



Aergo Quarterly Project Update Q4 2019 & Q1 2020

April 16th, 2020

Notice to Readers

The information contained in this Quarterly Project Update ("Report") is given as of April 16th, 2020, unless otherwise noted.

The Report is provided purely for information purposes and does not constitute an offer to sell, or a solicitation to buy any Aergo tokens, coins, or other services.

Readers should not construe the contents of this Report as financial or investment advice and should not rely upon this Report for the purposes of buying, selling, or holding Aergo tokens or coins or for any other purpose.

The Report may include predictions, estimates, or other information that might be considered forward-looking. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements. Aergo Limited (the "Aergo Organization"), a non-profit organization established in Hong Kong that stewards the Aergo project, does not undertake and specifically declines any obligation to update such information or statements, or to publicly announce the results of any revisions to any such information or statements.

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.

Aergo Limited ("Aergo Organization"), is a private company limited by shares incorporated in Hong Kong, that is attempting to build and support a new Open Source based blockchain Platform called Aergo mainnet. Aergo Organization does not hold itself out as carrying out any regulated activity in any jurisdiction. Under no circumstances does this document or any other material constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale would be unlawful. Aergo Tokens mean the cryptographic tokens proposed to be issued by the Aergo Organization for use on Aergo mainnet.

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 or attestation to the financial data.

For readers not familiar with blockchain, an excellent on-line resource from Goldman Sachs can be viewed [here](#).

“Survival of the *fittest* applies in crypto markets to those with the most funds or control of the market.

Survival of the most *viable* and *executable* applies in enterprise business blockchain markets.

It doesn't matter whether a solution is optimal; only whether it's viable, and whether you have a team to beat the alternative by delivering business value now.”

— Phil Zamani, Aergo President

Two Year Aergo Project Progress Review & Summary Go-Forward Plan

As this report goes to press, most of the world is dealing with an epidemic that we have never seen before in living memory. At this time, two million people are infected with the Novel Coronavirus. On behalf of the Aergo team and our stakeholders, we want to thank the many heroic healthcare professionals and critical workers, who are putting their own lives at risk in trying to save lives; but also the scientists who are frantically searching for a cure. We also want to pass on our condolences to the families and friends that have lost loved ones to this cruel disease. We will get through this — life will once again go on, in the “new normal” (whatever “normal” may be in the future).

We can all help to get the world through this. How? By adhering to the advice from healthcare professionals to isolate and wear masks when we venture out to avoid spreading the virus. We also all need to be kind to others and help those in need. Especially those who are the most exposed: the elderly but also anyone with underlying health issues. We continue to be amazed by the generosity in this world, such as the herculean effort by Captain Tom Moore in the UK, who at 100 years old is walking 100 lengths of his garden to raise money for the brave healthcare workers ([so far raising an astounding USD 15M USD](#)). This is just one of the many acts of kindness we are witnessing across the globe. Keep it going everyone.

Business will also go on. Perhaps a bit slower than before (for a while); with less direct human interaction than usual. Whilst we at Aergo are now working from home, we are pushing ahead with our carefully crafted execution strategy.

It has now been over two years since the Aergo idea was first conceived. It is also exactly a year since our successful mainnet platform was released. We see this as a great milestone for the Aergo project, and recently released a one-year anniversary post and video message update from our executive team at Aergo [here](#).

We expand in this full two-year anniversary Quarterly Project Update (QPU) transparency report on key areas of progress for Aergo. This QPU also outlines what we plan to do next. Aergo as a project is maturing as well as adapting to the real (attainable) market opportunity. Some very exciting developments and important changes on how we plan to run the project have been decided. We highlight the key points in this expanded executive project progress review and summary go forward plan section.

Over the past few quarters, the enterprise blockchain market has seen an interesting set of developments take place.

During the past months the speculative focus on investment in cryptocurrencies based on blockchain startups both in equity and token sale deals has lessened significantly. At the same time, we have seen a heightened interest in identifying practical use cases for blockchain technology by much larger firms and governments. A rapid increase has now been observed in the number of ambitious blockchain initiatives that organizations are embarking on. Government ministries and innovation officers at corporations from all over Asia, Europe, and North Africa are frantically working to understand the best use cases for the technology — to reduce costs and increase efficiencies in a wide range of industries and sectors. They all seek to rapidly adopt blockchain technology within their organizations; to reap the benefits that it has to offer. Many also want to gain a competitive advantage over others who may perhaps be overlooking this technology as “yet another hype cycle”. Prior exploration with early proof points has led to a more widespread affirmation of the business value of blockchain in the context of core information systems and operation technology.

The misconception in the enterprise and government sector that *Blockchain is Bitcoin* is no more. More and more governments are approaching technology vendors directly inquiring about the potential for blockchain technology. They are looking for help to address some specific and often very complex use cases with regards to data security and data exchange between organizations in large, multilateral supply and value chains. **Business stakeholders around the world are now convinced of the value that blockchain technology has. They just need help to identify the most**

viable and impactful use cases and to prove the value of this exciting technology has in business — fast!

As is often the case with any new and emerging technology, making it work in the context of business is not easy. In fact, it is very, very complicated. Taking an initial idea of how blockchain can be implemented for an organization into a production-level deployment environment requires deep expertise with the underlying technology itself, as well as knowing how to integrate it with existing, often legacy enterprise-IT systems (and different types of data). Blockchain vendors seriously lack this needed capability in the enterprise and large-scale government focused markets.

Lack of enterprise business adoption is perhaps why we are seeing many cryptocurrency projects fail, or “exiting” by being taken over by large crypto exchanges. Others are abandoning their original ICO/IEO plans to develop their own chains; often reverting to established general-purpose blockchains like Ethereum (which is great for smart contract development and anchoring some transactions to a decentralized public chain — but perhaps not suitable on its own for large scale enterprise projects). Some projects have yet to deliver a viable working blockchain mainnet — despite years of R&D development and many millions of investor token-holder dollars having been consumed already with little progress to show.

Whilst many blockchain firms are pulling back from the enterprise business market, we are pushing ahead. With increased vigor; aiming even higher than before. The Aergo mainnet is now one year old and we have over five years’ worth of invaluable experience working with large enterprise and government clients. From the onset, the founding team of Aergo believed in a hybrid model (high-performance private chains with asset bridging and anchoring to a distributed trusted public chain – all based on the same easy to program technology but with different consensus models). Many ignored this approach adopting a simplistic “all public” or “only private” strategy. We are glad to see the market and early clients now recognizing our architecture and technology as one of the very few truly viable enterprise blockchain solutions for their advanced needs. A recent impartial 184-page report places Aergo as a viable contender, perhaps even better choice, than industry heavyweight backed blockchain projects such as IBM’s Hyperledger, JP Morgan’s Quorum and Corda (see a recent book published by PWC specialist Roman Tormen called [Blockchain for Decision Makers](#)). Just this week we saw major heavyweights in China (Huawei and Alibaba) form a [blockchain innovation alliance](#) around a hybrid (public chain) center, further validating our approach.

In the enterprise business blockchain sector, survival of the most viable and executable applies to the future winners in this market. It does not matter whether a solution is optimal. What matters is whether the technology and team behind it beat the alternative; each solution needs to be practical as well as viable. The vendor also needs to have a team that is able to deliver business value (quickly). Many companies are now abandoning blockchain upstarts and are looking for viable and serious alternatives. Customers are telling us they are confused and often lost as they cannot move beyond simple proof-of-concept (PoC) projects. More and more **customers are approaching Aergo and Blocko, asking us to help them “save” their blockchain projects that are failing as a result of a vendor’s lack of execution capability.** Many firms have wasted invaluable time and money, to finally realize they need to work with a partner that actually knows what they are doing. They want to work with us because they recognize exactly what makes Blocko and Aergo so special in the domain of enterprise-focused blockchain: (i) our technology is practical and viable, (ii) we have the needed skills, and (iii) we have the IT project execution capabilities to build, deliver and maintain business-ready solutions quickly.

In parallel, we are seeing an increased number of requests for advice on identifying complementary technologies and partners that we can bring to the table for some very complex projects. As part of this we have started to work more closely with some very advanced companies that can help Aergo, Blocko, and our clients to be even more ambitious with their blockchain based ideas and plans.

As always, our mantra calls for us to be honest, transparent, and realistic in how we inform our community and other stakeholders in the Aergo ecosystem about our project’s actual progress. There are others though who choose to be

opaque; perhaps even misleading in how they inform the market about their actual progress and achievements. For example in the United Arab Emirates (a market we now know well, following our newly launched venture last year); key government-focused blockchain bodies have continued to inform the market that the United Arab Emirates (UAE) is on track to deliver on its commitments; which include processing 11 billion in local currency transactions, 398 million documents, and saving 77 million work hours annually using blockchain. These are staggering numbers. Achieving these will require widespread adoption of blockchain technology among federal and municipal government bodies across the Emirates.

Yet, as we engaged and talked directly with a number of local projects, we observed, this was not completely true. Many of the major initiatives of the past three to four years in Dubai and Abu Dhabi (the most popular Emirates in the UAE) have failed or have stalled indefinitely. Some of these organizations have subsequently approached Blocko and Aergo for help. In many cases we can't, as the client would have to start again from scratch, and this is often (wrongly) rejected. Many bodies with large scale publicized blockchain projects will continue to message success to the market. The truth however, will perhaps unravel over time. Will we see real, live, production-grade solutions at key events such as Dubai Expo (now postponed to 2021), or will we simply see PowerPoint slides and videos "of the future"?

Increasingly, development teams across the world are discovering that Aergo technology coupled with Blocko's know-how is perhaps one of the few leading combinations for ambitious projects that want to use blockchain. One popular use case is handling large-scale distributed document management systems across a wide variety of stakeholders, such as public institutions, banks, private companies, freelancers, and other entities. A [recent example emerged in the University of Cagliari in Italy](#) of a project addressing this exact need with Aergo technology. A team of Italian researchers and computer scientists found the Aergo technology online, determined that it was indeed the most optimal and practical blockchain suite for what they intended to do, and they used the technology to conduct a series of pilot projects around document management and document stamping. This was done without any correspondence (or sales efforts) from Aergo or Blocko's teams. This is the power of open source!

In our last Quarterly Project Update (QPU), we shared how we were continuing to make great strides with our strategic partner Blocko in South Korea. We also announced that Aergo had already embarked on a new international venture and entered the Middle East market via our latest Blocko-Aergo *New Middle East investment Plan*. We established a deep 18-month partnership agreement with The Private Office of Sheikh Saeed Bin Ahmed Al Maktoum, owned and operated by the royal family of Dubai, to this effect.

Blocko MENA, our Middle East team, which focuses on implementing the Aergo technology in major countries such as the United Arab Emirates and the Kingdom of Saudi Arabia, has met and talked with hundreds of clients since establishing our local office. These have ranged from larger corporations to municipal and federal government entities across the region. Jointly with the Private Office, we were aggressive in messaging the true value proposition that Blocko has to offer to the region. This took time and a huge effort by our Blocko-Aergo team; with active participation and thought leadership sessions at many industry events (as detailed in our last QPU).

We now have a very good understanding of the real market opportunity and target industry (and government) needs. Most importantly we have validated our unique capabilities and some new partnerships that will allow Aergo and these partners to succeed. **This is not simply about product-market fit. It is about capability and business opportunity fit.**

Aergo is now able to fully articulate our entire value proposition into two words: "**Execution Intelligence**".

Execution Intelligence (or "EI" for short) is a combination of technical capabilities, know-how and proven (production level) deployment blueprints. A select few blockchain technology providers have acquired these capabilities through complex blockchain implementation projects that require deep enterprise-IT integration experience. EI refers to a technology

provider's ability to take a hypothetical solution to a company's problems involving blockchain and turn it into a working end-to-end production blockchain system. Combining new innovative solutions but also using existing IT systems and processes along the way is key. The combined team behind Aergo and Blocko is one of the few that possesses this inherent execution intelligence. Blocko, the Samsung-backed South Korean blockchain technology company, has had over three hundred client engagements since 2014. The company has gone on to deploy over 40 blockchain systems that are currently in production. It continues to work on delivering end-to-end systems and producing real business value with major clients. Today Blocko employs nearly 80 highly experienced developers who have deep expertise in designing and implementing blockchain technology in enterprise environments. Integrating these with existing legacy systems and making these work across complex distributed cloud and mobile architectures is a rare capability. The collective execution intelligence that Blocko's technology and business implementation teams hold is truly astounding. Perhaps the only company that can match this level of production deployment capability and know-how (in the enterprise blockchain business space) is IBM.

In addition to a wide range of currently in-development and near-deployment projects currently being developed in South Korea, the Blocko-Aergo MENA team has also successfully secured our first three major **international-scale reference projects in the region**.

The first of these projects will formally be announced in due course (with the others still being held confidential for now).

We are happy to report that we are working with a multi-billion dollar development bank that aims to economically empower countries across Africa and Eurasia with financial aid and community development. We secured this opportunity at the end of 2019 (within weeks of meeting the client for the very first time).

This project is specifically focused on building a new innovative risk alleviation solution for banks and insurers to save hundreds of millions of dollars on costs and for businesses and consumers to gain access to significantly cheaper lending rates. Whilst there are huge (currently USD 6 trillion and rising) in financial stimuli packages being announced around the world to try to stem the financial shock created by the COVID-19 pandemic, these packages are primarily aimed at big (not small) businesses. There will be a dire need for small business loans. The solution being developed with our client could be a novel way to provide business and personal loans that are directly linked to business performance or other collateral assets that are tokenized in the resulting lending system we are jointly creating. As such, a decision was made by the joint Aergo and Blocko board of directors for this project to be treated as a special lighthouse opportunity. This project could potentially emerge as the nucleus of a much more ambitious digital finance and payment system for countries in the Middle East, Africa, and Southeast Asia (MEASEA), that we are now code-naming ShameelPay.

The ShameelPay opportunity could prove to be lucrative in that it allows Aergo to establish its technology as a critical part of an emerging distributed "financial services stack" across the entire region.

In addition to the client paying for our work, the project was considered worthy of a special strategic focus from Aergo. Within weeks of starting the project and engaging with the client, we moved from being purely a technology vendor to a full strategic partner. We advised them on both the technology architecture, the mobile deployment model, as well as how to build an effective and supportable long-term business ecosystem. This week we will deliver our first version of a minimal viable product (MVP) that included a novel mobile user-focused application front end.

All of this within only three months after starting the project.

In short, we applied our Execution Intelligence to scope and deliver the requirements extremely quickly, together with an extensible architecture that will allow this project to become more comprehensive, more ambitious and hopefully even more successful over the long run.

With a number of other Blocko MENA projects currently underway, it is clear to us and to the entire board of Aergo and of Blocko, that our *Middle East Investment Plan* is proving to be a success. **With ShameelPay, we are now officially expanding the scope and focus of our Middle East team and investment to cover Africa and especially Southeast Asia — by targeting the distributed finance sector that is emerging.**

At the same time, we have identified a real need in this region of the world for an organization that can work directly and strategically to advise regional governments and very large-scale industrial companies on very advanced blockchain-based programs. Its focus is to jointly identify and solve ambitious projects using blockchain and other innovative technologies (such as solutions for secure digital assets, digital identities, smart tourism, smart governance, smart supply chains, and soon quantum-resistant and ultra-secure computing execution environments).

By combining our capabilities and those of select bleeding-edge industrial partners (including, but not limited to Blocko), we aim to target the most selective ground-breaking projects in partnership with forward-looking government organizations. We will be selective. Very selective.



In late 2019, we conducted a joint advanced technology briefing session alongside one future such Aergo strategic partner in Dubai. Dozens of key government and semi-government entities in the UAE attended to learn more about a new Digital Civilization Platform that we aim to jointly deliver. The event was a huge success. It resulted in opening up a number of interesting new discussions with very influential government organizations, many involving the topic of security.

There is an ongoing (growing) trend of information system hacks resulting in significant breaches in private data and digitized assets. The costs to citizens, businesses and governments are potentially huge. With the growing and rapid trend of digitization enabled via future ultra-available (5G) networks, it is likely that many forms of financial assets will eventually need to be tracked and recorded on a tamper-proof blockchain. The Digital Civilization Platform includes a new capability for digital custody via trusted computing hardware (e.g. Intel SGX) that solves key pain points currently experienced with hardware and paper (cold) wallets. It is truly groundbreaking.

In the related financial services area, Central Bank Digital Currencies (CBDCs) are becoming of greater interest to countries around the world, after the announcement of Facebook's Libra digital currency project created waves in the financial services industry. Discussions are currently taking place across every major country in the world to deploy a fully-regulated and secure digital currency before others. The race is on to determine whether the U.S. Dollar will continue to remain the world's reserve currency or if it will be another, new digital currency based on blockchain technology. Contrary to what so-called experts previously predicted, Bitcoin is not yet the safe haven "digital gold" that many thought it would be in cases of extreme market fear and investor need (such as with the current global COVID-19 financial market crash). A number of discussions are taking place between Aergo and key government clients and banks, to help them to implement a CBDC before Facebook's Libra is able to go live. Our strategic partner Blocko is spearheading these initiatives in South East Asia.

As our most important strategic technology partner, Blocko continues to actively transition its clients to its new Aergo Enterprise technology product with great success. A number of existing clients that were using Blocko's previous product, Coinstack, have now adopted Aergo, as detailed on [Blocko's new website](#). In South Korea, the Blocko team is securing

more domestic projects and it continues to grow as a business (we also expand on this in this QPU).

Clearly huge opportunities exist for Aergo and our partners to target much larger scale influential projects.

We are very proud (and truly honored) to be able to share that we were approached by a forward-looking member of the ruling royal family in Abu Dhabi who has kindly offered to sponsor, guide, and support us with these efforts.

To this effect we are launching and participating in a new Aergo-focused business partnership organization with select firms that have complementary bleeding-edge technologies and capabilities to Blocko. This partnership consortium will be called the Execution Intelligence Group (aka E24P) and will be based out of Abu Dhabi in the UAE. Abu Dhabi is now emerging as a true center of innovation for some of the world's most ambitious government and large-scale industrial projects — where distributed data and trust needs to be established between a variety of organizations. Imparting the E24P knowledge and building local technical development capabilities in the Middle East and South East Asia in core areas of advanced technologies is a key element of the new group's strategy. **In short, this region is opportunity-rich for Aergo and our partners.**

Partners at launch will include a leading team of fintech and distributed systems experts that previously built an international fin-tech business acquired by Western Union, now building a decentralized financial platform for the migrant and unbanked world with the goal of becoming the global last mile infrastructure for financial inclusion and ethical banking. Another future partner is a leading UK and China-based research institute that has devised bleeding-edge innovations in areas of quantum computing, lattice cryptography, M2M supply chains, data custody, smart tourism, and smart identities.

I will personally lead this new effort supported by an advanced team of technology and blockchain experts based locally in the UAE, but also in the UK (London and Oxford), Germany, as well as in China.

In summary, the start of 2020 marks the transition towards making the business adoption of the Aergo technology more pervasive by developing solutions with larger clients in the government and financial services sectors. We have secured our first few major international Middle East reference clients. We must now deliver our work with these (and select new) clients, to show them what we do, and what Aergo as a platform can support.

In line with this, the Aergo Foundation will be taking a significant leap forward in accelerating the decentralization of the Aergo ecosystem through the launch of Aergo Agora. This will be our new on-chain governance system that will play a pivotal role in Aergo's move towards a democratic, fully self-sustaining and open ecosystem. Especially as it transitions out of its incubation phase and into the mainstream business execution phase. We explain how Aergo Agora will work in this report in Section 3.

We are extremely lucky to have a strong combined team behind the Aergo project. This comprises our existing team, our advisory, and investor boards and of course our strategic partner Blocko. To allow me to focus full-time on the tremendous business opportunity with this new venture (our second in the Middle East), I am handing over the stewardship of CEO of the Aergo project to Won-Beom Kim, Founder, and CEO of Blocko. I will take on the non-executive role of President for the foundation, whilst Won-Beom will be appointed as CEO, leading the charge until the governance of the project is more decentralized, once the Aergo Foundation has implemented and refined our new governance model with Aergo Agora later this year.

The Aergo board and I are convinced the project will grow and thrive further under his strong leadership.

For the entire Aergo team, the past two years have been filled with focused hard execution work. Our teams have worked

relentlessly, and business success is finally coming to fruition.

This report is written for all of Aergo's stakeholders. A summary version of many facts and figures relating to the Aergo token's supply model can be found [here](#). This report is focused on our updated "business execution" stage of development that continues to evolve as we ourselves adapt to the opportunity ahead. Our focus on the business side of Aergo will continue well into the years ahead.

In this QPU, we detail some of the highlights of the past quarter, whilst also explaining some of the key go-forward strategic decisions being made for the business. We then provide some commentary on our plans and focus areas for the remainder of the 2020 year. As part of this, we introduce and expand on a new innovative governance model that the Aergo Foundation will implement for the Aergo ecosystem.

Aergo continues to use its treasury resources diligently, so we can fund the project for the long-term; releasing more tokens from our reserves to accelerate a range of technical and business development activities. In parallel we have taken measures to reduce our burn rate to allow the project more runway in these challenging times.

Aergo and Blocko's paths continue to intertwine as our individual strategies and futures align. We recognize the need to work together effectively to maximize our chances of success. We will be strengthening this partnership with new complementary strategic partners (as part of the Execution Intelligence Group in Abu Dhabi).

Our international execution follows on from our already committed strategy as set out in our first-ever Q1-2019 QPU that was published over a year ago. Among a sea of opportunities, selecting the best to serve as our lighthouse customers, it will be our focus to deliver the best solutions to show the world what true execution intelligence looks like.

This is what we at Aergo are about.

In closing, the spread of Coronavirus has caused business activity internationally to slow down; corporations and governments are urging individuals to cautiously stay and work from home and to avoid unnecessary travel. A number of planned Aergo events and government-level ministerial meetings have (rightfully) been canceled, as countries take a *better safe than sorry* approach with even their most important technological and economic developments. Yet, our teams remain steadfast in our commitment to *deliver* and press on with our business execution strategy.

Should we enter a recession, or more likely a significant slowdown in business, it will be large-scale government and financial services projects that will get the most funding and attention. Thankfully, this is exactly the sweet spot we have been focused on and will further be investing in from hereon.

Onwards and upwards!

Phil Zamani (President) and Won-Beom Kim (Chairman and CEO), Aergo

Table of Contents

Section 1: Introduction

Section 2: Past Period Results and Go-Forward Strategy

Technology Development

Further Ecosystem Expansion

South Korea Customer Acquisition

Middle East Customer Acquisition

Section 3: New Decentralized Governance Model “Aergo Agora”

Section 4: Blocko Relationship and 2020 Focus Areas

Deeper Strategic Regional Focus

Section 5: 2019 Financial Update & 2020 Plan

Full Year 2019 Expenditure

2020 Provisional Budget

Use or Aergo Token Reserves

Latest Aergo Token Metrics

Section 1: Introduction

In our last QPU Report, we set out a comprehensive, firm strategy and *plan of attack* for the coming period in Aergo's execution. By that time; the development of the Aergo Enterprise product line was near completion, and we had positioned ourselves well to move forward with further developing the Aergo ecosystem; pursuing existing and new clientele in South Korea; and finally, executing on our new Aergo-Blocko International *master plan* which was based on our New Middle East Investment.

As reported in the summary review earlier, we succeeded on multiple levels in executing on our strategy.

The team behind Blocko follows a unique methodology that builds on years of blockchain implementation and decades of enterprise-IT integration and stakeholder management experience. It is tried-and-tested, yet it is not a simple formula that can be adopted by any company; as it requires the best developers and the best enterprise-IT leaders and visionaries to work. We leveraged this methodology to win follow-on projects with existing clientele in South Korea, to add a total of three major international lighthouse projects to our growing list of Aergo projects.

The next phase in the Aergo-Blocko roadmap involves the delivery of these projects. As will be detailed in the following section, one of these projects expands the scope of Blocko and Aergo's Middle East Investment Plan focus to not only target the Middle East and North Africa, but also the rest of the African continent and Southeast Asia.

Whilst our observations over the prior several quarters indicated that there was still an element of polarization in whether the future of blockchain deployments in the enterprise sector will be hybrid, public, or private; there appears now to be a widespread affirmation that the future will indeed be hybrid. Yet, there are still some technology vendors that continue to attempt to push the narrative of either private or public because this would happen to be the model that their technology better supports. Aergo has been well ahead of the curve from the beginning, with an architecture optimized for hybrid deployments via our innovative Merkle bridge technology.

After working with international customers more and more over the prior period in Aergo's execution, we received feedback from clients on adjusting aspects of our strategy to better support growing widespread needs of customers.

The key feedback and demands included:

- Requests to ramp up completion of deployment blueprints around land registration and supply chain management to accelerate the go-to-market of certain high-demand use cases already in-use by customers in South Korea.
- An interest in understanding how Aergo's SQL and Object Relational Mapping (ORM) support can allow for a more eased development and multi-stakeholder deployment in complex projects involving different types of data.
- A peculiar interest in blockchain technology as a way of enabling microfinance on a greater scale; particularly in countries located in Southeast Asia such as Malaysia and Indonesia.
- Overwhelming interest in a more packaged-up solution for our Merkle bridge technology, in particular around the dynamic of producing Merkle proofs that prove events that took place on private Aergo blockchains to the public Aergo mainnet.
- A growing number of government entities would like to learn more about the benefits and drawbacks of implementing a central-bank issued digital currency to contend with Libra and others.
- An advanced demand from customers who will soon actively be using the Aergo mainnet - for the governance of the network to be more decentralized and for the Aergo Foundation to now take a less central role in the operation of the network - perhaps adopting a Decentralized Autonomous Organization (DAO) model.
- A growing interest in blockchain to act as the underlying fabric for Smart Tourism; by securely connecting tourism with other industrial sectors to allow for a more easily accessible and comprehensive AI-powered ecosystem.
- Our early IoT-focused prototype (AergoLite) was showcased at select events and received great feedback. Some prospects want to now evaluate this SQLite-based capability in their own IoT plans.

- A growing desire to learn more about Blocko's unique 'Execution Intelligence' focused project deployment strategy from customers that have failed to succeed in their blockchain initiatives with other vendors, particularly in the United Arab Emirates (UAE), Kingdom of Saudi Arabia (KSA), and Bahrain.
- An interest in more focused education on how other emerging technology fields can converge with advanced hybrid blockchains, stemming from a very successful technology briefing session on Digital Civilization Platforms from December 2019 that appealed to customers and left many seeking more regular sessions like this one.
- A desire to see the Aergo token on more exchanges and wallets to improve the availability to a broader range of future token holders.

We have listened and taken this invaluable feedback and these stakeholder requests into account.

This involved a careful examination and review of our planned technology roadmap, our future focus areas and how we organize the project (including our limited technical and sales resources around the world).

The feedback we received from hundreds of international customer engagements has given us a more firm conviction in what we will describe in the following section as a new 'major bet' for both Blocko and Aergo in the Middle East, Africa, and South East Asia (MEASEA) region.

Section 2: Past Period Results and Go-Forward Strategy

In this section, we offer a summary of the team's accomplishments toward advancing the state of the Aergo project and its supporting ecosystem. We first lay out the objectives we set ourselves in our last Q3-2019 QPU, to show how we performed against those objectives over the course of Q4-2019 and Q1-2020.

In our Q3-2019 QPU, we shared our go-forward plan and focus areas for the remainder of 2019 and early 2020 as follows:

1. Continued execution of our technology roadmap, with a greater emphasis on features that will make Aergo more easily adopted by enterprises and governments.
2. Establishing partnerships with key partners that will advance the Aergo ecosystem; while also building out our own in-house applications and services on Aergo.
3. Pursual of early prospects in two target 'key' regions of the world: South Korea (Asia) and the United Arab Emirates (Middle East) in a highly focused push to gain large reference project 'wins' before pushing ahead as part of our global expansion.

Not only did we deliver on our many major objectives for the prior quarters, but we also developed a number of additional opportunities with leading partners to effectively jointly build a new partnership consortium focused on Aergo (but also other complementary technological capabilities) called the Execution Intelligence Group (**E24P**). This consists of a group of companies that use leading innovations in emerging technologies like quantum, IoT, trusted computing, blockchain, and advanced artificial intelligence, to work with selective influential organizations and government entities on high-potential impact projects in the Middle East, Africa, and South East Asia region.

We explain what **E24P** is, as well as our go-forward plans for the remainder of the year in the sections below.

Technology Development

In the last quarters, we made significant progress in further enhancing our Aergo technology platform and its associated tools and features. This included launching our first production Merkle bridge on our testnet as well

as enhancing our mainnet and Aergo Enterprise product.

We delivered on all of our commitments as outlined in our 2019 Aergo technology roadmap, allowing us to in turn utilize all of the new features and enhancements introduced to better serve clients and stakeholders involved in the Aergo ecosystem.

ROADMAP

2019



aergo

Aergo 2019 now-executed technology roadmap ([Click to enlarge](#))

A summary of achievements we have made towards furthering the development of technology around Aergo as we had planned in our roadmap is as follows:

- We launched the Aergo Mainnet 2.0 protocol with features that enabled improved security of the mainnet and a more powerful incentive system for participants. This included:
 - A [new voting portal](#) with voting (staking) rewards, to stabilize the network and provide more incentives to the community. The new voting system allows participants to vote for the parameters of the Aergo blockchain (such as the number of BP nodes, the minimum amount of Aergo to stake, price of gas and the price of name service) - this will now be extended into a more sophisticated governance model called Aergo Agora, detailed further into the report in Section 3.
 - A 'fee delegation' model, to allow for decentralized application or service providers to pay for fees instead of their users on the mainnet, reducing usage friction.
 - An enhanced fee structure, which offers a more accurate and fairer fee system based on a new algorithm, taking further consideration for CPU and memory usage in smart contract computations.
 - Better administration of private networks in block

propagation, allowing for more cost-effective node management.

- We launched Aergo Connect, Aergo's own browser wallet, with improved user experience.
- We released Aergo Enterprise DID™ (Decentralized Identifier) version 1.0.
- We launched Aergo Enterprise OpenKeyChain™, a secure key-based blockchain authentication solution on the Aergo Mainnet.
- We developed Aergo JDBC (Java Database Connectivity) which allows database administrators and Java developers to easily view and manipulate data on the blockchain, a major move in boosting Aergo's potential developer adoption.
- We finally made our full release of the Athena IDE for Atom, a complete end-to-end and packaged environment for building smart contracts on Aergo at every step of the development lifecycle.
- We released the long-awaited Aergo Merkle Bridge on our testnet for transferring assets between Aergo and Ethereum.

We will now further develop the Aergo mainnet and introduce a number of new features atop the network including Aergo Agora and the Aergo Hub as we detailed in our recently mandated 2020 Aergo technology roadmap. This will include further enhancing our commercial Aergo Enterprise product and launching a new version of the Aergo Connect browser extension wallet. We explain our plans for further developing the Aergo technology over the course of 2020 [in this article](#).



Aergo 2020 go-forward technology roadmap [\(Click to enlarge\)](#)

Further Ecosystem Expansion

In Q4 2019, we were exclusively invited to attend the Samsung Developer Conference (SDC19) in San Jose,

California, USA which took place on October 29 & 30. Here, we were able to showcase AergoLite, our blockchain-based IoT Solution for a hyper-connected society in industrial use case demos, which attracted a lot of interest from companies needing to build comprehensive IoT ecosystems using blockchain for smart bidding processes to allowing for gateway devices to more easily prioritize which devices to propagate data to the network from. These clients found particular interest in AergoLite due to its ability to easily and within just a few clicks integrate with the existing database architecture on trillions of basic device nodes around the world. We built a stronger relationship with the Samsung blockchain team and a potential partnership with other IT companies during the conference. Gotchu, our decentralized application built on Aergo which provides a 'Super Chat as a Service' to connect content creators and fans, was also showcased during the conference.

Aergo and Gotchu are now installed on the Samsung Blockchain Keystore, Samsung's native mobile wallet marketplace. This allows Aergo to reach out to Samsung's audience and actively contribute to the open multi-party blockchain ecosystem that Samsung is nurturing. We were able to secure these opportunities after close collaboration with a number of Samsung teams over the past 5 years in multiple wide-scoping blockchain initiatives for companies in the conglomerate's group.

We also attended the 2019 Gartner's IT Symposium and Expo in Orlando, Florida, USA for nearly a week from October 20 to 24. Blocko and Aergo both exhibited at the conference, and were the only blockchain company among 188 exhibitors! Aergo Enterprise was introduced and demonstrated. Time-Stamping Authority (TSA) solutions, Decentralized Identification (DID) solutions, and other enterprise SaaS applications were showcased hands-on to clients at the conference. The Gartner conference ultimately led to a slew of business leads and potential partnerships that further materialized into real business later on.

Finally, in a completely new development, we were invited into China to attend the *Hainan Free Trade Port International Cooperation Forum on Digital Economy and Blockchain* on December 5 & 6, right before the Digital

Civilization Technology Briefing Session that we hosted on December 16. We attended this event after being invited by the Huobi Group, a co-organizer of the conference, and built a relationship with government officials and representatives from China, Russia, Kazakhstan, Bahrain, Singapore, Gibraltar, and Indonesia.

As the global payments landscape is evolving towards cashless payments, we also furthered our focus on our algorithmic stablecoin project and payment service, the Aergo Gem. The Aergo Gem is a stable cryptocurrency (pegged to the Korean Won) that is used like traditional reward points but through a more sophisticated incentive scheme powered by public blockchain cryptoeconomics. Users can earn Aergo Gem and use them in other applications and external affiliated services. They can be easily and securely distributed via an automated smart contract such as the one on the Btree app and Gotchu, as part of our Reward Infrastructure As A Service (RlaaS) initiative detailed in our last QPU. We managed to boost the adoption of the Aergo Gem further over the past several months and as a result made further strides into the DeFi ecosystem as a result.



Blocko showcases a number of mobile applications built on Aergo at an exhibition in Seoul, South Korea.

In order to address a wider audience in the crypto community, we launched what was an extensive global community Ask Me Anything (AMA) campaign. This way, we promoted Aergo to an audience with different language skill sets and to different nationalities. We've

taken onboard ideas, suggestions and feedback on how we can improve Aergo. Each AMA session was an interactive and engaging session. The team is extremely grateful for the level of feedback we received. Each and every member's contribution has been productive and we will continue to engage with the community in the best possible way that we can.

Nonetheless, our most important moves in advancing the state of the Aergo ecosystem lie in our customer acquisition progress and respective go-forward customer project strategy. We explain this as well as other customer-focused initiatives, and how they will in turn impact the greater Aergo ecosystem, in the sections that follow.

South Korea Customer Acquisition

The fourth quarter in the enterprise technology world, especially with regards to new emerging fields like enterprise blockchain, is typically the quarter that government contacts for the following year are finalized. In South Korea, Blocko was able to win four large Aergo-based blockchain contracts in Q4 of 2019 and Q1 of 2020 with various new Korean government clients. A number of additional deals were signed with existing government clients, as well as existing and new private sector clients.

The first of these deals was with the Korea Industrial Complex Corporation Department (KICCD) dealing with various corporate urban planning matters in business locations and the regulation of various business development activities in Korea. Blocko worked with the KICCD to establish a new scope for how blockchain coupled with complex big data ecosystems can be utilized to improve deposits and transfers of corporate funds in the FinTech sector. A project is being developed and may soon move further into implementation. With experience doing similar projects with Shinhan Bank and Lotte Card over the years, Blocko and Aergo were the prime candidates to win the contract, and we are currently making good progress in accelerating this opportunity.

The second project was with the Korea Food Research Institute (KFRI), who contracted Blocko and Aergo teams to develop a food quality, safety, and trace verifiability

supply chain management platform utilizing Aergo Enterprise. The first phase will be looking at the design and study of the entire end-to-end supply chain, with the following phase taking place shortly in preparing for an actual deployment. Working with KFRI, Blocko and Aergo will aid in keeping Korea's food supply safe and efficient - in the process of it being transported from farm to table, taking advantage of certain elements of hybrid blockchain technology that offer enhanced levels of immutability and verifiability.

The third major Aergo project that Blocko closed in Korea was with the Korea Electronics Technology Institute (KETI). The project had a goal to create its own blockchain platform across its value chain as well as a new wallet for internal and external industry use. KETI has observed the success of the Aergo platform and chose Blocko and Aergo among a number of potential much larger candidate vendors to build this new platform.

The last major government deal secured in South Korea had to do with a wider-scale education initiative with the Korean Standards Association (KoSA) which contributes to the development of the national economy by boosting industrial standards and quality management. They had asked Blocko and Aergo to help boost the community's understanding of blockchain and Aergo's technology in particular by holding a series of lectures on blockchain technology and its related industrial use cases. Blocko and Aergo's engineers and C-level executives will be holding various lectures throughout the year to the governing standards board members.

We have also secured a deal with a prominent wealthy estate to create a physical gold-backed stable token platform and over-the-counter (OTC) exchange. This exchange and stable token will allow eased trading of precious metals among traders and investors. We see this as being a platform of great demand in today's current turbulent economic conditions, where precious metal assets like gold are still being considered as safe havens during a potential economic recession.

With regards to repeat business, Blocko and Aergo have returning government customers. Just one example of such a returning customer is the Korea Internet and Security Agency (KISA). A number of confidential projects are currently underway with KISA. Blocko and Aergo will

continue to foster a strong relationship and guide KISA on how to effectively implement a number of new technologies and innovations across all of their business verticals.

In the private sector, Aergo Gem has had tremendous success after it's initial launch as detailed in our last QPU. Traditional reward points have limitations when it comes to liquidity, proprietary ownership, expiration, and limited interoperability. Aergo Gem provides turnkey rewards programs for many types of businesses.

Customers can trade Aergo Gem for products/services, fiat, or other cryptocurrencies. Businesses can create enticing marketing programs for their customers earning Aergo Gem. One use case involves a game launcher called Btree, which is an app that hosts multiple games. Gamers can receive Aergo Gems for the times they play different games. Btree buys Aergo Gem with its existing marketing budget and distributes it to the gamers. This incentivizes longer gameplay. Btree benefits by taking advantage of the simple and easy way to offer reward marketing with benefits of cryptocurrency without having to release its own tokens, adhering to the related maintenance costs and legal risks.

Additional private sector initiatives are underway, including plans with one of the top universities in the USA to create a construction supply chain platform that will enforce user-role controlled authentication and smart contract external B2B process automation.



Aergo and Hyundai AutoEver's used car tracking and trading platform was showcased at a major exhibition in South Korea earlier this year.

We continue to work with Hyundai AutoEver on its platform for managing and tracking the history of used cars in it's South Korea-based ecosystem. We even showcased a live demo of the solution at an exclusive government event earlier this year, to potentially try the same solution with other clients alongside Hyundai AutoEver.

Blocko and Aergo continue to value partnerships with top global companies. Samsung continues to list Aergo on the new Samsung Galaxy S20's Blockchain Wallet. Additional discussions are underway to create additional services that will benefit both Samsung and Aergo customers.

As for our go-forward plans, Blocko and Aergo are evolving with the enterprise blockchain industry and are taking lessons learned to further adjust and apply its approach to customer and partner acquisition in South Korea. There will be several changes to enhance our target customer coverage and our marketing strategy. We plan to address these with a new revised and improved strategy on a go-forward basis.

Blocko and Aergo will increase focus on the Korean government. We will now be dedicating a new SWAT team to focus solely on projects with a range of Korean government ministries and departments. This team will not only focus on delivering the numerous projects with the Korean government that are currently underway, but they will also focus on winning additional government business around new opportunity areas like CBDCs and others.

These teams have a number of plans. They intend to, later on, invite our best customers to participate in an exclusive early access advisory panel to discuss future trends and concerns. There will be incentives for the customer participants, such as free proof of concept trials and at-cost solution deployments. The customer advisory panel will provide valuable real-life data for clients.

Aggressive new customer acquisition programs will be rolled out using the partner program and the new marketing strategy. We will be launching a new, completely overhauled and more sophisticated partner program to boost the growth of the Aergo ecosystem.

The new Blocko and Aergo partner program will be divided into different target areas:

- (i) Technology partners,
- (ii) Sell-through partners,
- (iii) Sell-with partners, and;
- (iv) Pure reselling partners.

The program will generously provide partners with marketing templates and market development funds to accelerate their efforts around boosting the adoption of the Aergo technology. Partners will be managed by a dedicated team of partner managers as well as business development managers from Blocko and Aergo, focused on ensuring scalable results from these companies.



Won Beom Kim, CEO and Founder of Aergo and Blocko, and an executive from Kim and Min as a signing ceremony concludes another lucrative opportunity for Aergo and Blocko

Partnerships are becoming more important in the sales strategy as many large-scale blockchain opportunities are being won by a consortium of partners, especially in South Korea. Blocko and Aergo will emphasize and invest more in our relationships with global consulting companies specifically with a presence in South Korea, such as Ernst and Young, Deloitte, Boston Consulting Group, and Bain and Company.

We will also be launching a new suite of Aergo-based products. Blocko and Aergo are well known for blockchain system integration work, but we will soon have off-the-shelf products that can be used stand-alone. The benefits of these products are that it will be easy to deploy and easier to sell at scale. We are in discussions

with major platform providers to list Blocko's Aergo-based products in their marketplaces. One example is Salesforce App Exchange. Blocko and Aergo are in the process of creating stand-alone products/services to sell on these platforms. One big advantage is that these products will sell automatically, as well as expose Blocko to platform customers.

Finally, we will also be launching a new and more aggressive marketing program for this next period of execution, taking our current business progress into consideration and even in some cases leveraging it to secure new business.

Blocko and Aergo's marketing strategy will also adapt to support these new sales and partnership efforts. The comprehensive program will focus on education and knowledge-featured content, similar to the regular ['Block-Shots'](#) that Blocko has been releasing on its website but with even greater sophistication, detail, coverage, and focus. Blocko and Aergo's marketing teams have mainly focused on brand establishment so far, however moving forward, marketing will have a more active role in shaping lead generation and partner marketing in particular. Our marketing efforts will also focus on the creation of joint research papers with analysts and global consulting companies. Blocko's website will soon be filled with a library of industrial use cases analyses, many of which will be co-authored by Blocko and credible external partners.

This multi-pronged approach is designed to enhance and increase Blocko's visibility in the market as a truly credible expert among enterprise blockchain solution providers. Blocko has differentiated itself from other blockchain SI companies by having the most in use blockchain production solutions across many different industrial sectors and verticals. Blocko's strategy is to educate the industry with our experience, create meaningful partnerships, and bring blockchain products to the mainstream enterprise market; with our execution intelligence always being at the core of our main value proposition in this regard.

We will continue to share updates with our community on how further customer acquisition and existing client migration in South Korea progresses.

Middle East Customer Acquisition

As explained in our last QPU, Blocko and Aergo invested in the Middle East to address a growing need for comprehensive, secure, and privacy-preserving solutions that enable multi-faceted business ecosystems in the region to share data more efficiently. We entered the region through a partnership with Dubai's royal office of Sheikh Saeed Bin Ahmed Al Maktoum to gain access to the highest levels of government and enterprise in the GCC area.

In what has now been 9 months since Aergo/Blocko MENA (the local entity based in Dubai) was established, we have presented and showcased our innovative Aergo hybrid blockchain solution and elaborated on how it competes with lesser solutions available on the market such as Hyperledger and Quorum at 5 industry-leading events in the Middle East. We engaged with hundreds of clients and potential partners in the region and through our tried-and-tested enterprise sales methodology,

After many successful engagement events and exhibitions at leading events in the Middle East including GITEX 2019, World Blockchain Summit, and the Abu Dhabi Smart City Summit, where our teams engaged and pursued hundreds of high-potential client opportunities, we moved forth to participate at ADIPEC, the Middle East's largest annual oil and gas conference that sees hundreds of thousands of contractors, manufacturers, producers, and distributors gather together in search of the most efficient and most effective information and operation technology solutions to boost profit margins.



Abu Dhabi International Petroleum Exhibition Conference 2019

After months of speaking with clients on-the-ground in the Middle East, the Blocko MENA team identified a clear

and imminent need for more secure means of managing the custody of digital financial assets through what is being identified more and more across the industry as a *Digital Asset Bank*. A Digital Asset Bank is a new capability designed by a leading team of professors from a leading UK-based research institute who have built an autonomous, secure and quantum-resistant, privacy-preserving, sovereignty-enabling platform for digital assets that manages the custody of assets using cutting-edge trusted hardware techniques such as Intel SGX.

Discussions are currently taking place to manufacture new trusted hardware optimized for a Digital Asset Bank to boost the speed, performance, and security of hundreds of millions of dollars of digital financial assets using Aergo.

This unique capability was presented to key stakeholders in Dubai in a private and exclusive technology bring session in a joint effort alongside a leading team of academic professors from a leading UK-based research institute.



Phil Zamani providing an introductory brief to dozens of C-level executive clients in Dubai on December 16, 2019

This Digital Civilization Platform Technology Briefing Session was held in Dubai, United Arab Emirates on December 16, 2019, hosted by Blocko and Aergo. Attendees included highest-ranking executives from Etisalat Digital, DEWA, Dubai Customs, Dubai Municipality, Jumeirah Group, Dubai Chamber of Commerce, UAE Ministry of Economy, UAE Ministry of Infrastructure, Emirates Transport, ENEC, Dubai Health, Du, Dubai Tourism, and many more.

This final briefing session marked the end of *phase one* of Blocko and Aergo MENA's comprehensive execution plan, whereby dozens of clients showed significant interest in working directly with Blocko and Aergo MENA to address some of the most critical and important needs utilizing the Aergo technology stack.

Blocko and Aergo's MENA team qualified all of these opportunities very carefully, to ensure only the most serious customers were given deep engagement from our technical teams. Today, we are happy to share that the team has narrowed down the hundreds of opportunities that were available to us into what can be summarized into three key areas of focus.

The first is a direct partnership with a multi-billion dollar development finance firm that operates Middle East, Africa, Southeast Asia, to build ShameelPay: a new, secure digital finance platform based on Aergo technology - compliant with religious laws, that allows users to create, influence, and manage their own self-sovereign digital financial identities and unlock new potential from a vast range of digital asset offerings in emerging digital civilizations. This opportunity will open the Aergo technology to a wider audience in the entirety of Eurasia and Africa, paving the way for Aergo to truly become a fully-fledged and widely-pervasive platform for the most complex and difficult-to-address use cases pertaining to the sharing of information and unleashing the true value of unstructured, dark, or uncleaned data.

Another interesting development that took place is that we established ourselves further in the United Arab Emirates by partnering directly with a royal family member of the UAE capital Abu Dhabi's Al Nahyan dynasty, to gain access to federal state-level initiatives around potential Aergo implementations by targeting Abu Dhabi's national ministry offices in parallel to working with the royal family of Dubai, the other main Emirate in the UAE. This will further support ongoing initiatives taking place in the UAE and support discussions around potentially implementing a Digital Asset Bank for all financial institutions and government entities in the UAE.

The second major project that we were able to secure due to our new Abu Dhabi royal family partnership involves working with a government body in the Middle East to build a new autonomous digital land registry

system based on Aergo that tracks over 1.5 billion land records and processes over 200 million cross-government land registry data exchanges yearly. Waqf property entitlements will be a key consideration in boosting what is now becoming an increased interest for government entities in Middle Eastern nations, for compliance with certain religious laws, which can now be demonstrated securely and in a verifiable way using blockchain-based architectures (Wafq is an endowment made by a Muslim to a religious, educational, or charitable cause). The project will utilize Blocko and Aergo's already-deployed real estate land registry data exchange ecosystem use case operating on the Aergo technology in the Jeju Island of South Korea. More information will be shared as this project progresses.

Our final and third deal revolves around working with a major federal government-focused smart technology initiative in the Middle East to implement a Digital Civilization Platform in the region to build an integrated data ecosystem based on Aergo technology that allows government entities to understand everything about a tourist or citizen's positioning data, user behavior data, and probe data and to effectively get a 360° view into any customer, to enable new capabilities in targeted advertising and security. The platform aims to be implemented for multiple tourism complexes (i.e., museums), healthcare systems, and hotels, then connected together utilizing Aergo's innovative Merkle bridge technology. More details will be shared at a later date, and once this important lighthouse transaction and in-development project reaches more advanced stages of development.

Alongside this, we have identified a real need in this region of the world for an organization that can work directly and strategically to advise regional governments and very large-scale industrial companies on very advanced blockchain-based programs. Its focus is to jointly identify and solve highly focused large-scale ambitious projects using blockchain and other innovative technologies (such as solutions for secure digital assets, digital identities, smart tourism, smart governance, smart supply chains, and soon quantum-resistant and ultra-secure computing execution environments). By combining our capabilities and those of select bleeding-edge industrial partners (including, but not limited to Blocko), we aim to target the most selective

ground-breaking projects in partnership with forward-looking government organizations. We will be selective. Very selective.

To this effect we are establishing and participating in a new Aergo-focused business partnership organization with select firms that have complementary bleeding edge technologies and capabilities to Blocko and Aergo. This partnership consortium will be called the **Execution Intelligence Group** (aka **E24P**) and will be based out of Abu Dhabi in the UAE. Abu Dhabi is now emerging as a true center of innovation for some of the world's most ambitious government and large-scale industrial projects, and where distributed data and trust needs to be established between a variety of organizations.

A forward-looking member of the ruling royal family in Abu Dhabi originally approached us in late 2019, and has now kindly offered to sponsor, guide, and support E24P with these efforts. This is testament to our Aergo technology, team and EI capabilities. We are truly humbled and honored by this extremely generous gesture.

Imparting the E24P knowledge and building local technical development capabilities in the Middle East and South East Asia in core areas of advanced technologies is a key element of the new group's strategy. In short, this region provides huge future opportunities for Aergo and our partners. The launch of E24P aims to take advantage of Aergo's and Blocko MENA's now very defensible and strong position in the United Arab Emirates by expanding further through a collaborative approach alongside a number of the world's leading organizations.

Partners at launch will include a leading team of fintech and distributed systems experts that previously built an international fin-tech business acquired by Western Union, now rivaling the giant in building a decentralized financial platform for the migrant and unbanked world as an alternative to existing (often more expensive) incumbents. Another future partner is a leading UK and China-based research institute that has devised bleeding-edge innovations in areas of quantum computing, lattice cryptography, M2M supply chains, data custody, smart tourism, and smart identities.

E24P will officially be launched very soon.

We will continue to update our community on how all our new partnerships progress in future news releases.

Section 3: New Decentralized Governance Model “Aergo Agora”

One recurring request that we received from many of the stakeholders involved in the Aergo ecosystem is for a more sophisticated and democratic governance of the Aergo ecosystem and the subsequent actions of the foundation in the development of the ecosystem therein. This was not only requested by members of our valued developer and discussion community, but it was also requested by a number of customers who plan to use the Aergo mainnet for anchoring and asset bridging needs.

We take all feedback from our communities of stakeholders with great consideration. As such, the Aergo Foundation has devised a completely new governance model that takes advantage of the existing staking and voting model that is in place on the Aergo mainnet that will now be looking to increase the community's involvement in the steering of the Aergo ecosystem through a full transition towards an on-chain governance and new innovative project financing/voting model.

We are happy to announce that in 2020 we will be launching *Aergo Agora*.

Since the inception of our project, we have been placing heavy emphasis on the open and clear nature of how we plan to run Aergo. As a result, we have been publishing periodical reports and Medium article updates to share how the project is managed.

While periodically writing updates are generally well-received by the community and our various stakeholders, they have inherent limitations as well.

For one, periodic announcements are not real-time. Since Aergo operates on the traditional corporate model of accounting and is governed by the concept of fiscal quarters, reports can only capture what has already happened, creating a delay in sharing and conveying important developments in the Aergo project. Secondly, reports do not expose all the details. While we try to be as open as possible, the truth is that most activities within the Aergo project are managed by Aergo organization and Blocko internally. As a result, the readers get exposed to only limited information. Finally, reports work in a single direction. The communication works in a

unidirectional manner only - the Aergo organization (together with its industry advisory board) makes decisions, executes them, and reports them and the community has only a limited say in the process

Aergo Agora strives to address the limitations with the existing way of making, exposing and sharing decisions and in the ongoing management of our project; it provides an innovative, novel interface for the community to directly engage in the development and operation of Aergo.

In order to implement *Aergo Agora*, we build on top of the existing *decentralized governance* framework for *the Block Producers* and *the openness* culture preached by the Aergo project (in how we codify, orchestrate and actually run Aergo itself).

Aergo Agora will extend Aergo's open innovation in technical development to the business and operation realm. The technical development of Aergo is driven by the open-source methodology. We hope to apply the same innovative methodology for open communication and open collaboration for building the Aergo ecosystem and community as well. It will also further empower the Aergo community by extending the staking model to impact broader governance decisions. The current voting reward program for block producer election has been highly successful, exceeding all expectations. Aergo Agora will build on top of the existing staking model to expose even broader topics in our governance model, rewarding Aergo holders for being part of the community. Finally, it will implement in real-time, a single source of truth interface for sharing important developments and events in the Aergo ecosystem. Aergo Agora will provide a singular, comprehensive interface into the status quo of the Aergo ecosystem.

There are however some risks in moving Aergo towards such a governance model, that we will try to mitigate as much as is possible. We will also take time with this change to slowly embrace this new concept for the project.

It is often stated that democracy is great for society and government, but it is perhaps not so great for business. During the past couple of years we have seen the emergence of the “governance of blockchains”. These are primarily focused on the aspects of consensus and decentralization. Consensus refers to the nodes on the network agreeing to synchronize on the state of transactions; whilst decentralization implies the nodes are geographically distributed and diversely owned. This duality ensures redundancy of failures as well as a level playing field for participation and inclusion. We believe these are important elements of our own open blockchain.

Agora is not so much about “full governance by the Aergo blockchain,” as this would currently be one step too far. Agreeing by majority voting doesn’t always result in the most optimal business decisions, and it can lead to a compromise towards the lowest common denominator (resulting in suboptimal outcomes). Some complex and time-critical decisions carry a degree of ambiguity and uncertainty that experienced business decision-makers are used to; yet they are still able to act in time. A group of people with less experience may end up debating these ambiguities for a long time, without resolving them, or missing the opportunity in question. Popularity also does not necessarily mean the right decision. Then there is the issue of accountability.

Some decentralized blockchain projects have perhaps not appreciated the need for central leadership, often brushing this aside. “The community decides”, is the mantra of certain decentralization advocates. But you can’t fully ignore leadership on some key business decisions, because it is needed.

DAOs¹ (decentralized autonomous organizations) are still in the early stages of development. The reality is that you can’t vote on everything. Some decisions and the people involved in making them need to be primed, steered, and managed with accountability in mind. For example, when it comes to deciding on which business initiative to back, we have to take into account the reality that just like any business, the Aergo Foundation is (human and financial)

1

https://en.wikipedia.org/wiki/Decentralized_autonomous_organization

capital constrained. Creating a short-list can almost never be decided without some form of human intervention.

We need to marry key aspects of the democratic nature of decentralized governance by the Aergo blockchain with our technical, management and business best practices experience (i.e. our collective wisdom).

In technology and business, good decisions are good because they produce success. But success can be only judged well after outcomes fully unravel. You can’t easily pre-select or automate key business decision-making by simply configuring logic into a smart contract. Better and more transparent judgment rather than automation are the ultimate objectives.

In some critical areas of the project decision making process, we need to ensure that we have the right people with the relevant domain experience and expertise at the table, beyond just knowing about blockchain.

This is why we must carefully define, organize and test this process early on. We cannot fall into the trap of wanting to decentralize everything too quickly – we must refine the process (just like how we honed and developed our testnet into our now fully functioning mainnet over the past year). Not every process needs to be on-chain.

To ensure we can implement this new model gradually, the Aergo Foundation will be creating a new Agora Steering Committee. This will focus on project screening and community voting seeding, to allow a more orderly and focused pipeline of ideas to be put forward.

Members of the Agora Steering Committee will comprise but not be limited to Aergo’s existing leadership team and members from its very experienced advisory board and Blocko’s research and development team.

In short, Aergo Agora aims to be a business-minded DAO and decentralized decision-making framework.

We plan to release Aergo Agora in incremental steps.

- **Q2 2020:** Incubation period. The current staking framework for BP election will be extended in functionality to allow the community to vote on some broader topics, proposals and resolutions. Our current reporting

processes (such as the QPU) will be transformed digitally, allowing the community to access the information in real time through the ledger residing on Aergo blockchain

- **Q3 2020:** Maturity and Expansion. More important pilot programs in selected areas, coupled with the formation of the Agora Steering Committees for the Aergo ecosystem (aimed at screening and guiding the subsequent community). Existing Aergo leadership team and selected advisors as starting members).

- **Q4 2020:** Full launch. As the incubation and maturation periods for Aergo Agora are completed, Aergo Agora will be officially launched.

The first new open community, inspired and powered by Aergo Agora, will be supporting our own Aergo Hub (our official utility computing hub framework that is currently in advanced stages of development).

Aergo Hub will take advantage of functionalities provided by Aergo Agora to form its own governance principles, allowing it to function in a manner very similar to DAOs.

We will periodically release more information to our community on the functionalities behind Aergo Agora and will continue to keep the community updated on how the development of Aergo Agora progresses.

Section 4: Blocko Relationship and 2020 Focus Areas

Blocko has always been our strategic partner for Aergo, and our relationship continues to evolve. Over the past two years, Blocko has provided and developed three core capabilities to the Aergo Foundation:

- **Technical resources:** Encompassing the core Aergo mainnet platform development, the associated API/SDK toolchain, our token wallet and staking support & integration, deployment blueprints, as well as training and ecosystem support
- **Business development:** Comprising of the delivery of the commercial Aergo Enterprise product for private clients, gaining access to early adopter customers, marketing support, integration know-how, and focused regional strategic focus
- **Technology and business leadership:** Covering the overall technology steerage (CTO), business leadership (CEO, Chairman), and any regional [joint] strategic investments

On the Blocko technical and business development fronts, Aergo has funded significant work over the past two years to develop the “core” Aergo platform, and to kick-start our ecosystem, as well as customer adoption of the platform. While continued technical development is planned (e.g., Aergo Hub and Aergo Agora, both of which will be financed by Aergo), the majority of this work has now been completed.

We do not therefore expect significant further Aergo funding to be needed to pay for Blocko’s support in the near future for our go-forward plans.

Blocko will, from hereon, focus its efforts on its own regional strategic business development and sales efforts. It will also continue to support the Aergo Foundation leadership as it transitions and migrates to our new Aergo Agora decentralized governance model by the end of this year.

Deeper Strategic Regional Focus

As per our last QPU, late last year, Blocko and Aergo jointly decided to place a key regional focus on two areas in what had become the new Aergo-Blocko master plan:

- (i) South Korea, to take advantage of the immediate business growth opportunity of targeting existing and new Blocko clients in South Korea; and
- (ii) The tremendous long-term strategic opportunity in the Middle East through our partnership with the private office of Sheikh Saeed Al Maktoum, one of the members of Dubai’s royal family.

When we established this comprehensive regional focus plan mid last year, we split and assigned key responsibilities across the leadership team and board of directors for Aergo. We also reserved separate budgets (at least through to the end of 2020), as well as people resources, to provide the requisite focus for these distinct strategic regional opportunities. This involved Aergo’s CEO and President, Phil Zamani, focusing on the Middle East opportunity via the new regional business called Blocko MENA, whilst Won Beom Kim and Hunyoung Park, respectively Chairman and CTO of Aergo, focused on the opportunity in Blocko’s home market in South Korea.

With an aggressive push in the Middle East, Phil Zamani and his team secured a number of key opportunities not only in the United Arab Emirates, where the initial Middle East-focused partnership was established, yet also in other regions across the Middle East.

As mentioned earlier, one such project that is close to deployment stage, having been under development for nearly four months now, is a new digital finance platform being built in a technology partnership agreement with a multi-billion dollar development finance company. Called ShameelPay, the platform is a mobile-based finance platform that will see a gradual rollout of a number of features that enable long-term sustainable financial services to be viable for both consumers (i.e., borrowers) and banking institutions (i.e., lenders). The first feature that will be released is a smart credit management feature, which is a new way of managing credit for banks and a new way of accepting loans for borrowers.

Aiming for launch of a payments feature in 2021, ShameelPay aims to become the underlying financial infrastructure for emerging digital civilizations across

nations in the MEASEA region. ShameelPay will take the form of a new joint venture partnership between the firm and Blocko MENA, focused on promoting financial inclusion and driving economic empowerment across the wider MEASEA (Middle East, Africa, Southeast Asia) region.

In parallel to this, and the other projects that we are working on in the Middle East (such as (i) a government body in the Middle East to build a new autonomous digital land registry system based on Aergo, and (ii) a major government-focused smart technology initiative in the Middle East to implement a Digital Civilization Platform in the region), we see tremendous growth opportunities for wider adoption of the Aergo platform in this part of the world.

Some of these opportunities are indeed very large and complex. These will require additional (new) technologies and capabilities – beyond Aergo’s and Blocko’s own technology and know-how.

This needs even more focus than we had initially thought. We have therefore instigated and joined a new consortium consisting of leading organizations (as detailed in the previous section) called E24P to take on these opportunities and pursue new ones in the region.

Evidently, **the Blocko-Aergo Middle East Investment Plan is showing great success**. Not only in terms of identifying, pursuing, and securing potential blockchain opportunities for Blocko and Aergo; but in selecting the most high-impact, high-potential projects to focus and eventually work on.

Given this, with the launch of ShameelPay, which is set to be offered to many countries across MEASEA, as well as the formation of E24P itself, the board at Aergo has decided to officially expand the scope of our Middle East Investment Plan to beyond simply the Middle East and instead also target the broader MEASEA region.

Phil Zamani will lead both of the new ShameelPay and E24P initiatives with a dedicated team of experts. To maximize these opportunities, he will hand over the stewardship role of CEO of the Aergo Foundation and project to Won-Beom Kim (currently Chairman). Phil Zamani will take on the new role of non-executive

President, a non-paid role focused on the long term big picture and overall governance of Aergo, but without day-to-day executive or policymaking power. Won-Beom Kim and Hunyoung Park (CTO) will lead the charge until the governance of the project is more decentralized: once the Aergo Foundation has implemented and refined our new business-minded DAO and decentralized decision-making and governance framework later this year.

Section 5: 2019 Financial Update & 2020 Plan

This section provides an update to the actual financial results (versus planned budget) during 2019, our last full year of operations. It also outlines the expected use of funds during this year. Given the slowdown in business we are already witnessing due to the global COVID-19 pandemic, we are taking measures to reduce our cash-burn to protect our treasury resources. The actual final budget for 2020 will be decided in our next Aergo board meeting in May (when we expect most countries to gradually start exiting the Coronavirus “lockdown”).

Full Year 2019 Expenditure

The crypto market remains in a very precarious state. The same is true when it comes to enterprise customer and government department adoption of blockchain within their core businesses.

Building a platform business such as Aergo is much more complicated than building just another blockchain, or dAPP for a single solution such as distributed document storage. It is like building an entirely new operating system. You need to invest in the core technology, the developer tools, ecosystem development, API focused customer deployment blueprints and complex legacy IT (and often siloed) data integration frameworks. Few understand (let alone appreciate) this. Irrespective of the significant results achieved so far by Aergo and our partner Blocko, this is not reflected in the visibility in the market and the Aergo token ownership structure we observe across the globe and on various exchanges.

The Aergo leadership team still has the conviction that our “hybrid and open platform blockchain strategy” is the right one longer-term. For enterprise-scale businesses and for governments who have serious problems to address and where Aergo blockchain provides some of the answers. It will take more time, and it will take a lot more patience. Contrary to the slow market and adoption, though, we decided to plow ahead and complete the significant build-out of the Aergo platform. In focusing on establishing and solidifying our efforts on the two strategic markets, we had previously identified (S. Korea and the Middle East). We had to do this to create the

necessary beachhead for our long-term platform strategy.

2019 marks the most aggressive investment period for Aergo and in working exceptionally closely with Blocko. We spent over twice as much in 2019 than we did in 2018, the 1st year of operation for Aergo (USD 4.2M).

As such, we spent the exact revised budget we had planned for during 2019 (i.e., USD 9,178,726 versus the plan of USD 9,203,331). Just over half of this USD 9.2M expense (USD 4.7M) was to fund the very ambitious and aggressive Aergo focused technical and business development efforts via our partner Blocko. In turn, approximately half of this was set aside for our 18-month **Middle East Investment Plan**. The majority of these payments were made from the existing Aergo Treasury Fund.

Also, during late 2019, our strategic partner Blocko completed its series B (equity) funding of circa USD 7.5M. As Blocko’s business-focused exclusively in doing business based on Aergo based technology, their customer projects, and partner growth are intrinsically linked to our own project’s success. Through Aergo Enterprise, Blocko is seeking to penetrate further the South Korean market as well as the global market. This is expected to have a positive effect on the growth of Aergo transactions and underlying token utility (and, therefore, token usage and broader ownership structure).

In the second half of the year, we also started developing Aergo Hub with Blocko. Aergo Hub is a Platform-as-a-Service framework (PaaS). It aims to become the public interface of Aergo and will contribute to the development of our project through the use of the Aergo Mainnet and our token. Finally, the top two coins held in our treasury fund have fluctuated dramatically, increasing and decreasing in value by up to 300% during the past months. Very recently, Bitcoin was so volatile that the price varied from USD 3,746 to USD 12,000; Ethereum followed suit ranging between USD 134 and USD 322 in the same timeframe. These drops in value have resulted in some unexpected costs and asset depreciation for our remaining Aergo Treasury Fund (of which circa 50% is now held in crypto assets).

The full expenditure breakdown for the completed 2019 year can be seen in Table 1 below.

\$ US Dollars	Spent, 2019	%	2019 Budget
(1) Compensation	\$794,912	117.7%	\$675,500
(2) Marketing	\$1,371,593	114.3%	\$1,200,000
(3) Token Generation Event	\$730,389	60.9%	\$1,200,000
(4) General & Administrative	\$216,585	47.2%	\$459,000
(5) Professional Services	\$235,708	04.8%	\$225,000
(6) Ecosystem Development	\$1,136,309	90.9%	\$1,250,000
(7) Blocko Partnership	\$4,693,230	111.9%	\$4,193,831
Total Expenditures	\$9,178,726	99.7%	\$9,203,331

Table 1. 2019 Full Year Expenditure versus 2019 Planned Budget

A summary breakdown of the core elements of our 2019 expenditure and variance with the budget follows.

(1) Compensation: Total compensation costs to fund the various team members, foundation board members, and advisors to Aergo. This was slightly higher than planned due to additional developers on various R&D tasks.

(2) Marketing: These costs covered events, PR, advertising, digital marketing, exchange marketing, sponsorships, community awards, merchandising, and other community activities delivered during 2019. We increased the marketing spend over the recent months by attending several leading industry events as part of our expansion with Blocko into the Middle East.

(3) Token Generation Event: This covers all the costs in respect of listing and marketing, promotions, and token holding competitions on various exchanges. We decided to only list the Aergo Token on fewer (more reputable exchanges), so these costs were significantly lower than anticipated.

(4) General & Administrative: These costs cover costs for rent, insurance, utilities, equipment, software/information technology, and travel. These costs

were lower than the previous year, in part due to our significant reduction in focus in the (expensive to operate) EMEA region.

(5) Professional Services: This covers 3rd party costs for services to Aergo, including legal advice, compliance, AML/KYC, banking, tax, accounting, and auditing. It also includes some of the legal and compliance costs with setting up Blocko MENA to promote Aergo in that region.

(6) Ecosystem Development: Ecosystem Development represents costs such as product tooling, training, security, and engineering testing and integration. With the successful release of Aergo Enterprise by Blocko, we were able to leverage this work to reduce our Aergo mainnet work.

(7) Blocko Partnership: As in the year before, this is our most considerable annual expense. This covers the majority of strategic technology and business development work subcontracted to Blocko. The technical R&D work is specified and conducted under non-recurring, statement-of-work (SOW) based contracts. During 2019 this included work such as (a) Aergo core platform product development (i.e., building and integrating Aergo Enterprise with Aergo public chain); (b)

the creation of an Aergo token swap/bridge capability; (c) interfacing and integration work with distributed Binance DEX exchange; (d) initial work towards the creation of a stable Aergo token; and finally (e) continued support, enhancement and extension of our core Aergo mainnet public chain capability. Over half of this 2019 expenditure was reserved and allocated towards our 18-month Middle East Investment Plan.

As stated earlier, 2019 marks the end of a two-year aggressive investment period for Aergo and Blocko to build and incubate the Aergo platform and in establishing the baseline business development activities for the project.

We have planned for a much smaller investment with Blocko this year. This is covered in the next section.

2020 Provisional Budget

Although the first revenues for Aergo are starting to emerge through selective projects, our funding needs will continue to be funded from our existing Aergo Treasury fund primarily.

As explained in prior QPUs, We maintain our core principles of: (i) investing in select areas where we believe there are significant benefits for the project - event if these are to be achieved longer-term; (ii) leveraging the skills and resources available to Aergo from our partners - like Blocko; and finally (iii) prudently using our own financial assets (i.e., Aergo Treasury funds and token reserves); by ensuring a continuous and rolling 18-month runway for the project.

To be able to continue with this execution plan, the Aergo board of directors decided in early 2020 to spend the minimum required to sustain the project for the foreseeable future: before the COVID-19 outbreak was even known. We are now in effect, running on a much lower cash burn rate than before.

We remain very cautious about the market and must therefore continue to fund the business diligently. This is due to (i) the very large investments made in the prior two years (and that now need to bear fruits), (ii) the effect of the crypto market on our Aergo Treasury funds held in Bitcoin and Ethereum, and finally (iii) due to the expected

slow recovery when the COVID-19 pandemic finally subdues.

The Aergo leadership team has taken many measures to be able to reduce our ongoing and near-future expenditures to sustain the project long term.

Examples of these measures for 2020 include:

- (i) Significantly reducing the amount of technical and business delivery work we contract out to Blocko to the most important areas of our Aergo execution roadmap only.
- (ii) Slowing down, freezing, or stopping entirely specific R&D projects (such as Captain Aergo).
- (iii) Extending and using the pre-allocated 2019 budget for our 18-month Middle East Investment Plan, so it is used to help part-fund specific activities and former Aergo staff until the end of 2020 (such as those joining the new E24P and ShameelPay initiatives in the MEASEA region).
- (iv) Rewarding certain members of Blocko R&D teams working on Aergo in tokens versus cash from hereon.
- (v) Reducing future payments to Aergo advisors by releasing all of their remaining Aergo tokens early (completed by the end of 2019).
- (vi) Significantly reducing ongoing Aergo team and Foundation member salaries and board payments (and offering payments in future Aergo tokens where possible).
- (vii) A further reduction in Aergo Foundation payments though the departure of Phil Zamani from the Aergo board of directors.
- (viii) Reducing our marketing spend significantly by only participating in customer and partner-facing activities – with almost no conference attendance planned for 2020.
- (ix) Reduced our international travel by working with, and locating our people, closer to the two major markets we are focused on.
- (x) Reduced our administrative expenses for the project. As part of this, we are also conducting a detailed review to determine whether moving the Aergo Foundation to

another jurisdiction other than Hong Kong would be beneficial.

(xi) Lastly, we will only spend our assets to support certain crypto exchanges that we believe will benefit our project on a go-forward basis.

We believe these collective measures will reduce our 2020 expenditures to less than a third of the actual

expense incurred in the prior year.

This cost reduction exercise is still ongoing. Nonetheless, we are setting a provisional budget for this year of just over USD 3M (see Table 2 below).

The actual final, more detailed budget for 2020 will be decided in our next Aergo board meeting in May.

\$ US Dollars	2020 Budget	2019 Actuals	% YoY
(1) Compensation	\$260,000	\$794,912	32.7%
(2) Marketing	\$500,000	\$1,371,593	36.5%
(3) Token Generation Event	\$300,000	\$730,389	41.1%
(4) General & Administrative	\$100,000	\$216,585	46.2%
(5) Professional Services	\$150,000	\$235,708	63.6%
(6) Ecosystem Development	\$500,000	\$1,136,309	44.0%
(7) Blocko Partnership	\$1,250,000	\$4,693,230	26.7%
Total Expenditures	\$3,060,000	\$9,178,726	33.3%

Table 2. 2020 Planned Full Year Expenditure versus 2019 Actual Spent

Use or Aergo Token Reserves

There are a total of 500,000,000 Aergo Tokens in existence (i.e., total supply). This total is locked as per the Aergo Organization Articles of Association (AoA).

As a recap:

The 500 million Aergo tokens are grouped into five major usage categories: (1) Private Token Sale (2) Community (3) Reserve Tokens (4) Advisor and Backer Tokens (5) Employee and Team Tokens. Aergo tokens are being released over a ten-year time frame. Some earlier than others (i.e. Private Token Sale holders, whose tokens were all released by the end of December 2019, and Aergo Advisor tokens also fully released by the end of last year. Other tokens will be released over one to three years (Aergo Team and Blocko R&D Tokens). Most Aergo Team and Blocko R&D Tokens will have been released by the end of this year.

We allocated a large portion of Aergo tokens to help create, test, deploy, secure, and maintain the core Aergo main network. We know it will take both time and a large network of partners for Aergo to reach its full potential. Of the total supply of 500 million tokens, approximately 45% (222,737,430) Aergo tokens were originally reserved for building, supporting and sustaining the Aergo Platform and supporting ecosystem. These are what we call the Aergo Platform Token Reserve (ATPR). Some of these will be used within the next three years. However, the vast majority of these will be released and utilized over a longer 10-year period (179,416,997 tokens; 36% of total supply). In fact, many of these tokens (125,000,000 i.e. 25% of total supply) will never be released as they will be used as long-term staking tokens.

(Class A) Community Incentives (Years 1 - 10)

<i>Ecosystem (block producers, dApps)</i>	<i>30,000,000 (6.0% of supply)</i>
<i>Developers & open source ecosystem</i>	<i>3,000,000 (0.6% of supply)</i>
<i>Consensus reserve 1</i>	<i>62,500,000 (12.5% of supply)</i>
<i>Consensus reserve 2</i>	<i>62,500,000 (12.5% of supply)</i>
<i>Testing, deploying, operating Aergo</i>	<i>21,416,997 (4.3% of supply)</i>

(Class B) Foundation Reserve (Years 1 - 5)

<i>Business development</i>	<i>10,000,000 (2.0% of supply)</i>
<i>Marketing & PR</i>	<i>10,000,000 (2.0% of supply)</i>
<i>Community incentives</i>	<i>10,000,000 (2.0% of supply)</i>
<i>New market entry, token generation event</i>	<i>5,000,000 (1.0% of supply)</i>
<i>Foundation contingency</i>	<i>8,319,434 (1.7% of supply)</i>

Total tokens allocated for long-term platform and ecosystem build-out

Total Class A	179,416,997 (36.0% of supply)
Total Class B	43,320,433 (9.0% of supply)
Total tokens (A + B)	222,737,430 (45.0% of supply)

Latest Aergo Token Metrics

In this final section of the QPU, we explain where the majority of Aergo Tokens were recently released. This includes an insight into the current and next planned immediate circulation of Aergo Tokens. As part of our communicated 2019 execution plan, the Aergo Foundation released most of private purchaser, key backer, 3rd party contract and Aergo Foundation member and advisory board reserved tokens by the very end of the year. Total circulating supply as of the end of 2019 was therefore increased to **236,173,131** (47.2% of total supply and below the originally expected percentage of 49.6% for the full year). In summary and during Q4 of last year, we released a total of **81,035,036** extra Aergo Tokens. As of writing this report, the *total circulating supply of Aergo Tokens counts 264,019,890* (i.e. 52.8% total supply). You can check this online at the [CoinMarketCap website](#). We plan to release a further **50,877,125** (i.e. 10% of total supply) during the remainder of this year to meet committed obligations and to help part fund the 2020 operating plan. The annually released Aergo Tokens will continue to decline on a year-to-year basis.

Note: Full metrics and vesting schedules for all Aergo token holder categories can be reviewed [here](#). Occasionally, these metrics are rebalanced to suit both the immediate and long-term nature of the project. However, we do not anticipate any major changes to these vesting schedules in the future.

A summary of the Aergo Token split² that are reserved for each major category follows.

	No. of tokens
<i>Tokens Sold in private token sale, including discounts</i>	135,392,289 (27.1% of supply)
<i>Ecosystem Incentives for developers, community, partners, businesses working on Aergo</i>	161,207,844 (32.2% of supply)
<i>Reserve for future dApps, partners, business development, foundation & marketing/PR</i>	120,819,434 (24.2% of supply)
<i>Team Tokens for advisors, team building, Blocko, testing, deploying & operating Aergo</i>	82,580,433 (16.5% of supply)
Total token supply reserved by category	500,000,000 (100.0% of supply)

A summary of the latest Aergo Token circulating supply² (as of 31/12/2019) is as follows:

	No. of tokens
<i>Tokens already released to Aergo private Token Sale participants</i>	135,392,289 (27.1% of supply)
<i>Tokens already released as part of various Ecosystem development initiatives</i>	17,376,769 (3.5% of supply)
<i>Tokens already released from the Aergo Reserve pool</i>	40,633,022 (8.1% of supply)
<i>Tokens already released to Team: advisors, key backers, foundation, Blocko, marketing/PR</i>	42,771,051 (8.6% of supply)
Total circulating supply released by end of 2019	236,173,131 (47.3% of supply)

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 purpose. All future circulating supply estimates are based on the Aergo Organization's current execution plan. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially.

A summary of the future Aergo Token circulating supply² (over the next four years) is as follows:

	No. of tokens
<i>Estimated number of tokens to be in circulation by the end of 2020</i>	314,897,015 (62.9% of supply)
<i>Estimated number of tokens to be in circulation by the end of 2021</i>	385,897,015 (77.1% of supply)
<i>Estimated number of tokens to be in circulation by the end of 2022</i>	430,000,000 (86.0% of supply)
<i>Estimated number of tokens to be in circulation by the end of 2023</i>	450,000,000 (90.0% of supply)



Thank you for reading this report.

Our goal is not only to keep our stakeholders well informed, but to also make sure we stay true to our most core values: trust, transparency, and openness. We are remaining accountable to ourselves as much as we are remaining accountable to you.

If you have any questions, please [email us](#). For regular updates, [follow us on Twitter](#).

Until next time,

Team Aergo