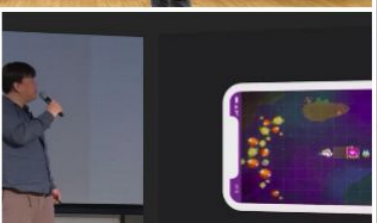
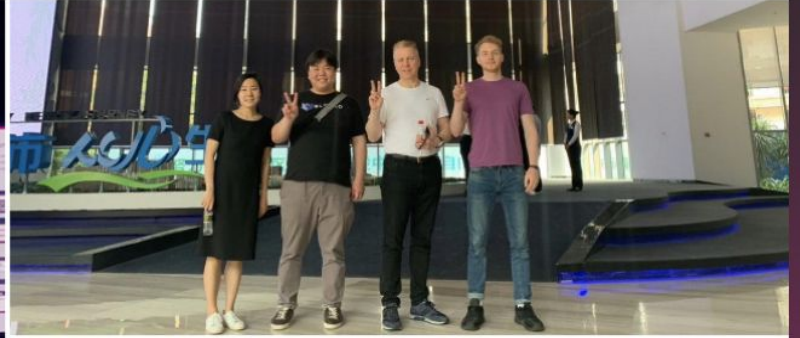


Aergo Quarterly Project Update Q2 2019

May 17th, 2019



Aergo Limited | Notice to Readers

The information contained in this Quarterly Project Update (“Report”) is given as of May 17th, 2019, unless otherwise noted.

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

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

Aergo Limited (the “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 platform. The 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 the 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 online resource from Goldman Sachs can be viewed [here](#).

*“Good Software Takes Ten Years.
Get Used To it.”
Joel Spolsky, July 2001*

Full year reflection from the Chairman and CEO

The past few months have been extremely busy for the Aergo team. I am happy to report that exactly one year after we announced the formation of Aergo we continue to meet all our stated technology, business and financial goals.

This report is for the reading leisure of all Aergo stakeholders. It is deliberately detailed as it acts as a full-year Aergo project review for our stakeholders.

This being our second Quarterly Project Update (QPU) Report, I have provided detailed highlights of the past quarter. I have also provided some commentary on our plans and focus areas for the current quarter as well as for the rest of 2019. Once again, we delivered tangible value to all our stakeholder groups, that is, our global communities, business partners, developers and future clients. Our stakeholders continue to show faith in the Aergo project, our team and the amazing technology we are building. The opportunity Aergo provides for businesses is being taken seriously by all kinds of parties.

The previous quarter for the Aergo project was very special. It marked the transition from an Aergo pre-production testnet to a high-performance production-ready mainnet.

Not only is the Aergo mainnet ready, but our strategic technology partner Blocko is now using this and has just announced a full commercial product called Aergo Enterprise. This will be available for general release to the market very soon. This comprehensive product can be adopted, extended and implemented in real-life production systems which can be applied in any industry. Blocko is now actively working with many of its integration partners and existing clients to migrate and help them build even more business value-adding solutions by leveraging the new trusted Aergo main network. Blocko will showcase what is possible with Aergo, as it is completing and will shortly ship a number of exciting Aergo applications.

Aergo is perhaps the world's most comprehensive new clean-room implementation of a hybrid blockchain platform. It can potentially be used by a much larger community of developers compared to other existing blockchain platforms today. Unlike others, it provides a pragmatic design approach for businesses, by allowing them to leverage their existing IT investments while coupling these with a new public blockchain network. Aergo is built for large-scale enterprise deployments. It helps unlock previously siloed data to enable the creation of new, innovative solutions and business ecosystems for firms in a wide range of industries.

Now that our network is live, we are bringing onboard the Aergo mainnet's first 23 block producer candidates under a carefully staged and managed program. The Aergo main network must meet the highest standards possible for it to reach its full global potential. We have asked Blocko to spearhead and incubate this program.

Additionally, we are deepening and broadening our partnership with Blocko. As they have world-leading expertise having delivered many enterprise-scale production use cases, this is great news for the Aergo project. The newly finalized partnership's framework extends beyond the existing technical focus into joint marketing, sales and business development initiatives. This extensive partnership has already borne fruits. Our first large-scale customers and strategic partners are starting to finally come onboard. For example, they announced a major project with Hyundai AutoEver and have more projects in the works. We are also looking to work closely with one of the world's leading blockchain research teams where we will collectively work on large-scale problems that can be solved with our hybrid blockchain architecture. These projects are not small proof of concepts (PoCs): they are industrial, government, and in some cases global programs.

As we move on from our early areas of focus (that is, 2018 was "*phase one: build*", early 2019 was "*phase two: deploy*"), we are transitioning the entire Aergo team and partner ecosystem into what we now call our "*phase three: business execution*" stage. This phase will see us focus on closing agreements with business partners, IT integrators and of course early customers for Aergo. It also includes a comprehensive and focused effort to build out the Aergo F/OSS (free and

open source) developer ecosystem and enable many unique decentralized applications to run on Aergo. Our phase three plan is a long-term program that will be sustained until at least the end of 2020. I am glad to share with everyone that we have secured and allocated the needed resources (that is, people, partnership and funding) to support this campaign.

Many projects are heavy on ideas, light on technology (they have unproven solutions) and often completely inexperienced and understaffed on the business/sales execution side. They do however have significant financial resources.

Projects often use these resources to make weekly press releases about projects, partnerships and PoCs. These may drive attention towards these projects, but these, often hollow announcements, are not only unsustainable, they are a misrepresentation of what it actually takes to find, qualify, nurture, close and deliver enterprise-grade solutions to businesses.

One only has to follow each one of these announcements to see if within a year they have resulted in production-deployed use cases. This is a land with few inhabitants (at least today).

We are the opposite of what I have just described.

We focus on real deals: commercial transactions that, once delivered, result in substantive business value and real announcements. This may not be exciting to those who are looking for immediate, frequent short-term news stories.

Joel Spolsky puts it quite aptly: “**Good Software Takes Ten Years. Get Used To it.**”

It takes ten years for good enterprise software to reach mass adoption. It takes lots of customer feedback, lots of iterations and lots of hard work. It also takes between 6-18 months for enterprise clients to identify, architect, test and deploy these new solutions within their business.

We take the opportunity to explain in this QPU how we will navigate this journey and deliver results: gradually, but sustainably. We also give a preview of a number of exciting (large) scale projects and clients we are currently engaged with. Some of these are industry firsts, as they will use our hybrid blockchain architecture to solve very complex problems. For example, sensitive or privacy compliant data (that is collected, stored and secured on private chains) will be anchored to our new public mainnet to create new solutions and services to businesses, their partners and of course customers.

In another area of focus for the project, it is estimated that over 1 trillion devices use SQLite interfaces. Our new AergoLite application allows unimaginable ways to connect these SQLite interfaces found everywhere to new trusted and distributed blockchain-based systems. All of this is possible through our comprehensive and easy-to-use development environment. This allows developers of all capabilities to program and to use Aergo to build new IoT connected services on blockchain. For enterprise architects, we are also shipping pre-built, pre-tested and proven deployment blueprints and applications in areas such as identity and public key authentication. All of these are aimed at simplifying and accelerating the speed at which users, developers and business users can build their solutions on Aergo.

On the financial side, we continue to use our treasury resources diligently so we can fund the project for the long-term. We released more tokens to a range of token holders and used some of our reserves to accelerate a range of technical, community, as well as business development activities.

Many prospective future token holders have been demanding access to the Aergo token and subsequently the Aergo platform. This led to an expanded number, size and enlarged area of geographical coverage of exchanges that now list the Aergo token: including major cryptocurrency exchanges Bittrex International and Upbit.

Clarifying and refining our message to business customers, partners and our developers were achieved by way of our brand new aergo.io website and revised positioning. We continue to invest in further strengthening our regional communities and visibility in specific countries such as China, South Korea and in Europe.

A year ago, many projects were promoting and even perhaps polarizing the debate around the pros and cons of a public versus proprietary private blockchain. Back then, we were amongst the few projects advocating that, much like IT today, the world will end up adopting a hybrid and open source platform. One that combines the best of a variety of existing solutions coupled with the best of breed, in terms of blockchain usage and deployment models.

But today, the tenure of this discussion has shifted. Now, even IBM is talking about *hybrid* — public plus private — enterprise blockchain. At this week's Consensus 2019, vendors who previously doubted that private and public blockchains needed to co-exist are now rushing onto the bandwagon to talk about their ("soon to be released") hybrid blockchains. Others are pushing their "blockchain-as-a-service" (BaaS) approaches where they are hashing together existing blockchains on their public cloud infrastructures. Aergo is perhaps now the leading enterprise platform that provides a single, integrated B2B stack - that combines the best of private and public clouds – with a proven software and IT delivery framework. A solution that works today (not sometime in the future).

Our messaging, positioning and strategy is now being copied by others! We are flattered. We recognize that we have a long journey ahead, but we seem to be on the right path.

Suddenly many projects are trying to make their platforms *open source*. But talking open source is easy. Living and breathing open source has to be instilled in your project's DNA from the beginning. Being open source not only means using *open source licencing*; it also must involve *open design*, *open development* and an *open community*. A number of us know this from our time working at Red Hat, Suse Linux and VMware; our team is following a similar path.

That's why we built a completely new clean-room public blockchain implementation from the ground up and will make this entirely open. We will continue to maintain a publicly available source code repository through our development process. We are open and indeed welcome [public code reviews](#). We continue to include users, developers, partners, block producers and customers to gather requirements, define priorities and flesh out the technical design to guide development for our future R&D cycle. We are now prioritizing how we can establish a healthy, vibrant developer and user community.

Looking ahead for the rest of the year, expect to see continued effort, and in specific target areas, an acceleration of our 2019 technical, partnering and business activities.

Stabilizing and scaling our recently released mainnet platform and early block producer partners is a top priority. A secure industry leading two-way token bridge called the Merkle Bridge will also be delivered in the coming months/quarters. This will allow Aergo tokens to be staked as part of our mainnet security and operations framework. The team continues to work on the rest of our technical platform – such as our innovative Aergo Hub serverless computing framework. As stated, you will also soon see the start of focused developer and system integrator enablement and recruitment programs.

Finally, now that our mainnet is ready, we are taking our message to the market and our future customers. We made a bold statement about our intent at the recent successful Deconomy event in Seoul. We will increasingly attend industry events to raise the awareness of Aergo with the many future participants we want to attract to our ecosystem.

Our positioning statement summarizes it all best: **"Aergo is not a blockchain — it is the Blockchain for Business."**

Phil Zamani, Chairman & CEO of the Aergo Organization

Table of Contents

Section 1: Introduction

Executive Summary

Section 2: Q1-2019 Results

Section 3: 2019 Strategy & Focus Areas

Mainnet Stabilization and Scale Out

Block Producer Incubation

Partnership & Ecosystem Buildout

dApp Ecosystem & Developers

Blocko Client Migration

New Clients

Section 4: Blocko Business Partnership

Blocko-Aergo Sales Execution Model

Section 5: Financial Update

2019 Financial Plan

Aergo Treasury Fund

Use of Funds

Token Utility

Use of Token Reserves

Aergo Token Metrics

Section 6: Key Questions from our Stakeholders

Section 1: Introduction

Aergo aims to become one of the leading enterprise hybrid blockchain platforms.

Just like in 1994¹, when Marc Ewing created Red Hat and became the David versus Goliath by competing directly with the likes of Sun Microsystems, Microsoft and IBM: Aergo is the challenger in this new and embryonic enterprise blockchain platform market.

Just like Red Hat, Aergo is adopting the powerful model of open source to build its technology, its developer and its partner ecosystem. As one of the very few true *clean-room* open source-based implementations of such a platform, it will be competing directly with larger, primarily permissioned blockchain solutions such as Corda, Ripple and Hyperledger.

The enterprise blockchain market is now maturing. Many companies have transitioned from asking “*why should I use blockchain...*” to “*where should I use it*” as well as “*can you show me real uses-cases to help guide us*”.

Now that we have built and delivered the core technology for the Aergo platform, we will accelerate and intensify our efforts to:

1. Build out the Aergo ecosystem,
2. Attract and support key developers, dApp projects and core partners to Aergo; as well as,
3. Help customers adopt this new innovative hybrid blockchain platform.

In our last Quarterly Project Update, we focused on explaining how the project was set up, managed and financed.

While we again provide the most recent status of the project’s finances, use of treasury funds and latest token metrics: this quarters report is all about explaining *how we plan to execute* from hereon.

Although the potential future opportunity that Aergo aims to serve is very, very large: our stakeholders need to fully appreciate the complexity and long-term nature of what we are building. This is so they understand how we plan to execute, resource and finance the project: and why plan to do it the way we plan to do it.

As part of this multi-quarter and multi-year execution plan, we also explain how we have now agreed an even more comprehensive partnership with Blocko. Previously Blocko was confined to produce and still is producing the key technologies that form the Aergo platform. We have now extended the relationship to include strategic business and partner development. We take the opportunity to describe what this will involve later in this report.

Aergo is both ambitious and pragmatic. It is also transparent and professional. We will always focus on doing-the-right-thing and doing the right thing well.

Providing news and informing our community are very important to us. However, generating news for the sake of news, or to artificially inflate our brand’s value like other projects perhaps do is not a game we chose to play. Real tech, real customers, real news, YES.

The next phase of Aergo’s business plan will be consistent with prior phases: it will [as it has always been] be about: *execution-execution-execution*.

This report covers the following:

- Aergo’s performance during the past few months.
- Details of our next-stage go-forward plans, areas of focus for the next quarter and the next two years.
- Information related to an expanded strategic business development relationship with Blocko.
- A summary of our latest finances, use of funds, treasury status and updated token metrics.
- Answers to some key questions raised by our followers, token holders and other stakeholders.

As always, we invite and welcome feedback on this report from our stakeholders.

¹ In Red Hat’s battle with industry giants, Sun Microsystems first went out of business (following an acquisition by Oracle)^β. Microsoft decided to then switch from touting that ‘Linux and open source are the enemy’ to being one of the most open source-friendly vendors on the planet under its visionary CEO Satya Nadella. As for Red Hat, IBM acquired them a few months ago for US\$34 billion. If you can’t beat them, join or buy them!

Executive Summary

A short summary of the achievements in the early part of 2019, as well as our go-forward plan for the year is described below.

During the first quarter of 2019, we achieved all of our target objectives. These were:

1. Deliver the first production-ready version of the public Aergo main network.
2. Expand the range of exchanges that Aergo tokens were available on to encompass larger user bases (i.e., Bittrex International, Upbit).
3. Conclude a deeper business-focused (i.e., sales, marketing) partnership with Blocko.
4. Award two new contracts, totaling ~US\$2,950,000, to Blocko.
5. Launch a focused three-phase network governance and block producer program.
6. Plan, design and present a completely new platform for SQLite-embedded sidechains on Aergo (i.e., AergoLite).

Notable other news over the past months include:

- We increased the team size working on Aergo to 50 people (30 R&D, 20 business development, marketing & PR, operations).
- Blocko closed its first major contract with a large client, Hyundai AutoEver, right after announcing its core product offering is now Aergo-based.
- Blocko's CEO, Won-Beom Kim, has joined the executive team of Aergo.

Our go-forward plan for the rest of the year will focus on five key areas:

1. Stabilize, scale-up main network. Deliver the next wave of the technology stack.
2. Build out the block producer partner ecosystem and deliver a detailed token economics model to support it.
3. Launch dApp and developer ecosystem programs with easy-to-follow online technical content to support it.
4. Close our first partnerships: sign on system integrators, strategic technology and telecom/hosting, partners.

5. Close more deals, migrate existing Blocko clients to Aergo, win new PoCs, bring on lighthouse reference customers.

These will be supported by more focused marketing, brand positioning and community development activities.

This includes making the Aergo token available to more potential token holders by listing on larger global exchanges.

Aergo will also participate in more customer-focused industry events in our target geographies (i.e., South Korea, China, Europe).

Section 2: Q1-2019 Results

In this section, we provide an overview of some of the objectives we set out to accomplish for the first quarter of the year and the results we achieved throughout the months that ensued.

The quarter has been a very productive one for the Aergo project, with much progress made on business development, ecosystem growth and technology buildout fronts. The Aergo Organization has succeeded in meeting its goals set out in the Q1-2019 QPU and made a number of other advances in establishing the Aergo platform.

Additionally, third-party firms like Blocko made a series of important advancements that propelled the development of the Aergo project substantially.

Last quarter, when we published our first QPU for Q1 of 2019, we set out with the following key objectives for the year:

1. Continue to deliver our technology roadmap and build the associated F/OSS developer community.
2. Establish partnerships with important future members of the Aergo ecosystem.
3. Sign strategic deals with early customers to prove the Aergo solution and show the mass market how disruptive blockchain technology is when applied pragmatically.

In the first four months of 2019, since the release of the first QPU, we have accomplished the following:

- Launched the Aergo mainnet as the first clean-room implementation of a high-performance and enterprise-grade hybrid blockchain platform to rival Corda, Hyperledger and Quorum.
- Provided a comprehensive set of development toolkits, environments and published the Aergo Developer's Guide.
- Unveiled the technology behind Aergo's interchain transfers, the Merkle Bridge, a new interoperability design to rival POA and Cosmos.
- Made great progress on establishing key strategic ecosystem collaborations and established a new partner program, the Aergo Partner Network (APN) — more to follow on this during the coming months.

- Launched the 4-1-9 campaign: an initiative to explain the meaningfulness of the Aergo main network launch through a 15-post series of blog and content postings.
- Conducted a 26.5 million (i.e., 5.3% total supply) token repurchase and reallocated those tokens into the Aergo long-term token reserves.
- Conceptualized, designed and initiated development for AergoLite: new embedded sidechain technology leveraging Aergo's strong capability for data handling to expand into use cases like IoT with exceptionally easy integration using SQLite. Showcased a proof of concept implementation of AergoLite at an event in London.
- Acquired a cash stake in and partnered with SatoshiPay to create the fastest infrastructure for blockchain-based credit card micropayments targeting B2B2C clientele and users on the Aergo platform.
- Greatly expanded the initial RewarDrop campaign into the "Knights of Aergo" to strongly and efficiently leverage Aergo's excellent community of ambassadors.
- Released a public beta version of the Aergo Connect browser extension wallet for Chrome, featuring ease of use and accessibility.
- Saw deployment of Gotchu, a crowdfunding platform based on Aergo's blockchain and tokenomy, locally in the Korean market. Thereafter, Gotchu saw adoption from many individuals in Korea as well as the third-largest political party in the country.
- Signed on early block producer and node provider candidates to incubate the Aergo mainnet and dPOS algorithm.
- Explained the disruptive potential behind the Aergo project through a number of crypto-focused and industry events (i.e., Deconomy).
- Saw the Aergo token listed on major cryptocurrency exchanges including Bittrex International and Upbit.

Blocko, the Aergo Organization's close strategic partner, also made a number of advances throughout Q1-2019.

The Aergo Organization and Blocko concluded a deeper partnership during the quarter, detailed in Section 4 of this document. This partnership will see both entities create even greater synergies to create a lasting effect on the overall Aergo ecosystem.

Blocko achieved the following in Q1 of 2019 (based on publicly disclosed information):

- Started a Coinstack to Aergo-based product migration program for existing large-scale blockchain users (Coinstack was Blocko's older product).
- Announced the launch of Aergo Enterprise, an Aergo-based customer-centric product by Blocko, which includes ready-built applications including Aergo CERT™, Aergo TSA™, Aergo Identity™, Aergo Orchestration (BaaS).
- Partnered with Hyundai AutoEver to build a platform to track used car metadata using its technology offerings (i.e., its new sole product Aergo Enterprise).
- Brought Captain Aergo, a dApp being built on Aergo for iOS and Android, into advanced stages of development.
- Continued its aggressive business and sales execution plan by winning paying transactions with existing clientele; as well as onboarding new customers.
- Closed multiple commercial deals to build on the Aergo platform leveraging newly launched main network.
- Allocated an additional 10 full-time employees to the buildout of the Aergo platform, making a total of 50 full-time personnel working on Aergo from Blocko.
- Pursued its global expansion initiative to strengthen its regional presence in Europe, Canada, Australia, Brazil and China.

Section 3: 2019 Strategy & Focus Areas

This section explains our go-forward plan, not only for the next quarter, but in fact until the end of this year and well into 2020.

Our go-forward focus will be in three key areas:

1. Continue to improve our mainnet and deliver our technology roadmap; while incubating the needed block producers to stabilize, secure and run the network;
2. Establish partnerships with important future members of the Aergo ecosystem; including building the associated F/OSS and dApp developer communities;
3. Sign up several early customers to prove the Aergo solution and show the mass market how our disruptive hybrid blockchain platform can solve real-world business problems when applied pragmatically with existing IT systems.

Mainnet Stabilization and Scale Out

The Aergo main network is at the core of the Aergo platform and ecosystem: it is the central hub.

During the ongoing incubation phase, the Aergo mainnet is sequentially brought to full capacity to ensure stable maintenance and growth of the network in the first 3-6 months of operation. Additional management tools and resources are also being prepared.

We continue to optimize our new dPOS consensus mechanism to achieve even greater levels of security and network performance.

Extra libraries and deployment blueprints will be created for developers and clients who are asking for advanced identity management capabilities. Deployment blueprints are documented, tested, ready-to-deploy use cases as well as libraries for development. These are invaluable *how-to cookbooks* regarding programming, configuring, securing and integrating the Aergo mainnet with a company's existing IT infrastructure.

Over the coming months, we will expand our Aergo mainnet DevOps resources, providing 24x7x365 support on a global basis.

A new two-way Merkle bridge is being prepared to allow interactive, fast and secure conversion and locking of

Aergo *ERC-20 tokens* with the advanced Aergo *native coin*, currently being tested prior to rollout.

We are developing a new advanced DAO protocol and governance system for the Aergo mainnet.

Further work will be performed to allow a new high-quality interface and integration backplane, including support for Ethereum.

We will work very closely with Blocko to build a production version of the new Aergo Enterprise product. This is a core solution to allow large-scale production deployments built around the Aergo mainnet. It will also include new enterprise-grade subscription support services for clients.

As we complete the needed stabilization and scale-up of the Aergo mainnet, we will develop and test the first iteration of our advanced dApp and sidechain orchestration software.

This will include the Aergo Hub service platform, with beta release planned for H2-2019.

Finally, we will develop further developer-focused frameworks to allow new dApps to be created easily.

Block Producer Incubation

The Aergo main network consists of 23 trusted and enterprise-grade block producers that secure and host the network: providing fast processing to users executing transactions on the network.

At mainnet launch, the network has 13 block producers. The network's block producers are a mix of external partners, primarily based in South Korea, as well as Blocko. The Aergo Organization votes for them, safely incubating the dPOS consensus algorithm. Once the network reaches a certain stability level, this phase of the program concludes and the next phase begins. This is called the *Acceleration* phase.

In the coming months we will be recruiting more block producers in many regions of the world: specifically Europe, China and Southeast Asia.

We also plan to announce a focused program for advanced enterprise firms who may want to become future block producers on the Aergo mainnet. This program is especially focused on block producers who also want to become integration and node hosting partners for businesses who may need to run high-performance Aergo sidechains.

This program will focus on firms in the hosting, cloud and telecommunications sectors. Being able to provide greater than 99.5% service availability uptime, secure networking, high-bandwidth and low latency will be some of the core SLA (Service Level Agreement) requirements for this.

We are currently working with a leading Asian cloud hosting partner to build, test and refine the proposed ideas and model.

We have also developed a new native Aergo coin for use on our mainnet. This is only available to existing block producers and as part of the incubation phase. We will announce full details of the Aergo native coin and how this co-exists, interacts and can be interchanged with the existing Aergo ERC-20 tokens in due course.

For more information on our mainnet and block producer incubation program go [here](#).

Partnership & Ecosystem Buildout

Now that mainnet has launched, we are now actively looking for technology and integration partners in our target markets Europe, South Korea, China and other regions in Southeast Asia.

Specialist IT system integrators will allow us to reach more clients, more projects and allow us to operate in more regions around the world. In the next section we explain how we will leverage and work with Blocko in this regard. Blocko has unique know-how, expertise and an extensive network of suitable partners; who may be interested in supporting the Aergo ecosystem.

A partner focused business development program is being created to support these activities. This will be tested with a select number of already-identified partners in the coming months.

We will also selectively add specialist partner managers and experts to the team, in specific countries, to focus and pursue the above and perhaps even more complex partnering efforts.

An example of the latter category is a new joint advanced enterprise blockchain development partnership with one of the world's leading international advanced blockchain research institutes. This may involve incubation and enterprise client focused work to accelerate large-scale deployments on Aergo. One of the regions where our presence will benefit from this future agreement is China. The partner has an extensive reach into many industrial, manufacturing and supply chain sectors that are looking to use blockchain.

We hope to report back on this in the coming months.

dApp Ecosystem & Developers

Blocko has developed a few of its own in-house dApps. These will become available in the second half of 2019.

You will very shortly be able see the first teaser of one such application (Captain Aergo). As with our mainnet, we will release and test our technology in waves, by working with key developers and early-adopters 1st.

We are also preparing to deploy a team ready to work with dApp development teams in selective regions. While it is still early stages for the program, we have secured a position at a leading dApp incubation program with leading UK universities starting in September 2019.

Aergo needs to attract the attention of other key developer groups: open source programmers, enterprise cloud experts, security specialists and more.

The most effective way to achieve this is through existing expert open source and cloud developers available within both Blocko and Aergo. These experts are readying specific developer focused (online and offline) materials; so we can run a number of education, recruitment and enablement programs.

We will in parallel with the above launch a new Aergo community ambassador reach-out campaign. This is to get our message heard. It will include the creation of

dedicated application hackathon workshops programs in target regions of the world. As we learn and optimize these activities, we will schedule more such programs during the year.

Blocko Client Migration

As will be explained further in the next section of this QPU, we are already working very closely with Blocko to identify suitable existing customers to migrate to Aergo.

We have already secured our first lead customer for Aergo (Hyundai AutoEver) via this partnership. This specific customer project will be developed and delivered on our new mainnet.

Many more companies are being targeted. We can report that since our joint mainnet press launch last month at Korea Telecom's headquarters in Seoul, Blocko has seen a staggering 40% increase in its pipeline of potential new projects. These Blocko prospects have expressed a serious interest in evaluating the Aergo public chain now that it has become generally available.

These projects are extremely important to not only test and prove the capability of the Aergo platform but also to act as *lighthouse references* for the many future clients we hope to work with.

New Clients

In the months and years ahead, we expect to see many existing Blocko, as well as entirely new clients create new business solutions based on the Aergo mainnet.

We genuinely are now competing directly with extremely large and well-resourced traditional IT vendors, such as IBM with its Hyperledger blockchain-based solution.

To help us accelerate how we find and win these early projects, we are developing a special customer focused program called the Early Access Program (EAP). This will be similar to a program that was created (by our CEO Phil Zamani) and successfully used in the early days of Red Hat to win early lighthouse deals.

We will explain this and other such partner, developer and customer focused programs in next quarters QPU.

Closing such enterprise transactions takes time. Typically, these projects can take three to six months to develop and the same time to deliver. We expect to close a few of these transactions during the year. As we build our *sales muscle*, we will close many more.

Many crypto projects seem to be making almost weekly press releases about projects, partnerships and proofs-of-concept. These may drive attention towards these projects, but these [often hollow] announcements are not only unsustainable, but they are also perhaps a misrepresentation of what it takes to find, qualify, nurture, close and deliver enterprise-grade solutions to businesses. In short, they are announcements and rarely real deployments.

Experience has shown us, working both at Blocko and previously at Red Hat, that large enterprise customers are reluctant to talk about being the first to adopt new disruptive technologies, like blockchain. Vendor lock-in is part to blame. They simply don't want to deal with all the FUD (fear, uncertainty and doubt) that their existing suppliers try to plant in customers minds; to try to stop them migrating away from their existing vendors.

We are seeing an increasingly more positive change in businesses attitude towards blockchain adoption. Until very recently the discussions were typically about "why should I use blockchain", "blockchain is just another database...", or "it is not yet mature enough."

We now see a change and hear more businesses state things such as "where should I deploy this technology" and "can you show me real use cases", and "can you help me and my team to better prepare for blockchain".

Example prospective clients we are working with include:

(i) One of the world's largest insurers has decided to use blockchain in a number of identified use cases. One being the speeding up and removal of costs, errors and people in a range of processes (mortgage approvals, insurance contracts and claims settlement). This insurer is also building a global data-lake of all their digital data. They want to store their historical and future transactions on a private Aergo blockchain; but have all the contracts

and digital transaction hashes stored on our immutable public Aergo chain. This, so they can build new services with 3rd party brokers and other firms that can use the treasure-trove of data that the insurer has (and will capture) in the future. This firm expects to be disrupted by new entrants in their market (perhaps Amazon, Apple and Alibaba) so they want to be digitally ready and able to create new services faster than before.

(ii) A leading global car tire manufacturer is using AI and Machine Learning on their complex and multi-site manufacturing plants. These technologies will allow them to capture invaluable information (and predict) the best combination of chemical research, industrial manufacturing and operational processes to improve the quality and consistency of their entire manufacturing line. They are once again looking at digitizing everything on a private Aergo blockchain and having this data shared with various partners in their supply chain via the Aergo public chain (mainnet). Optimizing their changing supply chain is imperative to the business as the petrochemicals market is in flux.

(iii) A large global data centre provider has asked us to help them design a large mesh network to connect IoT devices to the core backbone of telecommunications providers they work with. They want to use a trusted public blockchain for data security and identification/authorisation, anchoring with private networks that are run by the operators.

Other examples include government-level projects:

(iv) We are talking with one of Europe's largest telecommunications providers on helping them to implement three separate use cases they have identified for a hybrid blockchain. This includes a need for blockchain based smart-contract reconciliation of their many data roaming agreements with hundreds of roaming partners. The same client has been awarded a contract by their government to build a country wide IoT data grid connected to their telecommunications backbone. This will all be connected (anchored) and validated via a hybrid blockchain platform (for data privacy and security purposes); and finally

(v) We are discussing the potential use of Aergo with a G7 level government in multiple departments. This

includes national security, public healthcare records and defense (to name a few).

Naturally, many of these projects will rarely ever be written about. We will of course publish customer wins whenever and wherever we can, once each client is comfortable with sharing details of our work together.

Even when we cannot publicly reference some of these projects; we almost always can facilitate future customers talking directly with our existing customers.

Real technical innovation, real customers and real deployments. That is what Aergo is all about. Please measure our progress and hopefully future success on execution and actual deployments. Quality, not quantity, will count the most in our early formative years.

As part of our go-forward plans, Aergo will from now on also take a more active role and participate in customer focused industry events. As examples, we recently attended Deconomy in Seoul and a Blockchain, IoT, AI/ML and cybersecurity focused event in London.

During May and June, we will participate in at least three important offsite events with the CIOs, CTOs and CTIOs in specific industries. One event is in the UK, while the others are in China (for example June's GSMA Summit).

Understanding the long-term focus of Aergo and how we will indeed follow the above strategy, requires a good comprehension of our sales and business development execution plan. Aergo is after all building something quite unique. In an industry where it aims to deal with complex business implementations in a potentially massive market opportunity for blockchain.

We take the opportunity at the end of the next section to explain how we will execute such a sales and business development focused plan on enterprise scale projects.

This will hopefully give our stakeholders visibility and perhaps a sense of confidence, that we have a well thought out (and well resourced) execution plan.

Section 4: Blocko Business Partnership

To date, our partnership with Blocko primarily focused on using their blockchain R&D team to build out the core aspects of the Aergo platform; as well as associated developer tools. We also used Blocko's business development resources for some work.

As part of the above, we awarded last year the first NRE (non-recurring engineering) statement of work contract to Blocko. This was called *Contract No. 1* and included phases 1, 2 and 3 of our stated Aergo Technical Roadmap. This contract was successfully completed with April's delivery of the Aergo mainnet.

Contract No. 1 was worth ~US\$1,250,000 and was accounted for as part of our Q1-2019 spend.

We agreed in late January of this year to our second statement of work with Blocko: *Contract No. 2*. This covers the next phases of our technology roadmap. Specifically, phases 4, 5 and 6. This short, highly focused project will deliver the next wave of Aergo capabilities. It will include most of the following:

An advanced token protocol on mainnet, a DAO protocol and system for the Aergo mainnet, a one or two-way token bridge, a production version of Aergo Enterprise, new orchestration capabilities, the Aergo Hub's beta release, additional identity management capabilities, more comprehensive dApp support framework and the service of stabilization and scale out of mainnet.

Blocko will also provide direct technical support for a range of developer programs we aim to launch soon. We will also look to build an early *test version* of our new AergoLite blockchain platform for IoT. This will be suitable for use by early adopter developers and clients.

Contract No. 2 will cost ~US\$950,000. This will be accounted for as part of our Q2 and Q3-2019 spend, split into two payments of ~US\$475,000.

In the Q1-2019 QPU, we detailed how Aergo and Blocko work together. The results from this excellent partnership are clearly visible, with our on-time delivery of every key milestone we collectively committed to.

As explained in our last QPU, Blocko has much more to offer to Aergo. As a reminder, Blocko is a commercial blockchain infrastructure provider recognized as South Korea's number one blockchain systems developer, deployer and integrator. Its clients include firms such as Hyundai, Lotte Card, Samsung, Cisco, LG, Kia Motors, several notable banks, telecommunications providers and national government agencies. Even the Korea Stock Exchange uses its technology as a platform for settling trades of startup shares (KSM).

It has over 20 paying business clients, having delivered over 30 in-production enterprise blockchain solutions. It also has deep technical and business relationships with leading specialist IT-system integrators who are well versed with blockchain. Often, it is IT-services firms like these that clients turn to when they want to implement new innovative solutions on new technology like blockchain.

We stated in January that a joint team was looking at further ways to leverage Blocko to help Aergo; in the marketing, sales and business development areas. This would be good for both firms. Here is why.

Benefits for Aergo:

1. Engage with a partner that has proven expertise in finding, developing and closing business deals with new enterprise clients.
2. Leverage the extensive system integration (SI) partner ecosystem of Blocko to build an Aergo SI ecosystem.
3. Gain access to invaluable existing enterprise and blockchain Blocko clients as target early-adopters of the new Aergo hybrid blockchains.
4. Leverage Blocko's developer incubation and nurturing skills to help build the Aergo developer ecosystem.
5. Learn from Blocko's extensive relationship with the Korean Government to target other countries.
6. Utilize Blocko's marketing skills to help build out the global brand awareness of Aergo.
7. Leverage Blocko's broader resources (esp. partnering and consulting teams) to develop, scale and deliver deals.

Benefits for Blocko:

1. Directly invest in a potentially promising and lucrative blockchain startup building a solution for a large market.
2. Bring to the global market many years of experience through an entirely new public network of scalable blockchains, that leverage the best of distributed ledger technology techniques.
3. Become one of the first block producers for Aergo.
4. Help establish Aergo as a global platform, driving more business to Blocko.
5. Receive non-recurring engineering and business development/sales services income from Aergo; to build the platform and help secure new partners/customers.

We are happy to share that this recent joint review between Aergo and Blocko has resulted in a new business focused strategic partnership between the firms. This will result in extensive joint business development targeting Blocko's existing and new clients. Leveraging their IT-services partners is also a focus of the new agreement. Both parties are expected to extract significant value out of this multi-year cooperation.

As part of this arrangement, we are adding Blocko's CEO and Founder, Won Beom-Kim to the Aergo Organization Executive Committee as Chief Scientist.

Many startups fail to transition from building the tech, to building the business. Having worked as a startup executive for many years (e.g. Red Hat), our CEO, Phil Zamani, is well aware of the helping hand that an experienced go-to-market partner like Blocko can bring to Aergo. A partner where the founder and development team have an excellent track record of building and deploying enterprise-scale products and services.

Blocko now employs 85 people, with over 50 highly skilled blockchain and IT engineers. It is one of the most active and advanced enterprise blockchain solution providers in the blockchain space.

We will use this new business focused partnership to accelerate our own sales and business development capabilities, whilst we build out our own teams across the world and in selective target countries.

Blocko believes in Aergo and our vision behind it.

As part of our new business agreement, Blocko will work on migrating its entire business and future customers on systems built on Aergo. It will do this based on its new customer focused Aergo Enterprise product, built using Aergo technology.

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

For more information on the Blocko history and ongoing relationship with Aergo please go [here](#).

Over 20 Blocko people will now be dedicated to Aergo marketing, sales and business development (equally split between South Korea and Europe). With the existing 30 person Blocko R&D team building our technology, this effectively creates a 50-person team dedicated to Aergo. Now, not only have we shipped our production ready mainnet platform, but we are also able to develop and close business. From advanced PoC's to large-scale enterprise deployments: we are ready!

This new business arrangement will be concluded as part of our third statement of work with Blocko: *Contract No. 3*. This will cover multiple phases of joint marketing sales and business development between the two firms.

We have set aside up to ~\$2million in 2019 to fund this program. We expect the statement-of-work to be signed by the end of May. We will account for the costs during H2-2019, i.e., this investment is now as part of our revised 2019 budget. This is a fraction of the cost it would likely take to fund such a global highly skilled enterprise blockchain team. With no ramp-up costs or training needs. Once again, we are showing how we prudently manage our precious resources and funds to build the business long-term.

In early January we set a provisional 2019 budget of US\$3,757,500. Due to the extension of our strategic partnership with Blocko, and an accelerated business

execution plan for the year, the board of directors have approved an increase in the budget to US\$7,801,331.

We will use our existing treasury resources to fund these ongoing activities.

Blocko-Aergo Sales Execution Model

Starting and having a conversation with prospective enterprise clients around new innovative technologies such as blockchain needs to be handled carefully.

When it comes to blockchain it is important that we focus on the different stages of the so-called “journey” that customers go through before being able to use blockchain. Adopting the AIDA marketing model, each prospective client typically goes through sequential phases of education before they are fully ready to consider deploying new technology within their businesses.

Targeting their needs at each stage is an important aspect of our marketing and messaging. These stages include initial solution or brand Attention & Awareness; typically followed by real Interest; that if satisfied may need genuine Desire (i.e., a business need); the desired end result being Action (i.e., a business decision).

Blocko has developed and refined such a model. It has dedicated resources to help nurture such prospects into interested parties who want to trial new products; often converting them into actual end-paying customers.

We will be adopting the proven Blocko model for Aergo as part of our new joint business agreement.

The model consists of 5 core capabilities and teams:

- 1. Marketing and Sales;** A skilled team focused on client education and awareness.
- 2. Business Development;** Specialist business development resources that can directly interact with companies to help them better understand what is actually possible (or not) with blockchain.
- 3. Solutions;** A technical solutions engagement team that can work with customers to jointly scope, design, or improve their required blockchain project's specification.

4. Program Office; A project engagement team that can resource and project manage new PoC or projects that are destined for real life deployment.

5. Project Delivery; expert blockchain technical delivery resources to help build the required solution; as well as help to move this into a client's existing IT infrastructure. Post-delivery technical support is also part of this team's capability.

An example of how this workflow typically evolves with a prospective client is as follows:

Company A has a desire to use blockchain for Use Case A. Company A has a target specification.

Blocko gets invited to bid for the project. A number of discussions ensue, often on-site, to better understand the requirements. Listening (and understanding) what the client wants - is in some cases - not what they actually need. Sometimes these discussions may end in a joint agreement that it is indeed not possible to deliver what the client wants (with existing blockchain solutions).

Having been suitably briefed, and once Company A is convinced and ready to fully engage, a specialist solutions development team visits the firm. Typically the team spends a few days to a week, to scope out what was agreed. A jointly defined storyboard is created to help visualize the end solution and associated workflow.

This step also deals with legacy IT interfacing and integration, or with any new application development needs (including creating any needed APIs).

This is a very important step as it often results in the Company's initial expectations and specifications being changed to a more viable solution. Many years of production delivery expertise and IT-integration know-how is imparted to the company as part of this exercise. This helps to position Blocko as a highly experienced, skilled and easy-to-do-business with organization.

Once the storyboard is complete, a go or no-go decision is made on whether to engage with Blocko.

If this results in a yes, another dedicated technical scoping team engages with the client to build fully developed technical delivery specifications.

Blocko business development teams handle the project pricing and delivery requirements. Often this is the stage where a reference call may take place with one of Blocko's existing customers.

A dedicated program delivery manager and Blocko sponsor is allocated once a contract is signed.

The solution development team re-engages with the client when the solution is delivered, to assist with in-company IT integration or any special training needs.

Finally, Blocko's DevOps teams assists the client to manage, operate and maintain the end-solution.

With limited resources, we can only afford the above process with highly qualified and interested prospect firms. These also need to be sponsored by an executive within these firms in order to secure the right oversight and visibility.

To enable this, we will be developing the Early Access Program (EAP) mentioned earlier. This will be trialed with select companies in the coming months. We will explain how this methodology works in our next QPU.

Section 5: Financial Update

This section covers core elements of the Aergo Organization's 2019 financial and operating plan.

As was detailed in Aergo's Q1-2019 QPU report the Aergo Organization continues to operate very diligently. Aergo has an experienced team that is used to running startups; but also, in deciding how and when to transition to a scale-up phase of development.

The Aergo Organization's leadership team recognizes the importance of prudent spending and maintaining a low cash burn rate.

This requires a careful balance of:

- (i) Investing in areas that make a real difference (i.e., hiring core developers or targeted business development specialists); only hiring staff when absolutely needed;
- (ii) Effectively leveraging the skills and resources available to Aergo from its strategic partner Blocko, as well as specialist industry advisors/key backers supporting the project.
- (iii) Prudently using financial assets available to the Aergo Organization (i.e., treasury funds, token reserves).

Funding the Aergo project is a major consideration, so the Aergo Organization naturally spends significant amounts of time analyzing the market, planning ahead and adjusting its course of action.

There is a very important moment in any rapidly growing business or industry when the time comes to *invest faster*. The Aergo Organization believes that it is approaching this time with the Aergo project.

Massive potential for the Aergo project is seen in the market; and now with expanded extensive marketing, sales and business development agreement with Blocko, the Aergo Organization aims to ramp-up its initiatives.

It seems that major global competitors such as IBM and Amazon are potentially *tooling-up* and following Aergo's hybrid blockchain enterprise technology strategy.

Blocko, Aergo's key strategic partner, also sees the opportunity and is investing faster and harder around our Aergo platform and strategy. Blocko is a well-resourced

company that is also scaling-up its revenues, its sales pipeline, its headcount, its product offerings and more.

Aergo continues to strategically leverage Blocko's strong balance sheet to fund much of Aergo's operations, especially on the technology and headcount front. As was shared in the Q1-2019 QPU, over two-thirds of all direct full-time members for Aergo are effectively being paid for by Blocko.

The Aergo Organization needs to continuously make informed decisions on where and how to best invest our limited resources, especially cash.

This includes aspects such as:

- Maintaining a slow speed of hiring in non-critical areas while ensuring continued hiring of quality R&D people.
- Focusing our marketing efforts in areas that have the most near -term impact.
- Paying key members of Aergo and other third parties for their services in future Aergo tokens (or other cryptocurrencies we hold), rather than using our cash.
- Refocusing resources on the next most critical tasks.
- Managing, rebalancing and diligently using Aergo's ongoing treasury funds (incl. future token reserves).

The Aergo Organization has a dedicated treasury management team (led by Phil Zamani); it continuously tracks and assesses all such decisions on a daily basis.

Aergo's Treasury team has very clear objectives:

- (i) Maintaining a low direct cash burn rate;
- (ii) Ensuring that Aergo's immediate and long-term financing needs are met; finally,
- (iii) Protecting Aergo's valuable token reserves.

2019 Financial Plan

The Aergo Organization's 2019 full year budget is now set at **US\$7,801,331**. This is an increase from our original target budget of US\$3,757,500 for the year.

The 2019 financial plan represents an 84% year-on-year increase versus Aergo's 2018 spend of US\$4,233,550.

This is purely a result of the board's decision to accelerate the next phase of growth for the Aergo

project; which resulted in an expanded multi-year business agreement with Blocko.

The Aergo Organization's US\$7,801,331 financial plan is in line with its long-term business execution strategy. It directly fits in as year-two of a five-year plan to build out the technology, ecosystem and business for Aergo.

The main source of financing the Aergo project is through a combination of leveraging Blocko's people and financial resources (as detailed in our last QPU); and by using our own Aergo treasury funds & token reserves.

The total 2019 Financial Plan spend of US\$7,801,331 will be made up through a combination of fiat (i.e., USD, KRW) payments, cryptocurrency (i.e., Bitcoin, Ether) payments, as well as [limited] Aergo token payments.

It is estimated that:

- Approximately US\$2,850,000 of the overall costs (i.e., 37%) will be non-recurring.
- Around US\$1,100,000 of the overall spend will be made directly through an allocation of Aergo tokens (approximately 2.5million). These tokens have already been taken from the Aergo ecosystem reserve.

While the crypto market has recently shown signs of more positive light, there does not appear to be any predictable sustainable growth in the near-term. We, therefore, remain very cautious about the market. Our leadership team always strive to *do the right thing* and avoid any financing, legal or compliance risks to the project when dealing with cryptocurrency assets.

This often means taking a long-term versus short-term view on critical decisions. We have therefore made early decisions and executed a re-balancing of our assets. The approved 2019 Financial Plan is now almost completely disconnected (i.e., protected) from any future current fluctuations of the price of cryptocurrencies.

As stated earlier, the 2019 budget will primarily be funded from our existing Treasury resources. This is covered in the next section.

Aergo Treasury Fund

Aergo's Treasury Fund is a core capability and function of the Aergo Organization. It helps the Aergo

Organization become a sustainable non-profit organization through professional financial management. This includes but is not limited to: capital structuring, establishment of accounting processes, asset allocation, cash flow analysis, working capital management, risk management and selective market trend analysis.

Aergo's Treasury Fund ensure that the organization's finances and other assets are being managed actively, to ensure the long-term viability of the Aergo project.

The Aergo Treasury Fund is split into immediate, medium and long-term asset-class types.

- For immediate needs, fiat reserves are secured.
- Mid-term needs, use highly liquid cryptocurrencies.
- For long-term needs, Aergo token reserves and investments are used.

During 2018, while the Aergo Organization was ramping up its own Treasury capabilities (in the areas of people, know-how and processes), it utilized a leading and regulated treasury services firm based in Asia. This important function has now been brought in-house.

This prior partnership allowed Aergo to diversify its cryptocurrency holdings (at the time, primarily Ether) into other asset classes including, but not limited to: Bitcoin, USDT, USDC, fiat currency and selective other assets. A major part of this diversification was to convert a large portion of Ether funds into Bitcoin and fiat [as this report goes to press, we are actively taking advantage of the recent rally of Bitcoin and Ether to strengthen the Aergo Treasury Fund even further].

The Aergo Organization has a strict policy of actively managing its Treasury Fund so that it can ensure adequate funding for its immediate and medium-term (i.e., typically 18-month) financing needs.

Aergo's Treasury Fund currently holds over 65% in non-crypto assets. These can be liquidated immediately to fund the projects ongoing operations. It also allows us to accelerate investments to take advantage of any short or long-term opportunity that may arise for the project; such as technology investments with partners.

An example of the latter is where we acquired a cash stake in - and partnered with - SatoshiPay to create the fastest infrastructure for blockchain-based credit card

micropayments designated towards B2B2C clientele and users on the Aergo platform.

Use of Funds

The Aergo Organization's current operating expenditure in 2019 is summarized in the following table²:

\$US	Spent, YTD	2019 Budget (planned)	2018 Spend (actual)
(1) Compensation	\$0 (0%)	\$582,500	\$602,500
(2) Marketing	\$418,790 (42%)	\$1,000,000	\$892,000
(3) Token Generation Event	\$167,946 (34%)	\$500,000	\$880,000
(4) General & Administrative	\$0 (0%)	\$125,000	\$135,750
(5) Professional Services	\$92,843 (62%)	\$150,000	\$235,500
(6) Ecosystem & Development	\$101,504 (8%)	\$1,250,000	\$787,750
(7) Blocko Partnership	\$1,193,831 (28%)	\$4,193,831	\$700,000
Total Expenditures	\$1,894,914 (24%)	\$7,801,331	\$4,233,550

A summary description of the use of funds in each category follows:

(1) *Compensation*: These are the total compensation costs to fund the various members and advisors to the Aergo Organization. These are scheduled to be paid in the second half of 2019.

(2) *Marketing*: These costs cover events, PR, advertising, digital marketing, token generation event marketing, sponsorships, community awards, merchandising and other community activities delivered during 2019.

(3) *Token Generation Event*: This is an estimate to cover all costs in respect of continued token generation event initiatives during 2019. It includes a total of ~US\$200,000 worth of Aergo tokens for selective launches, promotions and competitions.

(4) *General & Administrative*: This covers costs for rent, insurance, utilities, equipment, software/information technology and travel. These costs are planned for H2-2019 as we pre-paid for some services late last year.

(5) *Professional Services*: This covers third party costs for services to Aergo; including legal advice, compliance, AML/KYC, banking, auditing, tax and accounting.

(6) *Ecosystem & Development*: Ecosystem and Development represent costs such as product tooling, training, security and engineering integrations. These costs are expected to rise (in line with budget) as we (i) stabilise and scale our recently launched Aergo mainnet; and (ii) as we complete the incubation phase of our initial partner block candidacy program.

(7) *Blocko Partnership*: Non-recurring, statement of work-based (SOW) contract for Aergo core platform product development (e.g. payment for working mainnet delivery, mainnet operational support and continued post-mainnet product development). This now includes new focused and comprehensive sales, marketing and business development agreement between Aergo and Blocko (for the remainder of 2019 and into next year).

The stated costs may increase, or decrease if circumstances change or the Aergo Organization decides to accelerate, or slow down its business execution plans during the remainder of 2019.

² The actual 2019 year-to-date spend is compared against the updated full-year 2019 plan. For comparative purposes only, the actual full-year spend for the prior 2018 year is also listed in the table.

Token Utility

The Aergo token is a utility token that powers the Aergo platform and more generally new, as yet to be created, services that run on top, under, or alongside it; as well as the associated ecosystem that supports it.

The Aergo utility token aims to capture and store value through a complex combination of factors.

Some of the value factors that may affect the Aergo utility token include, but are not limited to:

1. The uniqueness of the potential future problems Aergo may be able to address (and Aergo solutions may be able to deliver) via developers, business partners and customers across the world (we call this aNPV or Aergo net-present-value);
2. The range of directly associated services currently on offer on the Aergo mainnet;
3. The range of future services being developed;
4. Current usage of the Aergo mainnet;
5. Increased adoption levels by existing Blocko clients;
6. Future usage levels and future demand for services (not yet planned);
7. The depth and breadth of complementary services planned by third parties (e.g. cloud services, consulting);
8. Blocko's success at delivering and winning new client projects based on its derivative (enterprise customer production deployment focused) Aergo Enterprise product;
9. Existing and likely future target market penetration levels in our primary industry sectors; and finally
10. The actual scarcity of available Aergo tokens that can be acquired by qualified token holders (or staking providers) at any moment in time.

The following are five simple examples of how the Aergo token can be utilized.

One, using the Aergo mainnet is free, but executing smart contracts requires a small *gas* fee. In the long run, we expect thousands of smart contracts to run on Aergo, as it has been built for global enterprise scale.

Secondly, enabling and using extra third-party computer resources, like storage and CPU bandwidth from a cloud service provider like Amazon AWS; all enabled and purchased through Aergo tokens. We expect many businesses to deploy hybrid blockchain solutions in the years to come.

A number of these (i.e., banks, governments) may elect to run part of these hybrid systems on Aergo private sidechains that are hosted by secure, compliant node providers: such as leading telecommunications or hosting firms that are being targeted by the Aergo Organization.

These sidechains will also need Aergo tokens to operate with (and to be "anchored" to) the core public Aergo mainnet.

Third: obtaining integration, consulting or subscription support services from specific firms like Blocko to integrate, deploy and manage/support enterprise-grade production deployments of Aergo requires Aergo tokens. As per our latest strategic agreement with Blocko, all of their future services will be based on their new Aergo Enterprise product. This requires Aergo tokens to work.

Fourthly: enterprise clients may use the Aergo utility token to acquire extra application services from other third parties. For example, the future Aergo Marketplace may serve as a location and self-contained ecosystem for businesses to acquire and use qualified dApp's created on Aergo by developers. In effect, they may pay developers to use (i.e., licence) these applications in their production systems via Aergo utility tokens.

As a final utility case, in order to secure the Aergo mainnet network, to vote for and manage block producers, as well as to support the underlying mainnet ecosystem, Aergo tokens need to be acquired and staked. Note: although there are a total of 500 million Aergo tokens in existence, almost 150 million of these tokens are reserved (i.e., locked longer-term) for ecosystem staking and support.

Imagine for one minute, if ten years ago Amazon AWS cloud service were launched with an *AWS token* as the means of value exchange within their ecosystem and the number of tokens was limited. Mass customer adoption

and usage of AWS today would drive significant value towards the hypothetical AWS token.

The Aergo token's utility and associated token economics are complex things to fully understand. The Aergo Organization plans to publish a detailed token economics paper that fully explains the token usage model in greater detail later this year.

Use of Token Reserves

There is 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).

These 500 million Aergo tokens are grouped into five major usage categories:

- (1) Private Token Sale
- (2) Community Incentives
- (3) Reserve Tokens
- (4) Advisor and Backer Tokens
- (5) Employee and Team Tokens

There are in fact a total of 25 sub-categories of these Aergo tokens that will be used for a variety of purposes for the project. The largest single category being the Aergo tokens that were part of the Private Token Sale in August 2018 (total of 135,392,289 tokens i.e., 27.08% of the overall 500 million total).

Aergo tokens will be released over a ten-year time frame. Some earlier than others (Private Token Sale holders, within one year of our token generating event of December 2018). Others will be released over three years (Aergo Team Tokens). Some Aergo Tokens will in effect never be released (long-term staking tokens).

For example, and in line the agreed and signed commercial contracts, we released 10% of the tokens purchased by qualified individuals and firms in December 2018. We released a further 30% to the same token purchasers at the end of Q1 2019 (March). No more tokens will be released to this token holder group until the end of this year. We stick to what we commit.

From the onset of the project, we decided to allocate a large portion of Aergo tokens to creating, testing,

deploying, securing and maintaining the core Aergo main network. We know it would take a large network of partners to make Aergo reach its full potential. We also knew this would take time with such a technically complex and long-term project.

Of the total supply of 500 million tokens, approximately 45% (222,727,400) Aergo tokens are allocated (i.e., reserved) purely towards building, supporting and sustaining the Aergo platform and supporting ecosystem, over the long-term.

This special class of Aergo tokens is called the Aergo Platform Token Reserve (ATPR). Some of these will be used within the first five years (i.e., 43,320,433 tokens; this represents 9% of the total supply); the vast majority though will be utilised over a longer ten-year period (i.e., 179,416,997 tokens; this represents 36% of the total supply).

The largest single category of tokens in ATPR are reserved for staking in the Aergo public mainnet. These tokens are expected to be held and used (i.e., "staked") by our designated future target 23 block producers. In effect these tokens will not likely be in circulation for any length of time, as they are needed to be acquired and staked by whoever secures the Aergo mainnet in order to run Aergo's dPOS consensus protocol.

There are a total of 125,000,000 Aergo Tokens reserved for dPOS staking in the ATPR (this represents 25% of the total supply). As we incubate, refine and develop our block producer program, we will in effect lock these 125 million tokens. They will be released very slowly and only once each block producer has been incubated and is able to show Aergo that it is capable of being one of our qualified and certified block producers.

In the interest of full transparency, we depict the full breakdown of our ATPR on the following page. Less than 3% of these tokens have been released to date.

Overview of tokens allocated to long-term buildout of the Aergo platform³:

(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 grow-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)

Aergo Token Metrics

The following is an update to the Aergo token metrics since the last related token report in early March of this year. A number of Aergo tokens have since been released. **The current circulating supply is 106,416,991, representing 21.3% of total supply.** This section depicts where they were released. It also includes an insight into the current and planned immediate circulation of Aergo tokens. Occasionally, the Aergo token metrics are rebalanced to suit both the immediate and long-term nature of the Aergo project.

Full metrics and vesting schedules for the various Aergo token holders can be reviewed [here](#).

A summary of the Aergo token split³ is as follows:

	No. Tokens
<i>Tokens sold in private token sale, including discounts</i>	135,392,289 (27.1% of supply)
<i>Incentives for developers, community, partners, businesses in the Aergo ecosystem</i>	161,207,844 (32.2% of supply)
<i>Reserve for future dApps, partners, business development and marketing/PR</i>	120,819,434 (24.2% of supply)
<i>Tokens for advisors, team building, testing, deploying and operating Aergo</i>	82,580,433 (16.5% of supply)
Total token supply	500,000,000 (100.0% of supply)

A summary of the latest Aergo token circulating supply³ (as of 17/05/2019) is as follows:

	No. Tokens
<i>Tokens that have been released to Aergo private token sale participants</i>	56,914,399 (11.3% of supply)
<i>Tokens that have been released from the Aergo reserve pool</i>	23,501,378 (4.7% of supply)
<i>Tokens that have been released to advisors and key backers</i>	13,046,865 (2.6% of supply)
<i>Tokens that have been released as part of various ecosystem development initiatives</i>	12,954,349 (2.6% of supply)
Total circulating supply	106,416,991 (21.3% of supply)

A summary of the future estimated Aergo token circulating supply³ (over the next five years) is as follows:

	No. Tokens
Estimated number of tokens to be in circulation by the end of Q2-2019	120,000,000 (24.0% of supply)
Estimated number of tokens to be in circulation by the end of 2019	246,314,397 (49.3% of supply)
Estimated number of tokens to be in circulation by the end of 2020	314,897,015 (62.9% of supply)
Estimated number of tokens to be in circulation by the end of 2021	385,897,015 (77.1% of supply)
Estimated number of tokens to be in circulation by the end of 2022	430,000,000 (86.0% of supply)
Estimated number of tokens to be in circulation by the end of 2023	450,000,000 (90.0% of supply)

³ 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.

Section 6: Key Questions from our Stakeholders

The Aergo Organization has once again been pleased to receive several questions over the past few months from its community. We continue to urge all of our stakeholders to raise any questions they may have. We will always attempt to answer all questions in an open, frank and transparent manner. We answer the top questions in this final section.

Why is the Aergo token's circulating supply on CoinMarketCap lower than what you have reported?

CoinMarketCap is a leading source of market data in the cryptocurrency space. They recently changed the way new or future projects have their circulating supply measured and validated. This is in response to a number of earlier projects currently listed on their website who apparently manipulated their stated token supply to gain an advantage.

We continue to work with the CoinMarketCap team to ensure that the Aergo token's circulating supply figure is made to be accurate. The Aergo token's real circulating supply, as of the date of this QPU, is 106,416.911 Aergo tokens (i.e., 21.3% of supply). The Aergo token's circulating supply on Coinmarketcap.com is currently being reported as 103,934,838 Aergo tokens (i.e., 20.8% of supply). There will always be a slight lag/difference between the reported numbers.

We will also work with other leading firms such as CoinGecko to ensure that information on the Aergo token's supply model is accurately reported on.

Why are you incubating your mainnet?

Aergo is a truly a large-scale enterprise hybrid blockchain platform. Built from the ground up, it contains a complex combination of well-adapted and new innovative technologies. The former includes the LUA and modified and modernized SQL smart contracting languages; the latter being new programming techniques such as application microservices, coupled with orchestration and advanced and automated serverless cloud deployment capabilities. We expect that a number of leading hosting providers, such as ISPs and cloud capable telco firms will not only want to become block producers, but they will likely want to offer clients extra

services to allow them to run their sidechains in their cloud infrastructures.

We also use a variety of consensus models; dPOS for the Aergo public mainnet; and advanced and high-performance leader-based POA protocols for sidechains. Aergo's new, in development two-way Merkle bridge is an innovative mechanism to allow Aergo token holders to choose between holding on to their tokens, or perhaps staking them to help secure the Aergo main network. Block producers need to fully understand these advanced capabilities in order to be able to help secure, stabilize and scale the capabilities that are available with Aergo. Blocko has extensive expertise in this regard. On behalf of the project, it is leading the early-stage training, enablement and support of Aergo's first batch of 13 block producers.

As we develop, further refine and test the needed Aergo token economics model, we will carefully transition these advanced capabilities to all Aergo block producers. Enterprise-scale platforms often take years to mature. We believe our staged approach is not only prudent, but it is likely to result in a more secure, higher performance and more resilient network for all potential participants in the long-term.

Please read the [detailed Medium article which goes over the incubation phase of the Aergo main network](#) for more information.

Large vendors seem to be following your hybrid blockchain, serverless cloud and open source model. Are you not worried about these global competitors?

No. In fact, we are very pleased. Just like how Oracle in 1998 announced its adoption and support of Linux – having firms like Amazon, Microsoft, IBM and Google enter the market with an approach similar to the one Aergo has been promoting for the past 18 months – helps prove that we are on the right track. Their entry will raise global awareness with companies in all industries that hybrid blockchains are the future for businesses who truly want to create disruptive, distributed trust models.

The World Economic Forum recently predicted that 10% of the world's GDP will run on blockchain-based systems within the next 5-7 years. This is the market Aergo aims to address. And yes, this represents a huge opportunity.

Will Aergo be extended to interact and work with other platforms, like Ethereum or Hyperledger?

We focus on delivering what real customers are telling us. Blocko has many many in-production clients who have deployed private chains but see the future need for a hybrid platform like Aergo. We recognize that Ethereum is a great general-purpose smart contract platform so we already have great support for this blockchain and the many dApps built to run on it. Ethereum applications can now easily run on Aergo. IBM Hyperledger garners a lot of press coverage and many reported proofs-of-concept (not in-production deployments); most clients that we talk with do not plan to build production systems on platforms that are primarily focused on a private blockchain model.

As stated, we will be guided by clients and partners; we do not plan to *boil-the-ocean* by attempting to build bridges with other platforms unless the demand is there.

Have there been changes made to the Aergo board or advisory team and if so, why?

Our job is to do what is right for the project. At all times: with no compromise on Aergo's standards of professionalism, confidentiality and transparency. The Aergo team's actions are aligned with ensuring the long-term success of the Aergo platform — not only regarding technology development completion — but also on the very important matter of true commercialization of the solution. We have perhaps one of the world's strongest advisory boards.

Unlike many other projects that are fully staffed with so-called crypto advisors – we have a mixture of very experienced and successful crypto advisors – coupled with industry veterans in several very important fields for the project. Experts in cyber security, enterprise cloud computing, telecommunications, open source; as well as experienced senior executives from corporate venturing, banking, exchange trading, e-commerce, legal, data protection and software development.

Aergo will continue to strengthen its advisory board. This acts not only as a sounding board for me, but it also provides excellent advice when we face challenging decisions for the project. We have indeed made changes to the Aergo board of directors with one director departing to pursue other interests. We are pleased to share this position will soon be filled by a very experienced executive (to be announced in the coming weeks).

Won-Beom Kim (Founder and CEO of Blocko) also joins us as a Chief Science Advisor. Won is a true visionary in the blockchain space and has been an avid supporter and advisor to the project from the beginning.

Are Aergo and Blocko actually one and the same (i.e., just one company)?

No. Blocko is a five-year-old privately held company based in Seoul, South Korea. It has major investors and shareholders (such as Samsung Ventures and Intervest). Its focus is on delivering enterprise-grade and production ready blockchain solutions for large firms, local government and other commercial entities. It has over 25 major clients and has delivered over 35 successful blockchain projects. It is a major stakeholder in Aergo as it (i) develops (under contract) the core technology; (ii) is one of the 23 block producers (and is also assisting Aergo with the associated block producer incubation program); and finally (iii) based on our latest strategic multi-year agreement, Blocko will also now provide sales and business development support to the project.

Aergo is based in Hong Kong and is a separate organization. It is also funded separately (with major industry investors such as Sequoia Capital China). Aergo is focused on building a new innovative blockchain solution. It combines four key elements: (a) A high-performance, secure and scalable hybrid public and private blockchain platform; (b) A new serverless computing (cloud) orchestration and deployment framework; (c) An advanced yet easy-to-use programming and IT integration/deployment model for developers and finally (d) It is built from the ground up as a new clean-room open source project. Aergo is not-for-profit and has strict governance and operating guidelines. It has been formed to operate as a

foundation to ensure it remains an open platform for anyone to use freely. The Aergo token is a utility token that is required for extra value-adding services that run on top of the core (free and open source) platform.

Aergo aims to become a global platform for businesses, integrators and developers – much like Linux has become for IT.

Blocko aims to be a global Aergo product and solution provider – much like Red Hat became for Linux.

Please read the [detailed Medium article explaining the relationship between Blocko and Aergo](#) for more information.

What can we expect in terms of the Aergo token being listed on more exchanges?

We recognize the importance of making the Aergo token available to a wide community of token purchasers. This is needed, not only to build market awareness of the Aergo project, but we also want to attract industry partners who may want to acquire Aergo tokens to help us secure and operate the public mainnet platform. The later program has already kicked off with our block producer incubation program (described earlier).

It is anticipated that the Aergo token should see exchange listings in three consecutive phases. The first phase began in late Q4-2019 where exchanges primarily on South Korea listed the token; which is also where most of Blocko's existing enterprise and government customers are located. In Q1-2019, the Aergo token saw itself start to move to larger and more established international exchanges, such as Bittrex International and Upbit. The final phase may see the Aergo token potentially list on further global exchanges.

How are you leveraging your current project backer relationships?

We regularly communicate with our major project backers. Some more than others. Our backers not only believe in our technology and vision of the future (built around business ecosystems that leverage Aergo); they have expressed strong belief in my team and our leadership to continue to drive Aergo forward.

We have developed very deep relationships with a number of the larger firms (i.e., NEO Global Capital, JRR Crypto, Arrington XRP Capital, FBG Capital, Sequoia China). Many of these companies are very knowledgeable in crypto-related matters, so we often consult with them on complex matters or in areas where we simply do not have enough expertise. Some of these firms are also extremely well connected in other non-crypto areas that are equally important to the success of Aergo.

For example, Sequoia has an excellent understanding of the technology sector, has access to important potential system integrator partners for Aergo and of course deep relationships that help the Aergo Organization fulfil its goals enormously.

Another example is Michael Arrington and his newly expanded Arrington XRP Capital team which now includes Ninos and Ninor Mansor. They have provided excellent support in subjects such as PR, positioning and messaging; but have also helped us in more complex areas such as quantitative analysis and token economics.

We are proud and lucky to have backers like these assist us to build an even stronger go-forward business strategy.

Aergo is not well known outside of your core markets, especially China. How will you address this?

South Korea has been until very recently at the centre of what we do in Aergo. Our strategic partner is based there; so are many of their enterprise clients (that have already used much of the core technology that now finds itself in Aergo). As we move into our execution focused phase of business development, we will increasingly spend more time, money and resources to expand into other regions of the world.

China is a region we are now targeting as we have many community members based there and more importantly, there are many many potential clients who could leverage Aergo in their business and business ecosystems. Our approach to China has three core elements:

1. Build a deep technical and business partnership with a leading Chinese blockchain-based organization and ecosystem.
2. Improve the visibility and brand awareness of Aergo with a variety of crypto channels and firms in target industries.
3. Develop partnerships with specialist technical integrators and developers in select sectors.

We are in the advanced stages of planning and are ready to execute in the first of these. Our renewed marketing focus on China has just kicked off – we should see the results within a few months' time. For example, I am actively participating and presenting at two key Chinese industry events over the coming weeks.

CHTA Connecting Travellers 2019 will take place from May 28-30 in Shanghai. At this event, CIO's from the leading Chinese hotel management and hospitality groups, venture capitalists and airlines will hear how Aergo's blockchain can help them to transform their businesses and industries.

Likewise in June, we will participate at the GSM Mobile World Congress (MWC) Shanghai 2019. Here we will talk and showcase Aergo blockchain solutions alongside next-generation technologies such as 5G, IoT, AI and big data – with some of the leading telcos and hosting providers in the region. Aergo cannot not only be a platform they can help to secure and operate (as block producers), it can also be a vehicle for them to sell hosting services for firms from many industries who may want to run their private Aergo side chains. Digital Trust is a major theme at MWC19 – we will be there to show them how Aergo can help them to make this happen.

We will increasingly participate and showcase Aergo solutions at key customer-facing events. We will, therefore, spend much less time at crypto conferences from hereon.

Thank you for reading this report.

We publish a thorough QPU every quarter detailing the performance of the Aergo Organization and the progress it made in advancing the Aergo project.

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