

## ASX RELEASE

### Quarterly Update and Appendix 4C

#### Key Developments

- Patent for Semi-supervised Question Answering Machine is granted in Australia
- Patent for Semi-supervised Question Answering Machine is allowed in the US
- Signed Master Software and Services Agreement with a major US Bank
- Net operating cash burn reduced to \$0.855 million (\$1.060m Q2FY20)
- Change in Board composition

**SYDNEY, 30 April 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

Further to the announcement on 15<sup>th</sup> January 2020 informing that the Company was the granted an Australian patent (Patent No. 2018223010) for its Semi-supervised Question Answering Machine, the Company is pleased to report the US patent application for its Semi-supervised question answering machine has been allowed. The allowed claims correspond to the claims that were allowed on the corresponding Australian application.

Flamingo AI has protected its intellectual property by filing patent applications in Australia and the US. The Australian application has been examined and granted (Australian Patent No. 2018223010), providing Flamingo AI with enforceable rights to exploit the invention to the exclusion of all others up until 2038. The corresponding US application has recently been allowed by the United States Patent and Trade Marks Office.

##### New Master Software and Services Agreement in place with a major US Bank.

During the quarter, the Company signed a new Master Software and Services Agreement with one of the 20th largest Banks in the United States. This agreement establishes the contractual framework for Flamingo Ai to deploy the Smart Hub product through future Statement of Works. This Master Software and Services Agreement will not have a material impact on the Company’s revenue and cash burn at this stage.

##### Current client engagements

In the previous quarterly update, the Company mentioned that all existing Flamingo Ai clients in both Australia and the US were utilising the Intelligent Knowledge Sharing Hub and were all progressing well. During the quarter the Company’s clients maintained these positive relationships and extended their active involvement in product roadmap design, user testing and feedback. This demonstrates consistent 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 experienced accelerated sales traction for its technology and product following the COVID-19 pandemic and the need for large organisations to optimise information sharing in a remote working context.

### Net operating cash cost

The Company continues to review its cost base and has further reduced its operating expenses. The net operating cash burn including receipts reduced to \$0.855 million (\$1.060m Q2FY20) as referenced in Table 9 of Appendix 4C.

### Board composition update

During the quarter, as announced on 5<sup>th</sup> March 2020, Mr Bryn Hardcastle was appointed as Non-Executive Director of the Company, replacing Mr Olivier Cauderlier, allowing Mr Cauderlier to focus on driving the strategy and operations of the business.

**Table 1: Cash receipts and revenue**

STAGE	Q2FY20 Cash receipts \$A'000	Q3FY20 Cash receipts \$A'000	Q2FY20 Revenue \$A'000	Q3FY20 Revenue \$A'000
Recurring Revenue (RR)	117	-	83	15
Concluded trial/review	-	-	-	-
Paid trial	-	34	-	26
Other	6	-	1	-
<b>Total</b>	<b>123</b>	<b>34</b>	<b>84</b>	<b>41</b>

**Notes:**

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

### Financial Update

As referenced in Table 2, the quarterly net operating cash burn of \$0.855m was reduced further from preceding quarters due to continued cost management. The Company reported a cash balance of \$1.818 million as at 31 March 2020. During the quarter, the Company made payments of \$129,000 to related parties and their associates. These payments relate to the existing remuneration agreements for Executive, Non-Executive Director and professional services provided to the Company.

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



### **Government Grant/s**

Following the end of the March 2020 quarter, the Company, as announced on 14<sup>th</sup> April 2020, received an amount of \$551,121 from the Australian Government's Research and Development Tax Incentive program for eligible R&D activities conducted by the Company during the calendar year ending 31 December 2019.

Furthermore, an amount of \$27,630 was received in April from the Australian Government's Export Market Development Grant (EMDG) designed to provide financial support to Australian exporters.

### **Outlook**

Traction within existing client engagements are gaining positive momentum. As such, the Company is positive about its strategy, product, 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 further market opportunities.

**[ENDS]**

This announcement has been approved by the Board Of Flamingo Ai

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

Email: [investor@flamingo.ai](mailto: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](http://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 cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Flamingo Ai Limited

**ABN**

99 000 031 292

**Quarter ended ("current quarter")**

31 March 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		34	456
1.2 Payments for			
(a) research and development		(347)	(1,080)
(b) product manufacturing and operating costs		-	-
(c) advertising and marketing		(3)	(130)
(d) leased assets		-	-
(e) staff costs		(201)	(1,409)
(f) administration and corporate costs		(338)	(1,101)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		1	37
1.5 Interest and other costs of finance paid		-	-
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	40
1.8 Other (provide details if material)		-	41
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(855)</b>	<b>(3,151)</b>
<b>2. Cash flows from investing activities</b>			
2.1 Payments to acquire:			
(a) entities		-	-
(b) businesses		-	-
(c) property, plant and equipment		(2)	(44)
(d) investments		-	-
(e) intellectual property		-	-
(f) other non-current assets		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	(21)
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(2)</b>	<b>(65)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,675	5,032
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(855)	(3,151)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(65)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
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
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,818</b>	<b>1,818</b>

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	1,818	2,675
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,818</b>	<b>2,675</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
(129)
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

The aggregate amount of payments to directors and their associates during the quarter ended 31 March 2020 is related to director fees and salary.

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

7.5 **Unused financing facilities available at quarter end**

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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

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**8. Estimated cash available for future operating activities**

**\$A'000**

8.1 Net cash from / (used in) operating activities (Item 1.9)

(855)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

1,818

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

1,818

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

2.1

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/a

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/a

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/a

## 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.

Date: .....30 April 2020.....

Authorised by: .....By the board.....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee". 5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.