated Entity's ability to continue to pay its debts as and when they fall due;
- the Consolidated Entity is finalising the lodgement of a material R&D tax incentive claim which the Board is confident will be successful; and
- the Consolidated Entity is planning a capital transaction, to be completed by the end of the calendar year, dependent upon the Board's deliberations regarding the Group's future capital requirements.

Should the Consolidated Entity be unsuccessful in these endeavours, it may not be able to continue as a going concern, and it could be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in these financial statements.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

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**NOTE 3: DEVELOPMENT ASSETS**

	<b>31 December 2019</b>	<b>30 June 2019</b>
	\$	\$
<b>Opening balance at 1 July</b>	-	718,053
Development costs capitalised	-	38,442
Amortisation expense for the period	-	(706,495)
Impairment of development costs	-	(50,000)
<b>Closing balance at 31 December</b>	<b>-</b>	<b>-</b>

	<b>31 December 2019</b>	<b>30 June 2019</b>
	\$	\$
<b>NOTE 4: ISSUED CAPITAL</b>		
<b>(a) Share capital</b>		
1,120,127,703 (30 June 2019: 1,120,126,765) fully paid ordinary shares	34,893,595	34,893,595
	<b>No.</b>	<b>\$</b>
<b>(b) Movement in ordinary capital</b>		
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
Opening balance at 1 July 2019	1,120,127,703	34,893,595
No Movement	-	-
<b>Closing balance at 31 December 2019</b>	<b>1,120,127,703</b>	<b>34,893,595</b>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 5: RESERVES**

	<b>31 December 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Reserves</b>		
Share based payment reserve 54,633,192 (30 June 2019: 84,195,694) options and rights on issue	820,147	1,181,422
Foreign currency translation reserve	(272,439)	(267,492)
	547,708	913,930
	547,708	913,930
	<b>No.</b>	<b>\$</b>
<b>(b) Movement in options and rights</b>		
Opening balance at 1 July 2018	107,337,138	1,380,832
Movement of Class G, H and I performance rights	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 performance rights vesting during the year	-	77,723
Movement of employee options expiring during the year	(44,400,000)	(485,634)
Movement of employee options under the Employee Offer with exercise price of \$0.040	(1,471,444)	50,578
Movement of employee options under the Employee Offer with exercise price of \$0.080	(700,000)	2,137
Movement of employee options under the Employee Offer with exercise price of \$0.080	(950,000)	49,636
Closing balance at 30 June 2019	84,195,694	1,181,422
Opening balance at 1 July 2019	84,195,694	1,181,422
Movement in investor options expiring during the period	(14,062,502)	(196,327)
Movement in consultant options expiring during the period	(5,500,000)	(218,023)
Movement in performance rights expiring during the period	(10,000,000)	-
Movement of performance rights vesting during the period	-	53,075
<b>Closing balance at 31 December 2019</b>	<b>54,633,192</b>	<b>820,147</b>

All of the above outstanding options have been valued using the Black and Scholes option valuation methodology taking into account the terms and conditions prevalent at the grant date, upon which the options were granted.

During the half year ended 31 December 2019, the following transactions involving options occurred:

- 14,062,502 investor options lapsed on 4<sup>th</sup> November 2019 expiring on that date.
- 5,500,000 consultant options lapsed on 16<sup>th</sup> and 19<sup>th</sup> December 2019 expiring on that date.
- 10,000,000 performance rights, representing the entire Class E & Class F performance rights, lapsed during the period with no reclassification of reserves, as no value was attributable to these rights at the grant date.
- During the half year period, performance rights, previously issued, accrued in value to the value of \$53,075.

Upon expiry of any options, the respective accumulated charge held within the reserves are reclassified to retained earnings / accumulated losses.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 6: PERFORMANCE SHARES**

**Performance shares**

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

<b>Class</b>	<b>Number of performance shares</b>	<b>Period escrowed</b>	<b>Performance milestones</b>
Class B	93,292,407	None of the Performance Shares are subject to escrow	Flamingo achieves \$13,000,000 in revenue in any 12-month period within 36 months of 3 November 2016
Class C	93,292,407	None of the Performance Shares are subject to escrow	Flamingo achieves \$28,000,000 in revenue in any 12-month period within 36 months of 3 November 2016

Class B and C performance shares had initially been valued at the grant date by reference to the prevailing share price on that date.

However, no expense was ever recognised in the current period, or previous financial periods, due to the uncertainty of meeting the performance milestones. The performance shares have now lapsed, as the performance milestones were not met within the required period, which ended on the 3 November 2019.

**NOTE 7: DIVIDENDS**

The Company did not pay or propose any dividends in the half year to 31 December 2019.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 8: LOSS PER SHARE**

The following reflects income and share data used in the calculation of basic and diluted loss per share.

	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>\$</b>	<b>\$</b>
Loss for the period after income tax expense	(2,242,780)	(5,459,003)
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares in calculating basic and diluted loss per share	1,194,177,981	1,194,177,981

As at 31 December 2019, the Group had a total of 54,633,192 performance rights and options, on issue which are considered to have a non-dilutive effect.

**NOTE 9: COMMITMENTS**

	<b>31 December 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
<i>Minimum payments</i>		
- Not later than one year	35,948	82,164
- Greater than one year	-	-
	<u>35,948</u>	<u>82,164</u>

Commitments represent contractual obligations for office leases and insurance.

**NOTE 10: SEGMENT INFORMATION**

The Consolidated Entity has identified its operating segment based on internal reports that are reviewed by the Board and management. The Consolidated Entity has one operating segment.

**NOTE 11: CONTINGENT ASSET AND LIABILITIES**

The Group has no known contingent assets or liabilities as at 31 December 2019.

**NOTE 12: SUBSEQUENT EVENTS**

On 15 January 2020 Flamingo Ai Limited announced the granting of a patent for its semi-supervised Question Answering Machine. This Australian Patent (No. 2018223010) sets out the method that Flamingo Ai Ltd uses for semi-supervised machine learning to propagate answer weights around a question space.

There have been no other matters or circumstances that have arisen since 31 December 2019 that has significantly affected, or may significantly affect the operations, the results of those operations, or the state of affairs in future financial years of the Company and Group.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

**NOTE 13: RELATED PARTY TRANSACTIONS**

During the half year ended 31 December 2019, the following related party transactions have occurred:

- The amounts paid as director's fees for the half year ended 31 December 2019 totalled to \$45,708.



**FLAMINGO AI LIMITED**  
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**DIRECTORS' DECLARATION**

The Directors of Flamingo AI Limited declare that:

1. The financial statements and notes, as set out on pages 6 to 16 are in accordance with the Corporations Act 2001 and:
  - a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - b) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the period ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



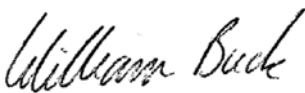
Dr Catriona Wallace  
Executive Director  
27 February 2020

## Flamingo AI Limited and its controlled entities

### Auditor's independence declaration under Section 307C of the Corporations Act 2001 to the shareholders

I declare that, to the best of our knowledge and belief during the half year period ended 31 December 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, 27 February 2020

#### ACCOUNTANTS & ADVISORS

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# Flamingo AI Limited and its controlled entities

Independent auditor's review report to shareholders

## Report on the Review of the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of Flamingo AI Limited ("the Company") and the entities it controlled at the half-year's end or from time to time during the half year ("the Consolidated Entity") on pages 6 to 17, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Consolidated Entity is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134: Interim Financial Reporting, and the Corporations Regulations 2001.

### Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated half-year financial report, which indicates that the Consolidated Entity recorded a loss after tax expense of \$2,242,780 (half year ended 31 December 2018: loss \$5,459,003), incurred net cash outflows from operating activities of \$2,343,342 (half year ended 31 December 2018: outflows \$4,364,808), and maintained net assets of \$2,547,461 as at that date (30 June 2019: \$4,742,113).

As stated in Note 2, these events or conditions, along with matters as set forth in Note 2, indicate 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.

### Responsibilities of the Directors for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the consolidated half-year 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 consolidated half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including:

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- giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a consolidated half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



**William Buck**  
Accountants & Advisors  
ABN 16 021 300 521



**R. Ahrens**  
Director

Sydney, 27 February 2020