+Rule 4.7B

ASX RELEASE

Quarterly Update and Appendix 4C Quarterly Cash Flow – September 2020

PERTH, 27 September 2020, Flamingo Ai Limited ("Flamingo Ai" or "the Company") (ASX: FGO), is pleased to provide the following Quarterly update and lodgement of its Appendix 4C.

Key Developments

Sale of Flamingo business unit

As announced 26 August, 2020, the Company 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 will be holding its Annual General Meeting on October 30 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 lodgement 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.

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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.

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 $1.6m 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.

Related Party Transactions

The aggregate amount of payments of $150,000 to directors and their associates during the quarter ended 30 September 2020 is related to executive director fees, non-executive director fees, and fees paid to director related entities for legal, transaction advisory and company secretary services. Included in this amount are payments related to the termination of Dr. Wallace's executive role totalling $97,000, and payments to director related entities for legal and transaction advisory services of $31,000.

Cash on Hand

The Company held $1,199,000 cash as at 30 September 2020.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity	
Flamingo Ai Limited	
ABN	**Quarter ended ("current quarter")**
99 000 031 292	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	-	-
	(f) administration and corporate costs	(101)	(101)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	2
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)		
	Staff termination and leave payments	(252)	(252)
	Payroll tax	(78)	(78)
	Other	85	85
1.9	**Net cash from / (used in) operating activities**	**(344)**	**(344)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
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	-	-
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	**Net cash from / (used in) investing activities**	-	-

3.	**Cash flows from financing activities**		
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	**Net cash from / (used in) financing activities**	-	-

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,549	1,549
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(344)	(344)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(6)	(6)
4.6	**Cash and cash equivalents at end of period**	**1,199**	**1,199**

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	1,199	1,549
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)**	**1,199**	**1,549**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(150)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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.

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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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

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

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.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(344)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,199
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,199
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	3.5

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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

8.6.1 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

8.6.2 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

8.6.3 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

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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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: 27 October 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.

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