SingularityNET Foundation
Phase 1

Operational &
Financial Review
2018-2020

January 28, 2021

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Table of Contents

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SingularityNET Foundation is currently shifting gears from the early phase of its growth cycle, focused on building software, essential partnerships and establishing brand reach, to what is being conceived as Phase Two of the project's development, focused on supercharging network utilization and further decentralization of governance. In this Phase One Operational & Financial Review 2018-2020 the Foundation takes a moment to reflect on what transpired in our first exciting three years of operations.

In Phase One SingularityNET launched the world's first decentralized AI Marketplace, created AI algorithms suitable for platform deployment, managed the liquidity of the AGI utility token ecosystem, spread the word globally regarding the importance of decentralized AI and built a global vibrant community of 134K+ followers. For the Phase II roll-out please have a look at the accompanying document "SingularityNET Foundation Phase Two: Next Steps Towards AGI -- Decentralized Governance, Layer 2 Networks & Large-Scale Token Utilization."

It is important to emphasize here that utility token oriented projects like SingularityNET are a relatively new phenomenon and there are few commonly accepted standards for financial and operational reporting. There are many subtleties involved and the landscape shifts rapidly year on year and sometimes month on month. In the financial-reporting portion of this document, we have relied heavily on the European Financial Reporting Advisory Group (EFRAG) and its "Discussion Paper on Accounting for Crypto-Assets (Liabilities): Holder & Issuer Perspective" released July 2020, among other resources.

The AGI utility token is fundamentally designed as the key mechanism for buying services, incenting development, rewarding good behavior on SingularityNET, and conducting decentralized governance. The AGI coin is also a public economic quantity which is exchanged for fiat currencies and other cryptocurrencies at a freely varying rate of exchange. In this document, we summarize the operational and financial history of the project over 2018-2020, a period in which we have done our best to consider all the aspects of the complex, unprecedented and unique evolution of SingularityNET.

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Review of Phase One Activities

In this Review, we detail the challenges faced over the course of Phase One and highlight the results achieved in platform development, financial operations, media and marketing, community relations, strategic partnerships and AGI R&D. Much progress was made during Phase One toward realizing the SingularityNET mission. Despite a volatile time, SingularityNET made a concerted effort to meet the objectives to build a decentralized beneficial AGI platform as outlined in its original whitepaper and clarified and extended in the [Whitepaper Version 2](#).

Platform Development

The underlying goal for SingularityNET remains focused on the advancement of AGI R&D and the development of platforms for the deployment and interconnection of AIs providing services of gradually increasing general intelligence.

As is detailed in the Financial Review below, we committed nearly US$20 million dollars in Phase One to build the SingularityNET platform and associated AI tools to prepare for the proposed mass utilization in Phase II. It was costly and time-consuming to build top-quality SingularityNET teams around the globe, with major hubs in Hong Kong, St. Petersburg, Bangalore, Seattle, Belo Horizonte and Addis Ababa, with smaller pockets of activity in the Asian centres of Beijing and Seoul as well as Dubai and Abu Dhabi in the Middle East.

Significant human resources were brought to bear in the effort to deliver a series of iteratively improved versions of the SingularityNET platform, with two major beta releases, and a host of other AI software development initiatives. Among various achievements on the SingularityNET platform and protocol during Phase One, the following were among most significant:

- [AGI Token Protocol](#): The first-ever open-source protocol to enable a decentralized network of coordinated AIs and a utility token used for payment transactions and key mechanics such as democratic governance, reputation systems and a homogenized tokenomic structure;
- [Marketplace V1 & V2](#): Beta V1 of the SingularityNET's platform and AI marketplace enabled global access to AI on a decentralized network for the first time in history. This was subsequently refined in V2 with added features substantially increasing scalability and usability.

- **Developer Portal**: Tutorials, teaching materials, and SDKs to provide education for AI consumers or service providers on the platform, helping them understand the network mechanics, connect with other developers, learn to build services, and much more;

- **AI Publisher Portal**: Enables AI developers to efficiently and easily publish services to the SingularityNET Marketplace;

- **RFAI - Request for AI Portal**: A trustless, transparent, commission-free crowd source mechanism to allow all to create an AGI-backed request that is fulfilled by developers to obtain the bounty;

- **SNEPS - SingularityNET Enhancement Proposal**: An organized mechanism for proposing features, collecting community input and documenting design decisions;

- **Community Vote Portal**: As per Section 3 of the original SingularityNET Whitepaper, a voting portal was implemented where token holders can quickly and easily have their say in the rules of the network;

- **Liquidity Staking Portal**: Using the Staking DApp, token holders can stake tokens to provide liquidity for the fiat-to-crypto payment gateway and gain rewards for doing so.

The timeline in Figure 1 on the next page highlights the progress of SingularityNET during Phase One, including additional items not listed above. Continued progress can be followed on the SingularityNET GitHub, which over the past three years has grown to 114 repositories with over 130,000 commits.

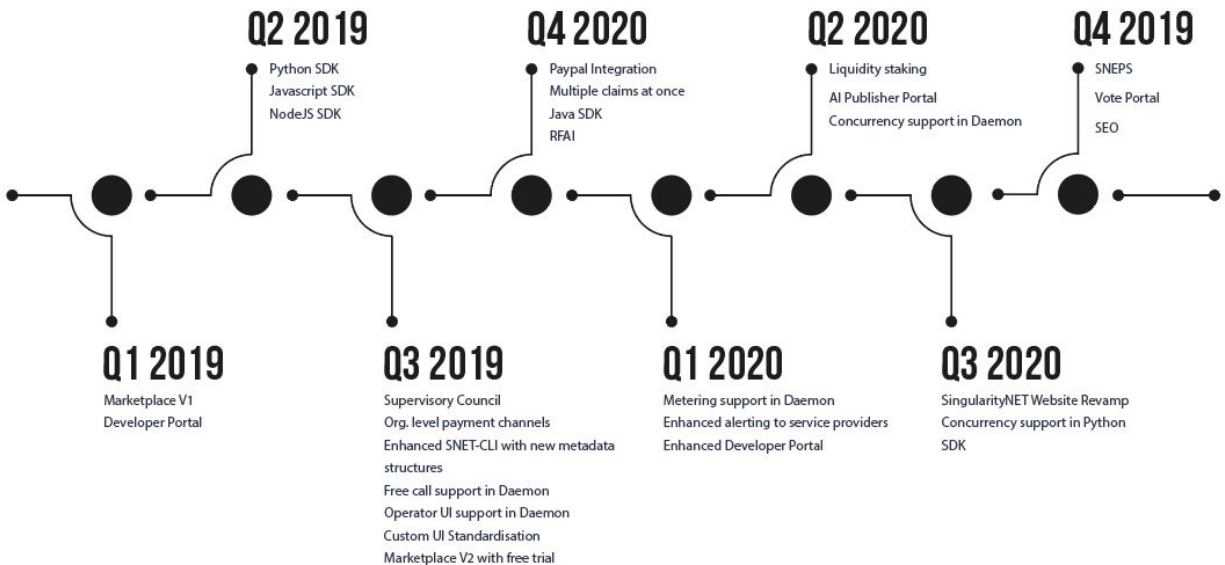**Figure 1:** *Selected Historical SingularityNET Platform Milestones*

Media & Marketing

Spreading the SingularityNET message to the world is an essential aspect of our mission of achieving a beneficial AI. The SingularityNET Marketing & Media (M&M) Department has delivered impressively over the last three years in a number of respects. The work of M&M has been reinforced by the appearance of the SingularityNET management team in countless large scale, high profile AI conferences, seminars and exhibitions. In addition, the SingularityNET message has been spread in a wide range of languages via leading national newspapers and TV networks. In spite of the ongoing COVID-19 pandemic, SingularityNET remains prolifically active at global blockchain, technology and AI events, and is expected to ramp up further as 2021 progresses and COVID travel restrictions wind down.

Overview of Activities

- The world's first humanoid recruiting humans campaign with Sophia the Robot.
- The launch of the community forum.
- Developer workshops all around the world, such as in the Netherlands, Finland, Japan, Hong Kong, Russia, USA, Ethiopia, and the UK.
- Developer Community initiatives in collaboration with iCog in Addis Ababa, Ethiopia.
- Launch of SingularityNET Developer Portal, Publisher Portal, Marketplace Beta V1 & V2, Staking portal, RFAI portal, DeezerSpleeter App, Singularity Studio.
- Marketing collaboration with Nature 2.0/Enexis in the Netherlands to promote intelligent decentralized systems.
- Streaming multiple conferences we organized, such as OpenCogCon, Humanity+, AIKORA Festival, The AGI Society, The COVID Simulation Summit, The D. OS Virtual Event, and The D. OS Web Series.
- COVIDathon - a hackathon where developers built innovative solutions to address the COVID-19 pandemic, in collaboration with Ocean Protocol and the Decentralized AI Alliance, among others.
- Set off down the road to community governance and elected a supervisory board.
- Ran the X-Lab business accelerator to help build platform adoption by investing resources into organisations that would add overall value.

- Thought leadership on the SingularityNET blog written by our in-house experts based on their AI research into beneficial subjects like neural symbolic ai, Agent-Based Epidemiological Modeling, Longevity Genealogy and precision medicine.
- The AGI podcast hosted by Tim Richmond, Head of Marketing Operations.
- A conversation with a DeepFake simulacrum of the Philip K. Dick Robot by Hanson Robotics.
- Entered Android markets with the launch of the Java SDK and Song Splitter App directly leveraging AI found on our platform on to the Google Play Store.
- Launched the AIgents bots for sentiment analysis of data in an interactive format available across various social media platforms.
- Launched SingularityNET Enhancement Proposals (SNEPs) to enable the cooperative and democratized development of the SingularityNET platform thanks to direct community input.
- Lowered SingularityNET's entry barrier for new consumers by integrating a fiat-to-crypto gateway using PayPal into the marketplace.
- Ran a short comic 'Dreams of Satoshi' about the future of AI.
- Launched an engaging and thought-provoking futuristic campaign titled 'AGI Chat', which posed a critical question about the future to our community of Singularitarians. This has led to many interesting debates on social media and on the forum.
- Published monthly newsletter updates detailing our progress and achievements to the community.
- The list of media coverage worldwide is too comprehensive to include here, but the following links show a selection of featured articles and electronic media coverage in tier one publications and media outlets: The New York Times, BBC, CNBC, Forbes, Wired, Techcrunch, ABC and Futurism;
- Among the numerous other podcasts and mainstream TV interview appearances, millions of SingularityNET followers were most interested to watch Dr. Ben Goertzel interviewed in-depth on The Joe Rogan Experience and Lex Fridman's AI Podcast.

Reach

SingularityNET currently generates over **1 million impressions monthly** on its own marketing channels, and **2.5 million views monthly across the web via all (earned plus owned) media channels,** positioning it as one of the world's top leading blockchain and artificial intelligence brands. **SingularityNET has 134K+ followers of which 71K+ are newsletter subscribers**. Our audience is

mainly composed of developers, AI and blockchain enthusiasts and futurists. This following provides invaluable backing as platform traction is radically increased in Phase Two.

Partnerships

As part of its transparent and open-source technology culture, SingularityNET welcomes partnerships with all serious parties interested to support the Foundation's aims.   In this regard, SingularityNET has formed a number of high-level relationships with leading companies, different levels of government, nonprofit organizations and other groups to address global challenges and innovate in the evolving worlds of AI and blockchain.

The wide-ranging nature of the strategic partnership outreach program can be better understood by clicking on the links on most noteworthy partnerships in which SingularityNET engaged in Phase I of its development: Unesco, Ping An Insurance, Dominoes, Ocean, Toda Protocol, Government of Malta, Enexis/Nature 2.0, People's Insurance Company of China, SberBank Russia, CISCO and, most recently, the critically important landmark collaboration with IOHK (Cardano).

Community Relations

Relations with the AGI token holder community and AI developers interested to ply their services on the platform is another critical element of the SingularityNET outreach program. The last three years have proven the inquisitive nature of SingularityNET followers, which has kept those responsible for Community Relations active with Foundation communication initiatives and education programmes:

- To reach the SingularityNET community the M&M team develops and regularly services a number of social platforms and outlets. An example of work in this area is seen by clicking the following links: Telegram, Community Forum, Podcasts, Newsletter, Medium, Twitter, Instagram, Facebook, LinkedIn and Youtube

- Over the past three years of platform operation, the uptake of the development community is well noted, as SingularityNET GitHub usage has grown rapidly to consist of some 118 repositories with a total of nearly 130,000K+ commits.

- In order to connect with the developer community, SingularityNET develops dedicated developer marketing experiences to onboard AI service publishers, product developers, and blockchain developers.

Additional Community Relations work has encompassed the development of the Foundation's democratic governance framework for the 18,000+ strong community of AGI token holders. The democratic governance process was tested in two votes: one for the election of SingularityNET's first Supervisory Council, and one regarding the parameters of the AGI token staking process.

Future Marketing Initiatives Planned

SingularityNET will be focusing on expanding its marketing channels and reach in a number of ways from 2021-2025. Some examples of upcoming marketing initiatives include:

1. **SingularityNET B2B Marketing.** The SingularityNET marketing team has closely worked and will continue to closely work with Singularity Studio to identify even more market opportunities and prospective customers.

2. **SingularityNET Broadcasting.** An internal marketing initiative focused on positioning the SingularityNET brand and its spin-offs in the world of live streaming and video, educating the world about the mission of the democratization of artificial intelligence, artificial general intelligence and intelligent decentralized system and ecosystem design.

3. **SingularityNET Developer Marketing.** SingularityNET has devised an all new developer marketing strategy which will aim to further grow our community of artificial intelligence developers underwriting the decentralized ethos and necessity of the SingularityNET protocol. Through the organization of AI publisher and AI consumer hackathons, SingularityNET platform courses, premium onboarding with the help of the SingularityNET platform team, and by expanding on our developer portal material we will be offering developers a better experience building products using decentralized artificial intelligence.

4. **Community Supported Marketplace Enrichment.** Through recurring beta testing programs, and added community functionalities on the marketplace, the community will be more involved in the shaping of the marketplace.

5. **Virtual Reality.** The marketing team will focus on integrating virtual reality more deeply with SingularityNET's content strategy by hosting regular VR watch parties, community meet-ups, lectures and AMAs.

6. **Utility Optimizers.** The marketing team will be researching more utility options for the AGI token on the SingularityNET protocol and marketplace, e.g. by expanding the marketplace with community functionalities utilizing the AGI token.

7. **SEO.** The marketing team will be focussing on improving SingularityNET's SEO ranking for the marketplace, website, developer portal, publisher portal, RFAI portal, staking portal, community forum, and social media accounts.

8. **SingularityNET Merchandise & Affiliate Community Program.** We will be launching a SingularityNET merchandise store. Community members will be able to earn a commission fee with an affiliate code. The merchandise will be for sale on our YouTube Merchandising Shelf and on the SingularityNET webshop. 100% of the profits go to the Community Ambassador Program.

9. **Community Ambassador Program.** A comprehensive package and programme for community members who wish to help further our goals and progress, including Beta testers, project developers, content creation, graphics, marketing & social media and community moderation.

AI R&D

Throughout Phase One, the SingularityNET tech team pursued a variety of deep AI R&D, some close to the foundations of AGI, many more oriented toward practical commercial or humanitarian applications, all enriching the network of AI agents operating on the decentralized network. An exciting aspect of Phase Two will be seeing the network enriched by these newly developed technologies, making the network and the AGI token ever more powerful, toward the ultimate goal of beneficial decentralized AGI.

The following links give a few representative examples of this body of ongoing work:

- Agent-Based Epidemiological Modeling: Part 1, Part 2
- AI-powered Sophia Robot
- ML and Machine Reasoning for Precision Medicine
- Meta-learning for Inference Control
- Reputation Systems
- Unsupervised Language Learning
- Longevity Data Analysis
- AI analysis of plant leaf images and associated data, to diagnose & understand crop diseases
- AI based prediction of carbon sequestration from satellite imagery and other data
- SingularityNET Simulations
- Offer Networks for Multi-party Barter Exchange
- Resisting Reputation Manipulation in Marketplaces

- [OpenCog Hyperon Cognitive Architecture](#)
- [Visual Question-Answering and Declarative Visual Reasoning](#)
- [Anthropogenic Causes of Climate Change](#)

Phase One Challenges

Given the revolutionary nature of SingularityNET's technology and mission, the evolving and volatile nature of the blockchain ecosystem, and the unprecedented global events of the last years, it is not surprising that SingularityNET has faced a considerable number of challenges as it has pushed forward over the years since its inception. These challenges have shaped the project's growth in major ways, and we will briefly review them here before plunging into an in-depth financial and operational review in the following section.

We believe these challenges need to be considered in the context of the overall massive exponential changes currently occurring in society at large and in the tech industry in particular. The exponential growth of AI, computing and related technologies is the crux of the Technology Singularity – the concept that gave SingularityNET its name. Exponential growth in scientific, technological and social domains always comes along with a significant dose of complex, chaotic unpredictability. We tend to think in linear terms, which makes the changes caused by exponential technological growth even harder to predict than they would be otherwise.

A practical implication of accelerating change is that it becomes increasingly difficult to choose the correct route when developing a product or service. In many cases, better solutions present themselves along the way, before one completes development according to one's original plan. This often means changing direction to take advantage of emerging opportunities and maintain a balanced, considered approach so as not to lose focus on the core mission and goals while remaining highly dynamic and adaptive. What this has meant for SingularityNET over 2018-2020 is that we have progressed faster in some respects than we anticipated in 2017, and slower in others -- but overall we have made very substantial progress toward the realization of the project's original vision, adapting in many particulars to the various unexpected developments that the world placed in our path.

Crypto Winter & Associated Volatility

The first major challenge SingularityNET faced during its brief history is the massive volatility in the cryptocurrency markets, with which the project has been coupled due to its launch as a utility token.

SingularityNET was founded in mid-2017, and its first major threshold event occurred in December 2017 when we ran our crowdfunded Token Generation Event (TGE) and launched the AGI utility token. This was a major step on the journey toward fulfilling our vision as laid out in the Whitepaper. We generated one billion AGI tokens in this TGE, of which just under half were distributed to interested community members -- selling out within a record 66 seconds. This was an ecstatic and historic time and the Foundation will always be grateful to those who took part. It was also the beginning of a long and complex adventure, which is still near the beginning in many senses.

Within the month of our TGE, in January 2018, there was a large sharp sell-off of most cryptocurrencies. The price of Bitcoin fell 65% and ETH performed poorly, losing 47% of its value in 2018 alone. The crypto market as a whole did not begin to recover until late 2020 – a prolonged negative market regime known as the 'crypto winter'. This reduced SingularityNET's financial capacity to operate at the rate originally planned and led to decreased confidence in blockchain across the wider technology industry.

Bitcoin Chart

Source: Coinmarketcap

Throughout these seasons, SingularityNET's determination to fulfil its vision remained resolute. However, the Foundation did need to make operational changes to keep progressing. These changes included staff reductions and reprioritisation of development to projects assessed to have maximal potential for promoting network growth due to their projected API calls to the marketplace.

Covid-19 Pandemic

The year 2020 brought SingularityNET and the rest of the world a new and unexpected challenge, the once-in-a-century pandemic. The economic impact and the resulting market environment have had their effects on the SingularityNET project as it has on all the others. SingularityNET remained insulated from the effects of the pandemic, in some sense, given that most of the team worked remotely in a decentralised way from the start. However, other key areas of development were affected. In previous years, SingularityNET headlined numerous technology conferences, and the pandemic curtailed the ability to network and meet people face-to-face. The pandemic slowed many promising corporate and

government partnerships, though in most cases there are strong prospects for acceleration as 2021 progresses.

As the pandemic progressed we witnessed an opportunity to help with the global challenge, and redirected some planned events to help deal with Covid-19. SingularityNET ran a "COVIDathon" in conjunction with our partners, and repurposed some existing work on smart cities and agent-based modelling to model the spread of the coronavirus, and took part in a record number of online events as well as hosted some global tech events that we would normally attend such as the Covid-19 Simulation Summit, Humanity+, OpenCogCon, the AGI Conference, The Decentralized Online Summit, and The D. OS Web Series.

Global Market Readiness

One of the striking indirect consequences of the pandemic is its bolstering of the Big Tech oligopoly, which has found its revenues growing dramatically due to shifts in lifestyle and work patterns induced by COVID-19. At the same time, in part due to high profile intersections between online social network policies and US electoral politics, public awareness of the excessive power wielded by the top Internet tech and social media firms has risen sharply, resulting in increasing enthusiasm for exploring potential alternatives. Working for Google or Facebook is no longer a young AI expert's dream career, but rather a prospect viewed with mixed feelings due to the now notorious ethical ambiguities involved with these firms' business models.

We thus lie at an interesting juncture as regards the critical task of growing traction for SingularityNET's decentralized AI platform. There is a rising interest in the AI community and the tech world broadly to bypass the Big Tech oligopoly and this works in SingularityNET's favor. However, AI developers and users will not let philosophy overcome practicality -- to make significant inroads against Big Tech's current domination of the AI space, SingularityNET will need to offer sufficient usability and economic viability to provide a real alternative.

In short, during 2018-2020 it was challenging to induce busy AI algorithm and product developers to see the value of exploring alternative blockchain-based venues for their work, however the times are changing fast. Far more so now than in 2018 or early 2020, AI vendors and customers are actively looking for alternative platforms to Big Tech that are democratic in orientation and leave more power to network

participants versus the platform's owner and operator. At this point, the onus is on SingularityNET to provide a strong enough offering to entice AI algorithm and product developers to follow their hearts and move away from the Big Tech ecosystems.

The work SingularityNET has done during Phase One brought us part way there; in our plans for Phase Two we have articulated a clear path both technologically and business-wise to complete the journey to create a truly compelling alternative and place that option in the service of a large user community.

Financial Statement & Balance Sheet 2018-2020

Profit & Loss	2018	2019	2020
Income			
Proceed from Token Sales	$ 34,507,340	$ 852,687	$ 2,787,482
Sales & Grants	$ -	$ 434,463	$ 61,951
Total income	**$ 34,507,340**	**$ 1,287,149**	**$ 2,849,433**
Operating Expenses			
AI Research & Development	$ 3,129,143	$ 2,664,114	$ 1,209,411
Business Development	$ 575,233	$ 500,842	$ -
Marketing	$ 1,254,397	$ 734,169	$ 130,249
Operations	$ 1,061,295	$ 851,939	$ 182,265
Platform Development	$ 688,505	$ 945,310	$ 694,708
Total Operating Expenses	**$ 6,708,573**	**$ 5,696,374**	**$ 2,216,633**
Other Expenses			
Legal Expenses for the ICO	$ 1,479,000	$ -	$ -
Crypto Exchange Gain or Loss	$ 8,958,759	$ (468,730)	$ -
Unrealised Gain or Loss on Crypto assets	$ 10,197,269	$ (1,846,017)	$ 728,675
Capital Gain or Loss on AGI			$ 103,454
Total Other Expenses	**$ 20,635,028**	**$ (2,314,747)**	**$ 832,129**
Net Income	**$ 7,163,739**	**$ (2,094,477)**	**$ (199,329)**
Balance Sheet	**2018**	**2019**	**2020**
Assets			
Cash	$4,174,542.81	$ 310,458.83	$ 189,746.01
ETH	$1,256,478.77	$ 35,513.14	$ 168,218.40
BTC	$1,579,117.26	$ 1,145,998.54	$1,445,041.22
Pre-paid Contract	$ 250,000.00	$ -	$ -
Intangible Assets - AGI	$ -	$ 3,637,098.98	$2,572,867.54
Long Term Investments	$ -	$ 444,009.46	$1,197,827.91

Total Assets	**$7,260,138.84**	**$ 5,573,078.94**	**$5,573,701.07**
Liabilities			
Accounts Payable	$ 96,400.00	$ 503,817.61	$ 703,769.23
Total Liabilities	**$ 96,400.00**	**$ 503,817.61**	**$ 703,769.23**
Net Income	$7,163,739.09	$(2,094,477.39)	$ (199,329.37)
Retained Earnings	$ -	$ 7,163,739.09	$5,069,261.70
Net Assets	**$7,163,739.09**	**$ 5,069,261.70**	**$4,869,932.33**
Total Liabilities and Net Assets	**$7,260,139.09**	**$ 5,573,079.31**	**$5,573,701.55**

Notes to the Financial Statement & Balance Sheet

Presenting specific financials that incorporate AGI utility tokens alongside fiat currency, as we have done here, is a challenge rarely undertaken. The reason this is hard to achieve is that few jurisdictions have set accounting standards for crypto token companies, and those that have do not do so on a global standard basis, such as one sees with traditional companies in their use of International Financial Reporting Standards (IFRS).

A number of bodies and accounting firms are making progress in setting the framework for a proper accounting system for alternative token companies like SingularityNET in the future. In this regard, SingularityNET is heavily reliant on the work of the European Financial Reporting Advisory Group (EFRAG) and references its "Discussion Paper on Accounting for Crypto-Assets (Liabilities): Holder & Issuer Perspective" released July 2020. EFRAG aims to influence future standard-setting developments by engaging with European constituents and providing timely and effective input to early phases of the IFRS work in this area. Following these guidelines in most respects, in the following subsection SingularityNET provide Notes to the above Financial Statements.

Definition of Crypto Assets and Liabilities

There is no legal or commonly accepted definition of the term "crypto-assets", and there is pluralism in stakeholders' use of related terminology, which is a by-product of the rapidly evolving ecosystem of products and use cases. For the purposes of EFRAG, a crypto-asset is defined as a digital representation of value or contractual rights created, transferred and stored on some type of distributed ledger technology (DLT) network, such as the Blockchain), and authenticated through cryptography. "Crypto-liabilities" are defined as obligations that arise from the issuance of crypto assets resulting in a present obligation for the issuing entity to transfer or grant access to an economic resource in digital or non-digital form. These basic definitions encompass private crypto-assets (liabilities) and central bank digital currencies.

Reporting Crypto Currency Values

It has not uncommon for accounting entities to deal in multi-currencies with widely fluctuating exchange rates, as multinationals calculate their revenues in the form of freely-tradable currencies like the euro, yen, dollar and pound sterling as well as not easily convertible currencies like the ruble, renminbi, rupees

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and riyal. In its accounting, SingularityNET uses the US dollar as its reporting currency and applies the "fair market value" mechanisms established by bonafide exchanges for the value of ETH, BTC and AGI holdings as of the year-end date.

When it comes to valuation issues related to tokens, EFRAG states "that the question of appropriate valuation arises due to the unique and/or multiple element characteristics of different crypto-assets and the novel features of business models that issue crypto-assets. For instance, most entities raising capital through ICOs are at the initial stages of development, often not even operating businesses but just funding ideas. The expected pay-off from an ICO token depends on the intention of token holders either as customers or investors. For example, utility tokens which grant their holders access to the token's ecosystem, product or service, results in token being holders more akin to customers than investors."

In some cases, EFRAG continues, "there might be significant price fluctuations between markets. These could result in a difference between the price in the principal (or most advantageous) market and the actual price received, and hence in day one gains or losses, when using a fair value model. The existence of such price differences would not, of itself, be an indicator that there is no active market…Some cryptographic assets aim to be backed by a fiat currency – for example, for one cryptographic token to represent the value of US$1. However, because these cryptographic assets are not considered a foreign or functional currency in the definition of IAS 21, they are treated no different to other cryptographic assets with regard to determining if an active market exists."

TGE Costs & Distributions

EFRAG notes two different ways to handle the TGE costs incurred by the issuer, including development costs associated with setting up a platform to launch an TGE. These are analogous to IPO costs. The guidelines under GAAP address this issue and account for issue costs either as intangible assets (if they meet the definition) or as expenses recognized immediately in profit or loss. In its accounts, SingularityNET chose to treat its legal expenses as an upfront TGE cost, but payment made by AGI token was registered when the token was actually distributed to the Founders and Advisors. The reason for this is that in most cases there was a vesting period of one to two years.

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Utility Token Income & Intangible Assets

When a utility token is sold it is characterized as income, much in the same way as a traditional enterprise would characterize the sale of a coupon. Minted tokens that are not sold and for which value is hard to define are considered off-balance sheets and reported as notes to the financial statements. In its accounts SingularityNET has made the decision that the tradability of its token allows for a price to be stated and as such all minted tokens in the SingularityNET reserve are valued at the Binance price on the final day of the reporting years of 2019 and 2020.

EFRAG states: "Some issuers of ICO tokens might choose to keep some tokens generated through the ICO to use as a means of payment for goods or services. The generation of ICO tokens for own use does not generate proceeds for the ICO entity. The act of generating ICO tokens is not, in itself, an exchange transaction…Some argue that generating ICO tokens is similar to a retail store printing vouchers for discounts on future purchases at the store and not distributing them to customers. Therefore, according to PwC, it seems appropriate that such an event would not be considered for accounting purposes. This situation changes once the vouchers are provided to third parties in exchange for consideration – or, in accounting terms, once an exchange transaction takes place."

SingularityNET does not take into consideration minted tokens in 2018 on its balance sheet as no tokens were provided to third parties for consideration and no exchange transaction took place. We disclose that amount as 299,942,934 tokens at a year end value of US$13.9 million. In 2019 and 2020, AGI tokens were provided to third parties and exchange transactions took place, so SingularityNET categorized holdings of remaining AGI tokens as an Intangible Asset.

Phase One Summary Financial Report

As SingularityNET turns the page from Phase One of its development program it is an opportune time to review various aspects of the Foundation's financial performance in a holistic way. This section provides a more informal and narrative understanding of the events and decisions behind the Financial Statements & Balance Sheet for 2018-2020 presented above. This includes consideration of the context of the financial landscape in which SingularityNET operated during this period, and an analytical review of some of the relevant numbers.

Financial Context 2018-2020

Over the last three years the altcoin market – in which SingularityNET was identified by Nasdaq in December 2020 as one of the most promising players – has faced incredible challenges. Numerous altcoin peers have fallen by the wayside in a rollercoaster market wherein BTC itself moved from a peak of nearly US$20,000 in 2017 to a trough of US$4,000 in March 2020, only to start 2021 at US$40,000-plus. In this context, SingularityNET has beaten the odds to survive and push forward on its mission during this period.

SingularityNET watched its AGI token rise from the initial TGE (Token Generation Event) issuance price of 0.10 to prices above 1.0 to the US dollar within its first trading week, pushing nominal token capitalization over US$1billion at some points. These highs were battered down to a low of just under 0.01 in March 2021, only to see the AGI token rise from the ashes to nearly touch its issuance price at the start of 2021. This kind of speculative volatility caused unexpected havoc for a token designed to drive AI architects to cooperate in the AGI revolution.

After completion of the TGE, the AGI treasury held a combination of token and fiat worth almost US$34.5 million. The TGE sale witnessed the sales of 540 million token at an TGE price of US$0.10 to bring in the US$34.5 million in fiat, BTC and ETH. This record-breaking TGE was completed in 60 seconds with an oversubscription of ten times. Of the remaining 460 million AGI token, 337 million was placed in the Foundation Wallet for future handling; an additional 84 million went to Founders to be vested over two years, with 39 million set aside as TGE bonus for cornerstone token holders to be vested over one year.

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In the heady days of the December 2017 TGE, Foundation management calculated that its capital position would last for between 5 to 7 years, ample time to realize the important initial utilization growth period of the SingularityNET platform. However, the subsequent crash of the altcoin market, in tandem with the plummet of traditional token leaders called for a rapid change in strategy to meet the challenge.
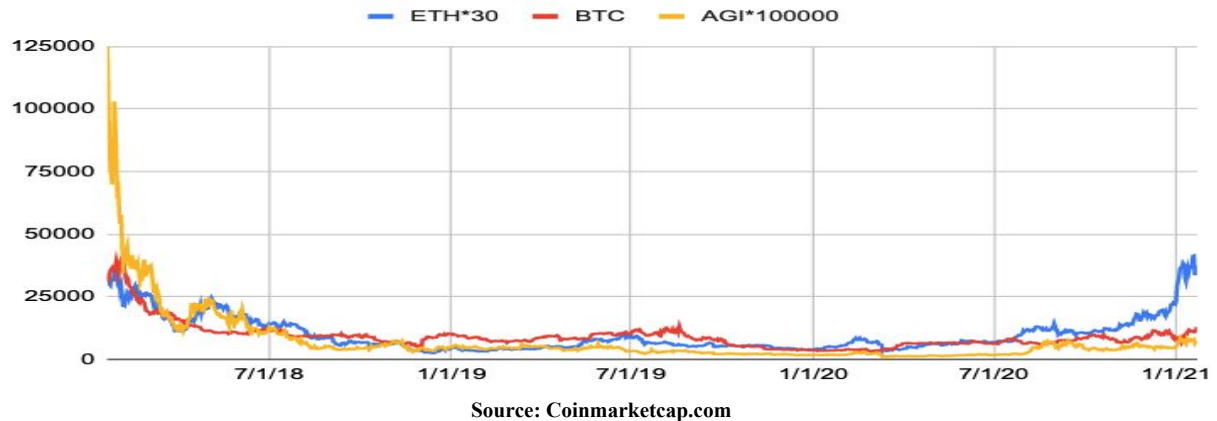

Source: Coinmarketcap.com

Figure 2: *Correlation of BTC, ETH and AGI price over 2018-2020.* The strong correlation of AGI token price with the broader crypto markets is clear. It is likely that once token utilization for AI services increases sufficiently -- a core focus of SingularityNET Phase Two -- this correlation will be broken or at least dramatically weakened.

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Management Discussion & Analysis

From a Profit & Loss standpoint, the initial total income registered by the TGE of the AGI utility token in the first year of operation reached $34.5 million. Though 2018 operating expenses were only US$6.7 million, crypto exchange losses and unrealized losses amounted to just over US$19 million to push net income down to US$7.1 million. The primary reason for these losses was a steep decline in crypto currency prices, as currency losses composed some 70% of Total Expenses.

In the year following the 2018 TGE, total income dropped to US$1.3 million with token sales of just $852,687. Operating expenses in 2019 dropped 15% to reflect the poor crypto currency trading environment to US$5.7 million. As crypto-currency prices rose gradually from the depths, crypto exchange gains and unrealized gains were registered of nearly US$2.8 million to reduce the net loss to just over US$1.6 million.

There were a number of difficult decisions to be made in the crypto winter of 2019: freeze or drastically reduce expenses and wait for the crypto market to pick up; or continue with the platform development and AI R&D while seeking other revenue streams. The Foundation chose to follow a course of aggressive ongoing development coupled with moderate fiscal conservatism. As management announced the spinoff of Singularity Studio to drive enterprise revenues, a key US$200,000 was closed with a large global tech firm along with another smaller contract with a Hong Kong fintech firm and a research grant from the Loving AI Foundation.

In March 2019, SingularityNET cashed out ETH8,000 (US$989,755) and in June 2019 BTC81 (US$659,395) was cashed out to maintain development and AI R&D while marketing and operating expenses were reduced. Furthermore, in June 2019 the Foundation decided to furlough the payment of key executives and suppliers, pay developers in AGI by mutual agreement and cash out AGI tokens on a monthly basis. The total liability of the furloughed payment as of 31 December 2019 was US$475,000.

By the end of 2019, Studio investment slowed while other projects continued to develop, such as Rejuve and Nunet. In addition, 24 million tokens were allocated to early contributors of the project, 8 million to advisors, 9.4 million to fund other projects, 3.4 million were allocated to platform developers, 2.1 million allocated in the platform and 660,000 as marketing incentives for a total of 47 million tokens.

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In the year 2020 SingularityNET made a small loss as the Foundation approached the break-even mark, as total income rose due to realized utility token sales from SingularityNET Treasury of over US$2.8 million. Figure 3 below shows that the SingularityNET Executive Board took drastic measures to stem the expense side in an effort to slow the sales of AGI token, as expenses dropped almost 62% over 2019 to US$2.2 million. Foundation manpower decreased from 90 in 2018 to 45 people in 2019 and 35 in 2020.

Expenses in USD	2018	2019	2020
AI	$ 3,129,143	$ 2,664,114	$ 1,209,411
Biz Dev	$ 575,233	$ 500,842	$ -
Marketing	$ 1,254,397	$ 734,169	$ 130,249
Operations	$ 1,061,295	$ 851,939	$ 182,265
Platform	$ 688,505	$ 945,310	$ 694,708
Total	**$ 6,708,573**	**$ 5,696,374**	**$ 2,216,633**

Figure 3: *Foundation Expenses.*

While sacrifices were made across the board, SingularityNET worked harder to deploy resources in a more frugal manner by prioritizing tasks with greatest short-term importance. Cost cutting measures combined with a stabilization in crypto token prices as compared to 2018 allowed the Foundation to achieve a small drop in operating income of less than US$200,000 in 2020. The plan for 2020 continued platform development and AI R&D while nurturing Other Projects and accelerating the Singularity Studio spin-off. The global COVID-19 pandemic had a major impact as the business environment and crypto market took a downturn. In May 2020 SingularityNET decided to keep only the most essential of its contractors and installed a cost reduction program across the board.   To keep the cash flow situation in hand, executives and other managers deferred their salaries in a total amount of US$694,000.

In late summer 2020 the crypto market picked up steam with the rest of the economy and this improved the runway of SingularityNET token reserves. During 2020, SingularityNET sold 149 million AGI tokens for US$2.8 million, another 1.7 million tokens were allocated to early contributors, 11 million as incentive for developers, 2 million for advisors and 790,000 for marketing incentives for a total of 16 million tokens allocated.

The one area in which no sacrifices were made was in the key platform development. In fact, more resources were allocated in 2019 than in 2018 when the amount dedicated to development rose from

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US$700,000 to US$900,000 before returning to the US$700,000 in 2020. The same cannot be said of the AI technology team allocation, which dropped from US$2.6 million in 2019 to US$1.2 million in 2020, or for the marketing budget, which dropped from US$1.2 million in 2018 and US$700,000 in 2019 to US$130,000 in 2020 as per Figure 3 above.

Figure 4 below illustrates the year end cash and token holdings of the Foundation. The opening cash and token balance following the closing of the TGE in December 2017 was US$34.5 million. After a major dip in the cash and token balance in 2018, the Foundation's cash and token position stabilized. As we move into Phase Two in 2021, the cash and token position of the Foundation remains strong at US$4.3 million based on current operational costs. However, the Phase Two initiative calls for the Foundation to enhance its operational side with more human resources as the utilization drives platform activity to much higher levels.

values in USD	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20
USD	$ 2,698,255	$ 4,174,543	$ 310,459	$ 189,746
ETH	$ 27,623,672	$ 1,256,479	$ 35,513	$ 168,218
BTC	$ 2,706,414	$ 1,579,117	$ 1,145,999	$ 1,445,041
AGI	$ -	$ -	$ 3,637,099	$ 2,572,868
Total	**$ 33,028,340**	**$ 7,010,139**	**$ 5,129,069**	**$ 4,375,873**

Figure 4: *Change in Foundation Token Holdings*

In Figure 5 below, one can see the change in the Foundation's token holdings position. The AGI utility token was the main driver of net income in Phase One of the Foundation's development, and the greatest decrease in the AGI token reserve was registered in 2020 as 149.3 million tokens were sold to bring the remaining reserve to just over 48 million for a total of US$2.6 million at a year-end 2020 AGI price of US$0.055.

Crypto Holdings	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20
ETH	36,504	9,421	274	228
BTC	191	422	159	50
AGI	337,179,019	299,942,934	212,434,962	48,100,872

Figure 5: *Foundation Token Holdings*

It is worth noting that by year end the AGI token price showed promise of improving dramatically given a positive change in sentiment of the crypto markets. Though the Foundation increased AGI token sales to fund operations in 2020, an exercise negatively impacted by a token price that hit an all-time low of 0.009 on March 13, 2020, the AGI token price peaked in 2020 at US$0.073. This is more than seven-fold rise in the AGI price from its March low. Meanwhile, the AGI token price almost regained the TGE issue price of US$0.10 in January 7, 2021 when the AGI price reached US$0.088. These results show the opportunity for a major Foundation reserve increase in AGI ERC20 with greater token utilization in 2021.

Figure 6: *AGI Crypto Price 2020*

One segment that consumed more funds in the opening stages of Phase One was Business Development. However, a drop in explicit funded Business Development activity in 2019 and 2020 was made up by other project development initiatives. A substantial effort was placed on the launch and global funding road show for flagship Singularity Studio, the commercial enterprise services arm of SingularityNET in line with the business model that has seen Linux-Red Hat and Ethereum-Consensus thrive. Additional resources were dedicated to roll out key value creation spin-off initiatives in healthcare, digital media and network infrastructure verticals. Some US$1.2 million was invested in Other Projects for 2019 and 2020 as per Figure 7.

Going into Phase Two of SingularityNET's development, the leadership team and staff have the benefit of 3.5 years of experience building and rolling out complex technologies in challenging market situations. The software platforms and tools created, the partnerships established and the spinoffs incubated during

Phase One are poised to yield significant rewards in Phase Two, as Layer 2 networks drive large-scale token utilization which has transformative economic implications for the Foundation and its ecosystem. This however leads beyond the current review of 2018-2020 finances and operations and on to the future of SingularityNET as described in the accompanying document [XXX link to Phase 2 doc]

Project	2019		2020		% Change
Nunet	$	10,976	$	25,230	130%
Rejuve	$	14,440	$	143,301	892%
Studio	$	418,594	$	558,464	33%
Xccelerando	$	-	$	26,823	n/a
Grand Total	**$**	**444,009**	**$**	**753,818**	**70%**

Figure 7: *Investments in Other Projects*