AERGO Quarterly Project Update
Q1 2019

January 8th, 2019

Notice to Readers

The information contained in this Quarterly Project Update ("Report") is given as of January 8th, 2019, unless otherwise noted.

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The unaudited financial information provided in this Report has been prepared by AERGO and does not include complete financial statements. The financial information provided may not comply with applicable accounting standards.

All figures in this Report are denominated in U.S. Dollars unless otherwise stated.

Blocko Inc. ("Blocko"), a private blockchain services company based in Seoul, South Korea, was engaged by AERGO to act as an advisor to support strategic planning and defining of the organization's transparency mandate. The AERGO Organization prepared this Report with strategic guidance from Blocko, and per audit regulations, does not constitute a review of or attestation to the financial data.

A Letter from the Chairman and CEO

It is hard to believe that we embarked on our journey to build AERGO just ten short months ago. What is clear to me is that we have accomplished a great deal in a short space of time: from deploying a fully functioning public test network inside six months, to making impressive progress on signing up our next wave of blockchain customers.

As we look back at the past year and what it all means for us, I am delighted to share the first of our regular Quarterly Project Updates (QPUs) with our various AERGO stakeholder groups. These stakeholder groups include our social communities, contributors, partners, customers, enterprise developers, F/OSS developers, block producers, hosting providers, influencers, Blocko and, of course, members of the core team at AERGO.

The purpose of our QPUs is threefold. One, to report back on our execution performance against our stated objectives from the prior period. Two, to outline our planned quarterly strategy, focus areas, and objectives. Three, to provide an update on other important topical matters. Given that this is not only our first ever QPU, but also the start of our first full year in operation, I will describe below both last year's performance and some of our planned full-year objectives for 2019.

When we started working on AERGO, we established some core and fundamental principles for the team and the project. These were: trust, transparency, and accountability. We also espoused professionalism, engineering excellence and a fundamental belief in following an open-source developer-focused operating model. So, we decided to establish AERGO as a not-for-profit organization and to operate and run it like a foundation to support these principles.

We then incorporated AERGO, to be as close as possible to a fully-regulated commercial entity. We are not waiting for regulatory clarity in the blockchain industry; we are leading from the front and 'self-regulating.'

We hold ourselves, our project and all our partners to some of the highest standards possible in this industry. We also respect and will never share commercially sensitive information that involves any of our stakeholders (including private contributors), unless this has been mutually agreed. We hope that all our stakeholders also respect these core principles, and understand that while we want to be as open and transparent as possible, we will not bow to pressure to release commercially sensitive or private information.

The AERGO platform aims to power tomorrow's scalable business ecosystems that will be centered around distributed trust. While building its foundational technologies, we are also embedding these core principles into our organizational DNA and our ecosystem design. Within this ecosystem, there are now engineers, developers, and specialist business development teams spread across five continents.

AERGO is a serious long-term project, aiming to address a potentially huge future market opportunity in a more decentralized world. Professionals and experts in blockchain and enterprise-IT are building it. While timing (and some luck) play a part, building AERGO requires patience, perseverance, and a frugal yet aggressive execution plan.

AERGO is proud of its performance in 2018. We made significant progress in key areas of the business. We met all the targets we set ourselves when we started. The team achieved this in one of the most challenging markets, with minimum resources and an economical operating model. We received excellent support from a number of our strategic institutional backers, who contributed to our private token sale round during 2018.

Last but not least, none of this would have been possible without our strategic technology partner Blocko in South Korea. AERGO will be expanding our very successful relationship with Blocko during 2019.

Having a viable business plan, and a lean operating model will enable us to execute our strategy even if market conditions do not improve during 2019. This will be key to our success. I expand on this in the Report, by providing a framework where we lay out some facts and figures that will collectively provide you with insight into our long-term financial health and operating plans.

We have much work to do in 2019. However, I am confident we have the right strategy, partners, early-customer interest, team, and, of course, the right financial position to take AERGO forward successfully.

Phil Zamani
Chairman & CEO of the AERGO Organization

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Section 1: Introduction

Distributed ledger-based technologies have made the case that they could potentially have profound effects on businesses, everyday consumers, and society as a whole since their inception over ten years ago.

At its core, the industry that this technology has formed promises a world where power and control shift away from centralized entities into the hands of individuals, where new decentralized structures take their place. Accessibility, privacy, transparency, and open-source will be at the epicenter of these designs.

Blockchain-based use cases around distributed storage, transfer settlement, single sign-on, document stamping and management, identity, authentication, voting, and more have seen commercial adoption by various public services, fintech, and enterprise companies globally. Our partner, Blocko, has been one of the few companies applying these blockchain-based use cases over the course of the past four years.

By combining the best of existing enterprise-IT, cloud computing, and container-based software development practices, blockchain technology can create a new way for people to achieve open consensus, promising the creation of innovative business models, ecosystems, and entire industries.

This promise though has yet to be realized. In many ways, it is just like the internet 20 years ago.

Many projects have received serious investments over the past two years. However, many lacked the technical and business expertise and the partners needed to execute their plans. Finding new customers is hard. Without the right partners at hand, it is extremely difficult. They are struggling. Many did not plan for a downturn in the market and are unable to support their projects. AERGO is not one of those projects.

AERGO is a project with the right team behind it that continues to execute according to plan. We boast real technology, real customers, and real partners because we do have all of those things. AERGO is also well-managed for it to be able to execute on its long-term plans. While cautious, we remain very confident in our future. Experts are predicting the death of the whole blockchain industry. They are confusing the inevitable ups and downs in the economy in new, yet-to-be-proven technology cycles: just as they did with the internet twenty years ago.

We remain positive, not only about the opportunity, but also about likely changes that may help this nascent industry along the way [although we do not reflect this belief in how we manage our finances]. Nothing is guaranteed, but more institutions will likely enter this industry. Security Token Offerings (STOs) will come to the forefront in 2019, providing new ways to invest in projects where tangible assets, profits, or real companies already generating actual revenues back investments.

We may even see, later this year, new smart and crypto-tailored regulation that will not only protect individuals, but also improve confidence in the industry. Positive changes in areas such as crypto custodial services, as well as possible crypto-based derivative products, are all moving in the right direction.

Irrespective of the any of the above, AERGO plows ahead. Responsible governance, disclosure, and accountability are essential to AERGO as is execution against stated plans. We look to set an example in the industry of a company instilling trust in its community.

2019 will see AERGO focus on its next phase of growth: delivering its tech, building its ecosystem, building its F/OSS developer community, and showcasing AERGO through real customer projects.

This Report will serve the purpose of providing insight into the internal operations, metrics, and strategies behind AERGO, including:

- **How AERGO performed in 2018**
- **Why AERGO's relationship with Blocko is key**
- **A summary of our finances, spending practices, financial position, token holdings, and latest metrics**
- **Summarizing AERGO's plans for 2019**
- **Answering key questions raised by stakeholders**

We invite and welcome feedback on this report.

Section 2: 2018 Performance Summary

In this section, we provide a summary of our 2018 performance objectives and the actual results achieved. We also highlight some related essential points in respect of our partner Blocko's 2018 achievements. This is relevant as it helps to explain how AERGO achieved so much in such a short time, with little need to liquidate its reserve held in crypto and multiple different fiat currency assets.

Ten months ago, when we began working on AERGO, we set ourselves five 2018 key objectives:

1. To develop our future very large market opportunity hypothesis that we aim to address and to share it with key stakeholders to complete the AERGO token sale and for AERGO to begin building out our community.

2. To establish AERGO as a true open-source organization and attract some of the best in-house developers.

3. To build a deep and successful multi-year partnership with our strategic partner Blocko.

4. To launch AERGO into the global market via a series of PR activities and a token generation event.

5. To build and deliver the first phases of the AERGO platform

In 2018, since coming out of stealth, the AERGO Organization achieved the following:

• Told the world about our strategy and plans through a series of papers, pitch decks, and presentations.

• Established AERGO as a true and comprehensive open-source, not-for-profit organization in Hong Kong.

• Reached a hard cap of US$30 million in a private token sale from strategic institutional participants and backers.

• Built AERGO's brand and messaging through multiple international communities (~60,000 total members).

• Delivered AERGO's first comprehensive RewarDrop (value-focused airdrop) to over 2,000 selected community members.

• Established a close strategic technology relationship with Blocko. A key AERGO objective was to leverage significant resources from Blocko and so execute its plans with minimum cash outflow (*lean startup* model).

• Built a dedicated world-leading 25-person core R&D team focused exclusively on AERGO.

• Released LiteTree and the first iteration of our AERGOSQL smart contract engine to open blockchain development up to over 8.5M SQL engineers.

• Established a presence in multiple target markets (Korea, China, Southeast Asia, and Europe).

• Developed two innovative and large-scale rollout dApps to showcase the capabilities of the platform.

• Built a minimum viable product for a novel Merkle bridging mechanism for interoperability between chains.

• Released multiple SDKs and client frameworks for developers to begin building on AERGO.

• Planned and executed the first phase of AERGO's comprehensive token launch through a successful token generation event and RewarDrop.

• Delivered its 2018 commitment to release the first version of its new public chain.

Blocko, the AERGO Organization's strategic technology partner, also had a very successful 2018. The health and profitability of Blocko's business allowed both parties to leverage and allocate precious technical resources to help build the core genesis technology that is now central to the AERGO platform.

In 2018, Blocko achieved the following:

• Grew from 30 employees to an expert team of blockchain specialists of over 80 full-time employees.

• Expanded beyond South Korea to Europe, Canada, Australia, and now Brazil.

• Won significant new blockchain deals with existing and new clients alike.

• Continued to increase its revenues at a compound annual growth rate of 86% over the past three years.

• Selected to advise the Korean government on matters related to cryptocurrency and blockchain.

• Closed its first commercial deal to build a new business service for a large client on AERGO.

Blocko was able to fuel this growth by way of a Series-B round in June. It raised US$8.9 million from new and existing strategic investors such as Samsung Ventures, SparkLabs, and POSCO Capital.

Section 3: Blocko Strategic Partnership

AERGO is not an ordinary blockchain system; it is an entire end-to-end solution. It combines the best of existing enterprise-IT, cloud computing, container-based software development practices, and combines it all with a hybrid blockchain architecture centered on a new public chain. AERGO's philosophy revolves around selective research and development, with pragmatic execution.

Just as Blocko has built and delivered private blockchain systems for large conglomerates in South Korea for the past four years, the AERGO Organization intends to execute and deliver working solutions for businesses. Unlike other startups, we are not stuck in indefinite R&D release cycles.

This execution-driven approach is instilled in the AERGO technology stack, with seventy percent of development work focused on the services being built atop the AERGO base-layer chain to make it adoption-ready. With AERGO, it will be possible for people to achieve trustless consensus in a radically new way; allowing for the creation of vastly new business models, new ecosystems, and entirely new industries.

AERGO is being designed as a plugin-based smart contract infrastructure. The platform will be supported by public and permissioned networks of distributed directories to allow for easy collaboration between organizations.

It is not easy to innovate. It is mostly the result of years of research and product development in a specific sector. There is a thin line between success and failure. From the outset, when we were planning AERGO in early 2018, we realized the chances of success would be significantly higher if we could find a partner; one that could go beyond promises by presenting technology: by offering a real-life product that has already passed the proof-of-concept phase.

A partner where the founders have excellent track records of building enterprise-scale innovative products and services that have proven to add value to business workflows already. We found such a partner in Blocko.

Proven skills and proven delivery credibility, coupled with real technology and an actual product: this is what our partnership with Blocko truly means.

Blocko is a well-funded business winning and generating its own revenues in this nascent blockchain industry. There are arguably less than a handful of companies generating millions of revenues in blockchain today. Blocko is one such firm.

Blocko is a commercial blockchain infrastructure provider recognized as South Korea's number one commercial private blockchain systems developer, deployer, and integrator. It has an impressive list of clients. Blocko has worked with and helped to deploy large-scale blockchain systems for companies such as Hyundai, Lotte Card, Samsung, Cisco, LG, Kia Motors, and several notable Korean banks, telecommunications providers, government agencies, and even the Korea National Stock Exchange (KRX).

These companies have not merely tested out Blocko's blockchain technology; they have already implemented it and are currently utilizing it throughout their business operations. This success instilled extreme confidence in AERGO as it showed the potential of Blocko's technology. For example, an over-the-counter blockchain-based trade settlement solution, built by Blocko for KRX, produced a cost saving of US$78 million in a single year (2017) according to an external study by Soonchunhyang University.

This is not something to take lightly. Large IT vendors and many business conglomerates, which have tried, have yet to see many of their blockchain systems in-use and in full-scale deployment.

Blocko employs 82 people, with over 50 highly skilled blockchain and IT engineers. It is one of the most active and advanced enterprise blockchain solution providers in the blockchain space. Blocko and their institutional shareholders believe in AERGO and the vision behind it. **In fact, Blocko is migrating its entire business model to support its existing and future customers on systems built on the AERGO platform.**

Blocko sees the opportunity to become the global supplier of production-level blockchain business ecosystems built on AERGO. Just like Red Hat became the global winner for Linux, Blocko aspires to become a global enterprise solution provider for businesses and developers building new products, services, and ecosystems on top of AERGO.

AERGO will expand on the existing Blocko efforts to collaborate with open-source communities and foster the growth of new open-source blockchain ecosystems.

Existing Business Agreement

AERGO and Blocko agreed to a profound strategic technology partnership in early 2018. As part of this arrangement, both parties would extract significant value out of multi-year cooperation. The potential long-term benefits to each firm from a deep partnership would include the following:

Benefits for AERGO:
1. Engage with a partner that has proven expertise, technology, and IT integration know-how.
2. Kick-start the AERGO blockchain genesis with proven technology in use by many clients.
3. Gain access to invaluable existing enterprise and blockchain savvy clients.
4. Gain access to experienced IT system integrator partners.
5. Leverage Blocko's relationship with the Korean Government body investigating blockchain.
6. Acquire another contributor with sector know-how.
7. Strategically leverage Blocko's resources (esp. experienced engineering team) to build AERGO.

Benefits for Blocko:
1. Directly contribute to a potentially promising and lucrative blockchain startup building a solution for a large market opportunity.
2. Bring to the global market many years of experience through an entirely new public network of scalable blockchains (that leverage the best of distributed ledger technology techniques).
3. Become one of the first block producers for AERGO.
4. Help establish AERGO as a global platform, driving more business to Blocko.

5. Receive non-recurring engineering services income from AERGO to build the platform.

As part of this agreement, AERGO received direct contributions from Blocko through a token purchase. AERGO would in turn award a technology development contract to Blocko to build the base technology of AERGO (the AERGO public chain).

In addition, so that Blocko would incubate the public chain, and until there were sufficient transactions, and other block producers were part of the ecosystem, AERGO would loan a set number of AERGO tokens for staking purposes to Blocko over a period of ten years.

For every full year that Blocko successfully delivers its obligations as a block producer, it would be granted 10% of the AERGO tokens loaned for staking purposes.

In return for this loan-to-grant agreement, Blocko would commit significant technical (R&D) resources to build the AERGO Platform. It would also sponsor at least 66% of the agreed direct costs for building the AERGO platform for the first three years. AERGO staff could also work from one of the four Blocko offices in Seoul and London.

This arrangement would prove to be of significant financial and business value to AERGO during 2018.

AERGO is a not-for-profit company. It was established in Hong Kong to operate as a foundation. As such it does not employ full-time staff. It has members, advisors, and contracts with third-party firms (one of which is Blocko) for much of the needed work.

As part of the multi-sided business arrangement between the parties, Blocko committed the following resources to AERGO during 2018:
• 25-person dedicated engineering team
• 10-person dedicated business development team

As per our partnership agreement, Blocko covered 66% of the above costs. This was a significant benefit to AERGO in 2018. AERGO only needed to spend a small portion of its fiat and cryptocurrency proceeds throughout the year. This spend was made to support (i) the remaining 34% of labor costs required to build the

core technology and perform business development; and (ii) to pay for various marketing and other programs during 2018. This arrangement will continue during 2019, keeping AERGO's burn rate very low.

The drop in the digital asset Ethereum ("Ether") price since the close of the initial August private token sale round has had little material effect on AERGO as it has only spent a small portion of its crypto and fiat currency assets in 2018.

During 2018, the AERGO Organization paid Blocko a total of US$700,000 for the services it provided.

Considering the amount of effort involved, and more importantly, the business execution results achieved during 2018; we believe AERGO has one of the most effective and efficient operating models in the industry.

We disclose the above facts to reassure stakeholders that AERGO is both well run and well-managed financially.

Expansion of the Business Agreement

To date, the partnership has focused on the early phase engineering and business development work for AERGO, such as: building and delivering the baseline technology as well as providing marketing, PR, and business development efforts to establish AERGO's online and offline presence, its international community, and its initial *landing phase* token generation event.

The results from this excellent joint partnership were described in detail in the first section of this report.

Blocko has more to offer to AERGO. It has over twenty paying business clients to whom it has delivered over thirty in-production enterprise blockchain solutions. It also has deep technical and business relationships with leading specialist IT-system integrators who are well versed with blockchain. Often, it is IT services firms like these that clients turn to when they want to implement new innovative solutions on new technology like blockchain.

In the coming months, we plan to investigate how we can deepen the relationship between Blocko and

AERGO. This is likely to result in extensive joint business development to Blocko's existing and new clients. Leveraging their IT-services partners will also be considered. As part of any such arrangement, we are considering adding Blocko's Chairman, Won Beom-Kim to AERGO's board of directors. Blocko has already made a matching gesture by appointing Phil Zamani to their board (detailed on our Medium blog).

We have formed a task force to examine these matters and expect this work to be completed by the end of the first quarter of this year. We will notify our stakeholders of the results of this work in our next Report. The members of this 3-person task force are depicted below.

Phil Zamani, Chairman and CEO AERGO (left); Hunyoung Park, Chief Technology Officer AERGO (center); Won Beom-Kim, Chairman Blocko (right).

Section 4: 2018 Financial Summary

Projects that completed token sales in Ether during 2018 when the price was higher than it is now and who did not convert this into a less volatile fiat currency, were potentially left with significantly less firepower to support their operations. Many projects have since failed.

Others are waiting for a purported market recovery and are delaying their entry into their target markets. In effect, a number of surviving newly-formed blockchain projects are being mothballed. Perhaps some will never be able to launch without further financing.

Although interest in blockchain-based projects remained active in the first half of the year, the market moved unexpectedly into a distinctly bearish state of affairs. 2018 was a very challenging year for many of these new blockchain projects when they tried to support their ongoing operations. Most projects (like AERGO) predominantly completed token sales in Ether. The price of Ether dropped from US$1,098 in January last year to an all-time low of US$83 in December, effectively a 92% drop in value. As of today, Ether is priced at about ~US$150.

As was first reported in August 2018, the AERGO Organization was successful in meeting a hard cap target of US$30 million in its private token sale at a nominal AERGO token price of US$0.20.

Transparency is a paramount principle to AERGO. In this Report, we would like to provide you with:
• **More detail on AERGO's private token sale, and;**
• **Subsequent actions related to how these proceeds were used to support ongoing operations during 2018.**
• **An update on the latest AERGO token metrics. Moreover,**
• **An outline of AERGO's 2019 financing plans.**

Token Sale and Proceed Management

A total of US$30 million of token sale proceeds were secured from a range of global strategic contributors, blockchain-focused firms and other backers/supporters. The list of contributors included Sequoia Capital China, FBG, GBIC, Arrington XRP, Dekrypt, Rockaway, NEO

Global, Divergence Digital as well as many more traditional VCs, specialist crypto firms, and individual contributors. Blocko itself also contributed directly to AERGO as part of its private sale.

We completed our private token sale of US$30 million in a total of four sequential and closely coordinated phases. Our first round of contributions was completed in Ether for a total of US$21.6 million where the Ether price peg ranged from ~US$200 to ~US$470. The remaining contributions were completed primarily in fiat currency. These proceeds currently remain largely unspent (see 'Use of Proceeds' below).

Converting large sums of Ether to a fiat currency is not trivial. There are legal and custody considerations that a project must consider. We took legal advice and made the decision not to liquidate the Ether we received in contributions immediately. The same advice also convinced us not to conduct a public sale of AERGO tokens. Instead, we rewarded these tokens (originally allocated towards a public sale) to value-adding members of our community.

We will always strive to *do-the-right-thing* and avoid any legal or compliance risks to the project. This often means taking a long-term versus short-term view on critical decisions. Effective resource management for the project is a major consideration, so we naturally spend significant time planning and adjusting our plan of action on this subject.

AERGO was not entirely immune to the above challenges and risks. Due to this, we took early action in September to address the declining state of the market and likely continued drop in value in the price of Ether.

During 2018, we signed a strategic partnership with a leading treasury services firm. The services provided by this firm will help AERGO become a sustainable company through professional financial management, such as capital structuring, the establishment of accounting processes, asset allocations, cash flow analysis, working capital management, risk management, and market trend analysis. In effect, AERGO's finances are being managed actively to ensure long-term viability.

This partnership has allowed us to diversify our cryptocurrency holdings into other asset classes including, but not limited to, Bitcoin and selected fiat currency assets. We are currently active in the process of converting further parts of our Ether funds into Bitcoin assets and multiple fiat currencies including the Korean won and the U.S. dollar.

AERGO's leadership team have considerable experience in running startups and early-stage projects, and so recognize the importance of prudent spending and of running a company with a low yet effective cash burn rate. Some call this a making of a "lean startup". We call it experienced management.

Some critical decisions we made late in the summer of 2018 related to reducing our cash burn included:

• Reducing our speed of hiring in certain areas while increasing our rate of hiring in R&D.

• Refocusing resources on the most critical tasks.

• Working with token generation event partners that did not charge any fees as well as partners that charged low fees.

Most significantly, we agreed to a multi-year partnership with Blocko. As part of this, and in return for direct contribution from Blocko in AERGO, we would be able to secure and utilize significant resources from our partner.

We therefore strategically leveraged Blocko's strong balance sheet to sponsor much of AERGO's operations during 2018. We provide more clarity and examples of how this helped (and continues to help) AERGO in the next section.

Significantly, these and other decisions allowed us to reduce our direct cash burn rate and will help us to secure our long-term needs.

Use of Proceeds in 2018

In summary, during 2018 the AERGO Organization's spending was categorized as follows:

1. **Compensation (US$602,500)**: These are the total costs to support the various members and advisors to the AERGO Organization.

2. **Marketing (US$892,000)**: This covers PR, advertising, digital marketing, sponsorship, community awards (i.e., RewarDrop), merchandising, and other community events organized in 2018.

3. **Token Generation Event (US$880,000)**: This covers all costs in respect to the token generation event in Q4 2018. It includes a total of US$586,000 worth of AERGO tokens for various launches and competitions.

4. **General & Administrative (US$135,750)**: This comprises rent, insurance, utilities, equipment, software and information technology, and travel.

5. **Professional Services (US$235,500)**: This covers third party costs for services to AERGO, including legal compliance, AML/KYC, international tax, and accounting. Most of these costs were associated with the private token sale process midway through the year.

6. **Ecosystem & Development (US$787,750)**: Ecosystem and development represent costs associated with ecosystem development such as product and tooling, security audits, engineering integrations, website design, and digital wallets.

7. **Blocko Partnership (US$700,000)**: Non-recurring AERGO technology development contract with Blocko. This payment represents 34% of the costs of the team Blocko dedicated to AERGO, with Blocko covering the other 66%.

The total spend by the AERGO Organization during 2018 was approximately US$4.2 million, noting:

• We estimate that approximately US$980,000 of the overall costs were non-recurring.

• Approximately US$1.4 million of the US$4.2 million total spend was paid for in [~7,000,000] AERGO tokens. These spends in AERGO tokens were for various competitions, community programs, and marketing activities. These tokens are taken from the ecosystem reserve split and accessed by the AERGO Organization as per and only as per their given vesting schedules, to be sent directly to given recipients only.

Updated AERGO Token Metrics

We continue to receive questions regarding the supply of AERGO tokens. This includes providing more insight into the current and planned immediate circulation of AERGO tokens. The following is an update to our token metric report from December 21, 2018. Full metrics and vesting schedules for the various AERGO token holders can be reviewed here.

A summary of the AERGO token split is as follows (includes what has been sold and what has been allocated):

- **275,000,000**   Tokens that have been sold or pre-allocated to all stakeholder groups over the next five years[1]
  (55.0% of supply)

- **161,877,924**   Tokens sold in private token sale (including discounts)
  (32.4% of supply)
- **154,937,476**   Incentives for developers, community members, partners, businesses in the AERGO ecosystem
  (31.0% of supply)
- **105,000,000**   Foundation reserve for future dApps, partners, business development, marketing, and PR
  (21.0% of supply)
- **78,184,600**   Number of tokens for advisors, and the team building, testing, deploying, or operating AERGO
  (15.6% of supply)

- **500,000,000**   Total token supply
  (100.0% of supply)

A summary of the latest[2] AERGO token circulating supply (as of 07/01/2019) is as follows:

- **34,798,968**   Tokens already generated and available for release to all contributors/holders (i.e., max supply)
  (7.0% of supply)
- **24,808,925**   Tokens received to date in validated wallets of contributors/holders (i.e., total circulating supply)
  (5.0% of supply)
- **0**   AERGO reserve or foundation team tokens sold to date on a market or over the counter (OTC)
  (0.0% of supply)

A summary of the future[2] estimated AERGO token circulating supply (over the next five years) is as follows:

- **51,481,356**   Estimated number of tokens in circulation by the end of Q1 2019
  (10.3% of supply)
- **158,333,333**   Estimated number of tokens to be in circulation by the end of 2019
  (31.7 % of supply)
- **314,897,015**   Estimated number of tokens to be in circulation by the end of 2020
  (63.0 % of supply)
- **385,897,015**   Estimated number of tokens to be in circulation by the end of 2021
  (77.2 % of supply)
- **430,000,000**   Estimated number of tokens to be in circulation by the end of 2022
  (86.0 % of supply)
- **450,000,000**   Estimated number of tokens to be in circulation by the end of 2023
  (90.0 % of supply)

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[1] This figure represents the total number of tokens that have either been sold, or that have been reserved for all stakeholders over the next five years. In effect the remaining 225,000,000 of tokens are available to AERGO for future Community Incentives or held in Reserve.

[2] Readers should not rely on forward-looking estimates for the purposes of buying, selling, or holding AERGO tokens or coins or for any other purposes.

Section 5: 2019 Strategy Summary

During 2018 our focus was in three key areas of the long-term strategy for AERGO:

1. Complete a private token sale of AERGO tokens to institutional contributors in a cleanly regulated manner.

2. Establish our AERGO communities and launch of the AERGO token globally through the launch of our token to allow for accessing tokens to be used in executing services on the AERGO network once live.

3. Begin building and delivering the tech in a robust multi-year partnership with Blocko from South Korea.

In 2019, we will expand on the above by once again focusing on three key areas of our strategy:

1. Continue to deliver our technology roadmap and build the associated F/OSS developer community.

2. Establish partnerships with important future members of the AERGO ecosystem and finally,

3. Sign strategic deals with early customers to prove the AERGO solution and show the mass market how disruptive blockchain technology is when applied pragmatically.

The detailed 2019 operating (and supporting financial) execution plan is currently being finalized. However, we are able to outline the key elements of our plans below.

Operating Model

The AERGO Organization plans to continue to operate under a very frugal yet aggressive operating model for the foreseeable future. This not only ensures we have enough time, space and opportunity to develop the AERGO platform, ecosystem and win our first customers, it also helps to keep the team focused on the things that matter. At the same time we have to assume that the markets will not recover sufficiently, so we must preserve our cash and other resources.

AERGO is run as a lean startup with minimum use of resources and a continuous focus on execution. We do this by concentrating on a specific operating model. We call this the *five P* AERGO operating model. This is summarized as follows.

Prioritization (of focus areas)**:** We plan to re-evaluate (delay or drop) specific non-critical programs, especially

to prioritize our specialist technical resources. We will focus on what we do best and work in areas that will likely be the most effective for the future of AERGO.

Product (delivery)**:** We plan to double-up our efforts to deliver our mainnet at the end of Q1 or early Q2 2019. We will also focus our efforts to ship our first dApps and restrict other work to customer-driven requirements only.

Protecting (cashflows)**:** Cash flow, coupled with effective treasury management of our private token sale proceeds, is the lifeblood of our project. We continue to implement measures to reduce unnecessary use of cash in 2018 (such as working with regional partners and building targeted country beachheads rather than costly full-blown international expansion).

Partners (scaling)**:** Other than areas of the core platform, we will continue to work with specialist (often small) service providers. This includes in marketing, PR and other areas where we can source professional services for the project. Our most important partner will continue to be Blocko. We are actively looking for technical/integration partners in China/Southeast Asia.

Proof (customer validation): There is a distinct need to market AERGO; not only for future purchasers of AERGO tokens, but also to attract the attention of other key stakeholders (open source developers, dApps, partners, hosting providers, customers). The most effective way to achieve this, rather than spending on lots of low return marketing activities and events, is through high-impact customer references. This will be a distinct area of focus for AERGO in 2019.

We now turn to the three top key areas of focus for AERGO in 2019.

Technology Buildout

Our focus for 2019 will be on delivering foundational elements of the AERGO platform as well as providing some of the critical services for use by real customers later on in the year.

This includes a fully operational mainnet for AERGO. The AERGO mainnet is expected to be released by the end of Q1 or early Q2 of 2019. We are currently focusing our efforts on stabilizing and improving the ease of use of our recently shipped testnet. When delivering a

blockchain platform, there are four essential requirements to ensure it becomes both usable and has the right performance. These are throughput (i.e., measured in transactions per second), stability, ease of programming, and finally, ease of use.

Our public testnet, which launched on December 28 of 2018, is one of the very few true *clean room* implementations in the market. It is currently performing at a throughput of over 20,000 transactions per second but needs further work to stabilize it. We also need to perform further development to make it easier to program, use and manage, especially for future block producer partners.

We continue to optimize our new Delegated Proof of Stake (dPOS) consensus mechanism to achieve even greater levels of performance. The AERGO public testnet will form the basis of our planned mainnet: getting it right will be one of our most important activities during 2019.

When the mainnet is released, and once again optimized for performance, stability, and ease of use, we will perform a token swap of the then-released AERGO ERC20 tokens for our new native AERGO token.

To increase the usefulness of our AERGO mainnet with developers, IT partners and end-customers, we will create and ship fully documented and tested deployment blueprints. These are invaluable *how-to cookbooks* regarding programming, configuring, securing and integrating AERGO Public Chain into an existing company's IT infrastructure (and associated operating and management framework).

Our strategic partner Blocko has unique know-how and expertise here, having delivered over 30 working blockchain systems with large-scale clients over the past years. We will work closely together to capture, document and share this capability into our future AERGO deployment blueprints. This could help integrators and customers to configure and set up an AERGO based blockchain solution in a matter of weeks rather than many months.
In the second half of 2019, we will focus more of our efforts on improving the developer and customer configurability and scale-out capabilities of systems built

on AERGO. This will involve shipping our first test version of AERGO Horde and AERGO Hub.

We will also deploy a team to work with dApp developers in particular regions of the world as incubating new applications on AERGO will be critical. AERGO will rollout its own dApps built on AERGO during 2019.

The current team of 25 developers will be expanded during 2019 to support the above technical deliverables. We will also add specialist developer operations and system integration/testing specialists to this team.

Ecosystem Buildout
In 2019, we will make concerted efforts to build the core elements of AERGO's ecosystem. This work has already started and good progress has been made.

Our ecosystem build-out will include recruiting professional and enterprise-grade block producers to support AERGO public chain and blockchain orchestration on the AERGO Hub-Enterprise. We are currently aiming to have 23 block producers as part of our ecosystem, with Blocko itself being the first incubating partner. A business development program is being created to support these activities.

The AERGO token is a utility token that is both a store and also a unit of value in the AERGO ecosystem. In the AERGO model and ecosystem, tokens are farmed or staked when computing, or storage capacity or demand is needed on AERGO public chain.

This makes for a direct relationship between the number of tokens in the ecosystem and its capacity and performance. The AERGO token is the only way to buy existing or future capacity on the network, and for block producers to participate in the ecosystem by staking.

Our token economy model will be further tested with early partners during the first half of 2019, and we look to publish more comprehensive information on our token model once it is fully fleshed out and tested with our partners and system integrators, to make sure the economic model makes the complete sense in the real world.

Pushing for the development of more innovative dApps to be built on AERGO will be supported by specific business development activities during the year. This will include the creation of dedicated application incubation programs in target regions of the world. More are planned and will be announced during the year.

Recruiting specialist (blockchain capable) IT system integrators will allow us to reach more clients, more projects and more regions across the world. We will leverage and work with Blocko in this area as they have an extensive network of suitable partners who may be interested in supporting AERGO based implementations.

One of the major benefits of the AERGO platform, for both developers and customers, is the ability to build a hybrid blockchain implementation. In this scenario, it is possible to host part of the network on a private chain. This could be for performance, control, or data privacy reasons.

These private chains will likely be hosted on professional, scalable, and secure private cloud computing architectures. AERGO intends to recruit hosting partners to provide these cloud hosting services for deployments on AERGO using Hub-Enterprise during the year. We are currently working with a leading Asian cloud hosting partner to build, test and refine the proposed model.

We plan to add specialist partner managers and experts to the team to focus and pursue the above ecosystem efforts, atop our existing dedicated ecosystem personnel.

Early Lighthouse Customers
Getting early potential customers to trial and use AERGO will be important. We have already secured our first lead customer for AERGO via our partner Blocko. This specific customer project will be developed and delivered on our new mainnet.

Blocko once again has significant value to bring here. It has very close relationships with many enterprises and government-level organizations primarily in South Korea. In other words, we intend to increase our effective AERGO headcount by ten people during the year;

These clients have already deployed high-performance blockchain-based applications and services (built and delivered by Blocko). Over the past few months, we have had various discussions to explain how a hybrid blockchain based architecture could unlock significant value for new types of services and business ecosystems. A number of these Blocko clients have expressed a serious interest in evaluating the AERGO public chain once it is released.

These types of projects are fundamental to not only test and prove the capability of the AERGO platform but also to act as *lighthouse references* for the many future clients we hope to work with. Finding, developing and closing such enterprise transactions takes time. Typically, these projects could take three to six months to develop and the same time to deliver. We expect to close a few of these transactions during the year. We will of course publish these, but only once each client is comfortable with sharing details of our work together.

These transactions also need specialist sales and business development resources. This is an area of focus in our ongoing strategic business development expansion discussions with Blocko. This is likely to result in a new multi-year partnership between the companies.

We will share the details about any such arrangement in our next Report in Q2 2019.

Financial Plan
As part of the agreed multi-year partnership, we continue to have the ability to secure and utilize significant resources from our partner Blocko for 2019. This will again allow us to maintain a low direct cash burn rate. It also helps us secure our long-term project financing needs.

As part of this multi-sided business arrangement between the parties, Blocko is committing the following resources to AERGO during 2019:

- 30-person dedicated engineering team
- 15-person dedicated business development team

almost half of Blocko's planned 2019 headcount will now focus exclusively on the AERGO project.

Blocko will again also cover 66% of the above costs. This will prove to be another significant benefit to AERGO in 2019. AERGO has already paid for the first phase of these costs in a new non-recurring contract worth US$500,000 to Blocko primarily aimed at delivering AERGO mainnet in the timeframe agreed.

Furthermore, AERGO plans to only spend a small portion of its current fiat and cryptocurrency reserves during the year to support the project.

Forecasted Use of Proceeds

In summary and during 2019 our spending is currently estimated to be as follows[3]:

1. **Compensation (US$582,500)**: These are the total costs to support the various members and advisors to the AERGO Organization.

2. **Marketing (US$1,000,000)**: This covers areas such as PR, advertising, digital marketing, sponsorship, community awards (i.e., DevDrop, future RewarDrops), merchandising, and other community events organized in 2019.

3. **Token Generation Event (US$500,000)**: This is an estimate to cover all costs in respect to further phases of AERGO's comprehensive token generation event during 2019. It includes a total of US$150,000 worth of AERGO tokens for various launches and competitions.

4. **General & Administrative (US$125,000)**: This comprises rent, insurance, utilities, equipment, software and information technology, and travel.

5. **Professional Services (US$150,000)**: This covers third party costs for services to AERGO, including legal compliance, AML/KYC, international tax, and accounting.

6. **Ecosystem & Development (US$150,000)**: Ecosystem and development represent costs such as product and tooling, training, security, and engineering integrations.

7. **Blocko Partnership (US$1,250,000)**: Non-recurring contract for AERGO product development (payment for mainnet, Hub, Horde development and other Blocko business development services during the year). This payment represents 34% of the costs of the team Blocko dedicated to AERGO, with Blocko sponsoring the other 66%.

The total spend by the AERGO Organization during 2019 is expected to be US$3.76 million, noting:

• These costs may increase if circumstances change or AERGO decides to accelerate its business execution.

• Approximately US$1.0 million of the US$3.76 million total spend will be paid for in [~10,000,000 (at current exchange rates)] AERGO tokens over the course of the entire year. These spends in AERGO tokens will be used for various competitions, community programs, and marketing activities. These tokens are taken from the ecosystem reserve split and accessed by the AERGO Organization as per and only as per their given vesting schedules, to be sent directly to given recipients only.

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[3] The 2019 Financial Plan is in the final phase of review and approval. All figures stated are provisional until signed off by the AERGO board of directors.

Section 6: Key Questions from our Stakeholders

AERGO is being built and driven as a completely end-to-end open-source project. Openness, transparency and accountability are fundamental elements of AERGO's culture and operating model.

This doesn't just mean that the code is being developed openly or that our codebase is simply being published on GitHub. This means that eventually, the AERGO network has the capability of becoming more self-sufficient with the vast developer community it forms. We believe that to achieve this vision, transparency and accountability are most paramount.

We regularly receive questions from our ecosystem stakeholder groups on key areas of the AERGO Organization's operations or future plans. We are always happy to address questions like this, in an effort to remain transparent and to engage with our community.

As such, we make regular posts addressing questions like this on our Medium blog (https://medium.com/aergo). We encourage our community to continue to ask such questions through email by sending a message to hello@aergo.io.