

**ASX RELEASE****Sale of Flamingo Ai assets**

**SYDNEY, 21 May 2020**, Flamingo Ai Limited ("Flamingo Ai" or "the Company") (ASX: FGO) advises that it has entered into an exclusive, binding conditional terms sheet ("Terms Sheet") with unrelated party Rymamay Investments (as trustee for the Craig Neil Investment Trust) (or its nominee) ("Purchaser") for the sale of all assets of Flamingo Ai (the "Transaction").

The consideration of the Transaction is comprised of:

- assumption by the Purchaser of the employment of certain employees and their accrued entitlements of approximately \$200,000;
- nominal consideration of \$100; and
- an entitlement to 20% of any research and development or other Australian government rebate for work undertaken by the Company up to 31 May 2020.

The Transaction is deemed to be a disposal of the Company's main undertaking within the meaning of ASX Listing Rule 11.2 and requires the consent of the Company's shareholders to approve the disposal.

The Transaction is subject to the following conditions precedent ("Conditions"):

- the Purchaser satisfactorily conducting due diligence on an exclusive basis until 31 May 2020;
- key employees of the Company accepting new positions with the Purchaser;
- entry into a formal agreement, with an effective date of sale being 1 June 2020 (with the sale to be confirmed as an asset sale or share sale during the due diligence period);
- the obtaining of any third party consents to assign contracts or assets; and
- Shareholder approval under Listing Rule 11.2 for a disposal of the Company's main undertaking via a simple majority resolution. A Shareholder meeting is anticipated to be held late June/early July 2020.

Other than the requirement to obtain Shareholder approval, the Conditions may be waived by the Purchaser.

**Rationale for disposal**

As previously announced, the Company has been working hard to reduce its cash burn rate whilst still servicing current clients in Australia and the US and executing its go-to-market strategy for its Intelligent Knowledge Sharing Hub.

Given its rate of cash burn, in order to execute on the current strategy the Company would need to raise substantial capital, which it had been seeking. As it became evident that the prospects of raising substantial capital were unlikely, the Company engaged M&A Partners to seek potential buyers for the Flamingo Ai business. As a result of this process several proposals were received and the proposal from the Purchaser was accepted.

The Directors are of the view that the proposed Transaction is in the best interests of the Company and its Shareholders and subject to the conditions being met, will unanimously recommend that all Shareholders vote in favour of the proposed Transaction. Each Director intends to vote all shares held or controlled by them in favour of the proposed Transaction.

There is a risk the Transaction may not proceed if the Conditions are not met or waived. In the event the Transaction does not proceed, the Company will explore all options in respect of the Flamingo Ai business operations.

### **Transition**

The Purchaser proposes to employ a number of key employees and will take on their entitlements from 1 June 2020 as a part of the Transaction. This will assist the continuation of the business, client relationships and product development.

CEO, Olivier Cauderlier, has been given notice regarding cessation of employment with the Company and it is proposed that Mr Cauderlier will continue his employment with the Purchaser. Founder of Flamingo Ai and current Head of Business Development, Dr Catriona Wallace, has been given notice regarding the cessation of her employment with the Company as the Head of Business Development, however she will remain on the Company's Board. In addition, Bryn Hardcastle and Zane Lewis will also remain on the Board. The Board and key employees will support the Purchaser to ensure a smooth transition of the business and it is expected that the business will continue with key contracts and client responsibilities in both Australia and the US.

The Company estimates it will have approximately \$1.4m in cash at completion of the Transaction.

### **Future Plans**

The Company has commenced a process to look for additional assets to acquire. Shareholders should note that in accordance with ASX Guidance Note 12, ASX will generally continue quotation of the Company's securities for a six month period to allow the Company to complete the Transaction and identify and announce a suitable new business. Depending on the timing and size of transaction, the Company may need to recompile with Chapters 1 and 2 of the Listing Rules.

Further information will be provided in the Notice of Meeting should due diligence complete and a formal agreement be executed with the Purchaser.

### **Key Terms of the Binding Terms Sheet**

Please see Annexure 1 to this announcement which sets out a summary of the key terms of the Terms Sheet.

**[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)

## Annexure 1

The key terms of the Terms Sheet are set out below:

Term	Summary
Transaction	<p>Purchaser (or nominee) will acquire the business of Flamingo Ai Limited by assuming substantially all the assets comprising the business from the Company. The assets being acquired include the assignment/transfer of all current and prospective customer agreements, all intellectual property (including but not limited to the business name, trademarks, domain names and patents), customer contracts and IT equipment.</p> <p>Assets excluded from the sale include cash held by the Company (or its subsidiaries), and any entitlement to a GST or other refund, and 80% of an entitlement to a research or development or other government rebate, which was a result of actions undertaken by the Company up to and including 31 May 2020.</p>
Formal Agreement	<p>The parties agree to enter into a more definitive formal agreement necessary to fully document the terms of the Transaction by 1 June 2020 (or such later date as agreed) (<b>Formal Agreement</b>).</p>
Exclusivity	<p>The Company is bound to an exclusivity period continuing to the first to occur of 1 June 2020 or the date the Formal Agreement is executed.</p>
Purchase price	<p>In consideration for the acquisition, the purchase price will comprise of:</p> <ul style="list-style-type: none"> <li>(a) \$100 to be paid on 1 July 2020 or the date that is 3 business days after the Company obtains Shareholder approval for the transactions contemplated by the Terms Sheet; and</li> <li>(b) the values of the selected employee entitlements up to the date of 1 June 2020, subject to the Company obtaining all necessary shareholder approval. In the event the Company does not obtain shareholder approval, the Company will be responsible for any outstanding employee entitlements.</li> </ul>
Conditions Precedents	<p>The proposed Transaction is subject to the following conditions precedents to be satisfied or waived by 31 July 2020:</p> <ul style="list-style-type: none"> <li>(a) Purchaser to complete due diligence investigations on or before 1 June 2020;</li> <li>(b) the parties entering into a Formal Agreement by 9 June 2020;</li> <li>(c) the Company obtaining all necessary regulatory approvals and any required third party consents to the Transaction or the proposed assignment of the assets;</li> <li>(d) the Company obtaining all relevant shareholder approvals, including approval under Listing Rule 11.2;</li> <li>(e) Purchaser to offer certain employees of the Company (<b>Key Employees</b>) new positions and enter into new employment agreements on or before 1 June 2020; and</li> <li>(f) no material adverse changes with respect to the business prior to completion.</li> </ul>
Option to complete via a share sale agreement	<p>Purchaser has the option to complete the Transaction by executing a share sale agreement of the Company's US and/or Australian subsidiaries.</p>
Key Employees	<p>The Purchaser has agreed to pay any outstanding employee entitlements for all Key Employees from 1 June 2020. If shareholder approval is not obtained, the Company must within 5 business days of the meeting, repay the amount of employee entitlements paid by the Purchaser.</p> <p>All other remaining employees (apart from the Key Employees) will be made redundant and the Company will be responsible for paying any outstanding employee entitlements for the remaining employees. Purchaser will not be responsible for paying any outstanding employee entitlements of any director of the Company.</p>