

ASX RELEASE**Sale of Flamingo AI Business**

SYDNEY, 26 August 2020, Flamingo AI Limited ("Flamingo AI" or "the Company") (ASX: FGO) advises that it has entered into a binding share purchase agreement ("SPA") with BDNM Investments Pty Ltd ("Purchaser") for the sale of the Company's subsidiaries Flamingo Customer Experience Inc and Flamingo Ventures Pty Ltd (the "Transaction").

The consideration for the Transaction is comprised of a \$500,000 cash payment, of which \$100,000 is to be retained under a warranty security deed for 12 months post-completion. As the Company will not incur further operational costs beyond meeting its obligations to maintain platforms to serve existing clients, the purchase price may be reduced for any prepaid revenue received before completion and also in specific circumstances where the Purchaser provides assistance in the interim period to completion with day to day operations (including engineering support) and transitioning clients.

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 Company expects to hold a meeting in early October 2020 for this purpose.

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

- the Company obtaining all necessary regulatory and third party consents to the sale of the shares;
- no material adverse changes in relation to the Company's Intellectual Property;
- the Purchaser obtaining approval or consent of the Foreign Investment Review Board (FIRB); and
- Shareholder approval under Listing Rule 11.2 for a disposal of the Company's main undertaking via a simple majority resolution.

The Conditions (other than FIRB approval) must be satisfied or waived before 30 October 2020.

Post-completion, the Company has agreed to assist with the lodgment of the R&D Tax Incentive application for the calendar year ended 31 December 2020, any proceeds of which will be payable to the Company pro-rated up to the date of completion.

The SPA can be terminated if any warranties provided by the Company are false, misleading or incorrect or there is a material adverse change to the Intellectual Property held by the subsidiaries. The SPA otherwise contains warranties and indemnities that are considered standard for transactions of this nature.

Rationale for disposal

As previously announced, the Company has been seeking buyers for the Flamingo AI business operations and associated Intellectual Property.

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 continue to explore all options in respect of the Flamingo AI business operations.

Transition

The Purchaser proposes to continue to operate the Flamingo AI business and service the existing client contracts. In addition, the Purchaser intends to continue development of the Flamingo AI Smart Hub in line with existing customer requirements and it will promote the Smart Hub product to prospective clients in both Australia and the US.

BDNM Director, Natraj Balasubramaniam said, "As a US/Australian based business, BDNM is excited by the Flamingo AI acquisition which will allow us to combine our expertise in AI to assist in future expansion of the Flamingo AI business both in terms of clients, range of products and services, and countries of operation".

Dr Catriona Wallace, Founder and Director, stated, "We are very pleased that the acquirer of the Flamingo AI business is BDNM Investments. The BDNM team have significant experience in growing technology businesses as well as a strong focus on supporting and servicing the Company's existing clients."

As previously announced all of the Company's staff and executive team members have ceased employment with Flamingo AI.

Dr Catriona Wallace will remain on the Company's Board as a non-executive director. In addition, Bryn Hardcastle and Zane Lewis will also remain on the Board. The Board 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 \$1.7m 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 re-comply with Chapters 1 and 2 of the Listing Rules.

[ENDS]

This announcement has been approved by the board of Flamingo AI.

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

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