



Treasury Report
ParagonsDAO

January to June 2023

Treasury Report - January to June 2023

Author(s): Milamber

Date: 30 June 2023



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Executive **Summary**

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Executive Summary

The Treasury team has achieved significant progress and productivity in the first half of 2023, with the addition of Milamber as a dedicated Finance Contributor, strategic planning to professionalise finance and treasury activities, and commencement of a large number of finance and treasury-related projects.

Changes implemented in the last six months are fortifying our treasury for future growth, supporting our expanded product vision, and positioning the DAO for long-term success in the Web3 gaming space.

The current assets of the DAO (excluding PDT, NFTs and token investments) stands at c.\$6.88m, up from c.\$5.68m at the end of December 2022. This represents a runway of roughly four years at our current burn rate of c.\$0.4m per quarter. You will find a detailed Treasury Report in the appendix, however in summary, these changes include:

Highlights

Historical Audit, Implementation of Financial Processes, Policies & Controls

We've been establishing robust financial controls, processes, and policies, including a comprehensive audit of wallets, assets, and transactions, enhancing historical and forecast reporting capabilities.

Establishing Historical, Forecast and Ongoing Financial Reporting

We've implemented reporting frameworks, ensuring reliable and accurate reporting practices, enabling deeper insights into financial performance and facilitating informed strategic decision-making.

Optimising our Liquidity & Supporting our Existing Partners

We've optimised our liquidity strategy, which has resulted in diversified liquidity provision, increased fees, and support for the PRIME token, generating additional revenue for the DAO.

Being Reactive to Market Events & Opportunities

The Treasury team has shown responsiveness to market events and opportunities, mitigating risks and capitalising on favourable conditions, resulting in profitable swaps and strategic investments.

Seeking out Yield Generation Opportunities

Yield generation opportunities have been pursued, with idle assets utilised through liquid ETH staking, contributing to the security and stability of the Ethereum network and earning fees for the DAO.

Making Strategic Investments & Working with New Partners

Strategic investments and partnerships have been made to enhance product development, such as the acquisition of The Priming, and collaborations with content partners and other promising projects.

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Incentivising Contributors to Build Best-in-Class Products

Incentive schemes have been implemented to reward contributors and support long-term participation and effort, ensuring the timely completion of product development projects.

PRIME Token Launch

The PRIME token launch and caching activities have positively impacted the treasury, offsetting costs, while preparations have been made for the game launch and ongoing PRIME sink rewards distribution.

PDT Staking

A portion of PRIME earnings has been allocated to PDT stakers, with detailed models supporting reward cadence decisions and additional retrospective rewards. PDT holders have currently staked 84.4m PDT (over 67% of the circulating supply), which is currently earning PRIME.

Asset Purchasing

Asset purchasing and management strategies have been reviewed and optimised, ensuring availability of specific cards and assets required for the desired player base. Our Parallel TCG card count now stands at 36,004 and we recently purchased eight Anata NFTs as part of a partnership deal.

Conclusion

The treasury's efforts have strengthened the financial foundations of the DAO, improving transparency, accountability, and the potential for long-term success in the Web3 gaming space. We hope that you have found our first Treasury Report report insightful and valuable, and would like to thank all of our holders, community members and partners for their continued support during what has been a tricky year to navigate for everyone in the space. Expect to see a lot more reporting output in the second half of the year as Parallel and our products officially launch, including the next Treasury Report in Q3.



Treasury **Update**

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Introduction

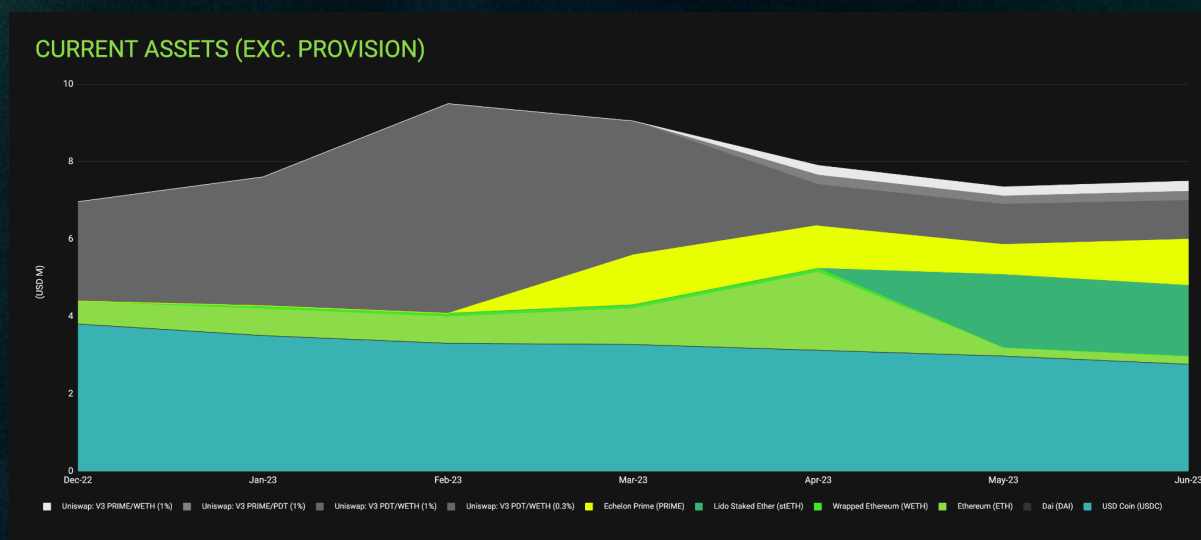
At the halfway point of 2023, we are pleased to share the first iteration of our treasury report. In this report we have provided an overview of the DAO's current financial status, significant changes since the start of the year with accompanying explanatory notes, and explanation of what each item represents.

In this report you will find a breakdown of ParagonsDAO's balance sheet including our current liquid assets, longer-term investments and our NFT inventory as well as other relevant financial activities. In future reports, we intend to expand on this level of detail including our full P&L results, as well as to add more real-time financial reporting which our community members can access in between reports.

Treasury Status

In the six months to date in 2023, the DAO's current assets excluding NFTs (i.e. its liquid treasury) have increased from \$5.68m at 31 Dec-22 to \$6.88m at 30 Jun-23, a gain of \$1.21m (21.2%). This is a pleasing result during a period in which the DAO is pre-revenue and the team has grown, helped by the launch of the Echelon Foundation's PRIME token and hire of a dedicated finance lead.

You can see the status of the DAO's current assets over time in the chart below, however a more detailed section is included later in this report. The spike in the size of our PDT/WETH LP between Jan-23 and Mar-23 was driven by an increase in the PDT price associated with the PRIME token launch. The subsequent decrease was driven by a decrease in the PDT price and aforementioned optimisation of our liquidity through a reduction and redeployment across new pools.



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Treasury Update

The first half of FY23 seems to have flown by but it has been a highly productive one for the Treasury team. In December, Milamber joined us full-time as our first dedicated Finance Contributor and immediately set to work on forming a strategic plan to professionalise our finance and treasury-related activities based on his background as a chartered accountant along with a refreshed Treasury Council

While we are still pre-revenue and as our headcount grows to support our expanded vision for the DAO, we are happy to report that our liquid treasury (excluding PDT, NFTs and token investments) stands at c.\$6.88m, up from c.\$5.68m at the end of December 2022. This means the DAO has roughly four years of runway at the current burn rate using just our liquid and semi-liquid treasury. More importantly, through the changes being implemented in the first half of this year and beyond, we are fortifying our treasury to safeguard and propel its growth into the future. These changes include:

Highlights

Historical Audit, Implementation of Financial Processes, Policies & Controls

A significant amount of effort has been spent in H1 in professionalising our finance activities through the creation of a finance function led by Milamber. This included reviewing and understanding existing processes, policies and information, assessing and upgrading our financial tech stack, implementing processes and workflows for operational activities such as collating and storing financial information or dealing with payments, and establishing robust financial controls to further protect the treasury.

Most importantly we have undertaken a full audit of all of our wallets, assets and transactions going back nearly two years to the creation of the DAO, across nearly 40 wallets and contracts and over 20,000 transactions. Each transaction and wallet has been understood, classified and tagged with relevant metadata, facilitating more robust historical and forecast reporting and giving the DAO a better understanding of its financial performance and the value of its treasury and non-treasury assets. Work in all areas is a continuous process as we aim long-term to be a model of financial professionalism and transparency other DAOs can follow.

Establishing Historical, Forecast and Ongoing Financial Reporting

The establishment of robust financial controls and processes, particularly with regards to financial data, has laid a solid foundation for the initiation of reliable and accurate reporting practices, starting with this report. We have created a number of internal models, reports and analyses which enable the executive team to better understand the full picture and health of the DAO (beyond a multisig wallet), and over the coming months we will begin to roll these out for our community to access.

As we continue to refine and enhance our financial reporting frameworks, this commitment to improved data quality and reporting integrity is pivotal. It enables our community to gain deeper insights into our financial performance, identify key trends, and make well-informed strategic decisions. This is a crucial step toward greater transparency, accountability, and ultimately, the long-term success of the DAO.

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Optimising our Liquidity & Supporting our Existing Partners

At ParagonsDAO, we supply our own token liquidity, which is possible through our healthy Treasury reserves. In March we undertook a strategic review of our liquidity strategy and fee generation which included a comparison to our peers, realising we were providing liquidity at a significantly higher proportion of our FDV to the majority of projects of our size (c.23%), and earning less fees (0.3%). This is summarised in [PDIP 13 - Redeploying our Uniswap Liquidity](#).

We elected to reduce the overall liquidity we provide for trading \$PDT to c.11% in line with a peer group of other web3 gaming projects and DAOs, increasing fees to 1% and allocating a portion to a new PDT/PRIME pool. Additionally, with the PRIME token launch experiencing shallow initial liquidity, we added c.\$0.3m of PRIME/ETH liquidity to the existing 1% pool to benefit from fees and support price.

Collectively, these changes diversify the liquidity we provide, reduce some risks, provide greater support to the PRIME token, and help us capture additional revenue through trading fees. Pleasingly, we have already earned c.\$20k in fees, annualising to over \$100k per annum for the DAO.

Being Reactive to Market Events & Opportunities

Part of Milamber's and the Treasury Council's role is to be aware of market risk and treasury-impacting events, which in March, included the significant USDC depegging event. Before convening over a weekend, the group were already fully briefed and knowledgeable about events, and what was fact vs. fiction, enabling them to be highly reactive while at the same time managing any risks.

The Treasury Council took the decision to swap half of our stablecoin treasury (1.7m USDC) for USDT before the depeg occurred. After further extensive research, with the confidence that the market was overestimating the risk, the USDT was swapped back to USDC at a 9% discount in the same weekend. The result was a profit of \$168k for the DAO, which was used to fund a purchase of 100 ETH at \$1,400 (a c.\$35k profit to date), with the prevailing sense the bottom was likely in for ETH for the long-term.

Seeking out Yield Generation Opportunities

Rightsizing our liquidity meant a significant amount of ETH had come back into the treasury. As well as continually meeting with protocols providing yield generation opportunities, in April we undertook a strategic review of the market, treasury and our appetite for generating revenue from idle assets. [PDIP 14 - Deploying our Ethereum Holdings](#) dealt with this proposal.

We concluded that we do not want to risk our stablecoins, which secure us a significant runway for building, while we also expect to be earning revenues from our products by the end of the year. However we do not need ETH to support our daily operations, and therefore it is available for low risk opportunities. The Treasury Council decided that using liquid staking would introduce minimal risk vs. holding ETH in our multisig, and to further minimise any risk, we elected to do this with Lido, the largest player in the space, resulting in 1,000 ETH being staked in April, generating around an ETH per week.

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This decision aligns to our Treasury Ethos — particularly, with our focus on building and our confidence and support of ETH as the currency of Web3 (by staking, we're also contributing to the security and stability of the Ethereum network). By proactively putting idle assets to work, we're paving the way for a more sustainable and productive DAO, contributing to the future of Web3 gaming.

Making Strategic Investments & Working with New Partners

Guided by our commitment to advancing the web3 and web3 gaming ecosystems, we strategically partner with organizations that share our vision. Our partnerships, grants, and strategic investments focus on progress—stimulating innovation, fostering growth, and accelerating the adoption of web3 and related gaming technologies. They're carefully chosen to align with our programmatic objectives, and to maximize impact in these dynamic fields. Our strategy benefits from Milamber's and other team/council members' backgrounds in finance and M&A.

Our ongoing investments into Utopia and BLVKHVND (after a restructure) are performing well, we have welcomed new strategic content partners such as Metaguild, and we are actively working with several other products building in stealth including providing funding which we hope to share more on soon. Unfortunately as can happen with start-ups, our investments in Mover, Guzzolene, Gradient, and Abacus will need to be written off (less any returned funds) as all three businesses have ceased operations.

Most importantly was our acquisition of Priming, a Web3 gaming asset management tool that quickly emerged as the most important community tool in the Parallel ecosystem. We paid \$150k and 1m PDT vested over six months, and onboarded one of its co-founders as a contributor. We're in the midst of evolving The Priming into a base camp for Web3 gaming, building on their team's vision and progress, and delivering significantly more value as one of the centrepieces of our product suite.

Incentivising Contributors to Build Best-in-Class Products

The Treasury Council completed the buyback of 9.9m PDT tokens from inactive founders at significantly discounted rates in H2-2022, and also halved the DAO's Uniswap liquidity resulting in another c.11.5m PDT coming back into the treasury. In May we undertook a strategic review of our team compensation to assess repurposing some of this recaptured PDT and modelling a viable incentive scheme for the Executive Team and Development Team to support long-term participation and effort.

As a small pre-revenue decentralised entity, ParagonsDAO's success is heavily reliant on the work and guidance of its lead core contributors, and its engineers achieving agreed deadlines and targets in order to ensure that product development milestones are hit within the stated timeframes. This is particularly important as products are being built concurrently with one of our primary investments (Parallel TCG) and need to meet the same time frames to be ready for launch. The DAO will not earn significant revenue until its products are built and players/guilds are using them.

As such we repurposed 3.75m (up to a maximum of 5.25m) of bought-back PDT for this, which will be distributed to the relevant parties over a period of two years across milestones of the DAO's three key

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development projects (Equip, Guildr and Priming). [TIP 1A - Implement an Executive Team Incentive Scheme](#) and [TIP 1B - Implement a Development Team Incentive Scheme](#) deal with these proposals.

PRIME Token Launch

Our friends at Parallel and Echelon unlocked the PRIME token in early March, which saw early trading up to roughly \$7 and along with it a significant boost to the DAO's treasuries. As expected, an initial sell-off has seen the price fall to where it sits today at nearly \$2, after contributors made an assessment of treasury health and runway, we determined that we did not want to realise any of our investment at such an early stage (a position which will be revisited in due course).

In the meantime, the DAO has continued to accumulate PRIME from its cached assets at a rate of c.90k PRIME per month, entirely offsetting our monthly operating costs at current prices. This has resulted in an increase in the dollar value of our treasury of c.\$1.21m relative to the end of December 2022. PRIME caching, and therefore our PRIME earnings, will cease in mid-July 2023, until the game is live and PRIME sink rewards are distributed to cached assets on an ongoing basis starting towards the end of the year.

In order to prepare for this, Milamber has prepared a detailed model based on every type of earning asset across the Parallel ecosystem, and underpinned by extensive data and a set of conservative assumptions which enables the DAO to be able to continue to understand its financial runway. We plan to share a public version of this model to assist community members in the coming months.

PDT Staking

We allocate a portion of PRIME earnings to PDT stakers, which went live in February. Treasury Council member and CMO FlapJackson produced a detailed model to support our decision around the cadence of rewards as well as an additional retrospective reward, which after community discussion was ratified and put into effect. We currently have 84.4m PDT earning PRIME rewards earned by the DAO up to the end of caching. Once the game is live in H2 and we have a better understanding of what ongoing PRIME sink rewards look like, we will present a new rewards proposal to the community.

Asset Purchasing

And lastly, in preparation for the launch of Parallel and our products we undertook a strategic review of our existing NFT assets. This involved assessing the existing Parallel meta and modelling various scenarios to understand minimum numbers of specific cards we require in order to serve our desired player base and filling in the gaps via market purchases and OTC deals, and more recently utilising new technology such as Sudoswap to purchase from liquidity pools. Conversely we have also sold small amounts of certain assets earned and deemed surplus to requirements to then reinvest the funds. Our Parallel TCG card count now stands at 36,004 vs. 7,847 at the end of last year.

Away from Parallel TCG, we have earned, redeemed and rewarded community members with a number of Parallel auxiliary items, and recently purchased eight Anata NFTs as part of a partnership which will result in the DAO receiving four additional custom Anata NFTs to be used for content and marketing.



Financial **Statements**

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Treasury Overview

METRIC	AMOUNT (\$USD M)							VARIANCE	
	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	YTD	(%)
Stablecoins	3.80	3.50	3.30	3.27	3.12	2.97	2.76	(1.04)	(27.4%)
Liquid Tokens	0.59	0.77	0.78	2.32	3.23	1.01	1.42	0.83	140.1%
Native Tokens (After Provision)	-	-	-	-	-	-	-	-	n/a
CASH & CASH EQUIVALENTS	4.39	4.27	4.08	5.59	6.35	3.98	4.18	(0.21)	(4.8%)
LP Tokens (After Provision)	1.29	1.67	2.71	1.73	0.90	0.85	0.87	(0.41)	(32.1%)
Staked Tokens	-	-	-	-	-	1.89	1.83	1.83	n/a
SHORT-TERM INVESTMENTS	1.29	1.67	2.71	1.73	0.90	2.74	2.70	1.42	110.3%
CASH & CASH EQUIVALENTS	5.68	5.94	6.79	7.32	7.25	6.73	6.88	1.21	21.2%

ParagonsDAO's current assets balance excluding NFTs and PDT (i.e. its liquid treasury) as of 30 Jun-23 is \$6.88m. This represents a runway of roughly four years at our current burn rate of c.\$0.4m per quarter.

The numbers presented are based on the status of the treasury on 30 Jun-23 and have been prepared on a cash basis. Any activities after 30 Jun-23 are not included in this report unless directly mentioned.

Financial data is presented in millions of dollars and uses values determined at each month-end for valuation purposes. Please read the notes and disclaimer at the back of the report for further details.

In presenting these figures, only non-native assets are included, i.e. any PDT balances (the DAO's native token) are not counted towards any totals in order to present the most prudent picture of the health of our balance sheet. This is achieved through the inclusion of provisions to remove the value of any PDT in the treasury or the LPs owned by the DAO, meaning both gross and net amounts can still be seen.

Wallet Overview

A detailed list of the DAO's wallets (which in aggregate constitute the holdings presented in this report) can be found on [this page](#).

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Cash & Cash Equivalents

METRIC	AMOUNT (\$USD M)							VARIANCE	
	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	YTD	(%)
ITEM									
USD Coin (USDC)	3.80	3.50	3.30	3.27	3.12	2.97	2.76	(1.04)	(27.4%)
Tether (USDT)	-	-	-	-	-	-	-	-	n/a
Dai (DAI)	0.00	0.00	0.00	0.00	0.00	0.00	-	(0.00)	(100.0%)
STABLECOINS	3.80	3.50	3.30	3.27	3.12	2.97	2.76	(1.04)	(27.4%)
Ethereum (ETH)	0.57	0.69	0.69	0.93	2.02	0.22	0.21	(0.37)	(63.8%)
Wrapped Ethereum (WETH)	0.02	0.08	0.09	0.09	0.10	0.00	0.00	(0.02)	(97.1%)
Echelon Prime (PRIME)	-	-	-	1.29	1.11	0.80	1.21	1.21	n/a
LIQUID TOKENS	0.59	0.77	0.78	2.32	3.23	1.01	1.42	0.83	140.1%
ParagonsDAO (PDT)	1.16	1.59	3.55	1.29	1.89	1.74	1.50	0.34	28.9%
ParagonsDAO (PDT) Provision	(1.16)	(1.59)	(3.55)	(1.29)	(1.89)	(1.74)	(1.50)	(0.34)	28.9%
NATIVE TOKENS	-	-	-	-	-	-	-	-	n/a
CASH & CASH EQUIVALENTS	4.39	4.27	4.08	5.59	6.35	3.98	4.18	(0.21)	(4.8%)

Cash & Cash Equivalents represents the DAO's primary operating funds which are primarily used to pay the salaries of contributors, execute purchases and make investments. It has reduced from \$4.39m at 31 Dec-22 to \$4.18m at 30 Jun-23 (\$0.21m, (4.8%)) due to i) a \$1.04m reduction in Stablecoins largely driven by ongoing salary payments, asset purchases and investments; offset by ii) a \$0.83m increase in Liquid Tokens driven by the launch of the Echelon Foundation's PRIME token which the DAO has continued to accrue over the period.

Stablecoins

While the DAO has held a number of different stablecoins in the past, at 30 Jun-23 all of its stablecoin balance is held in USD Coin (USDC). The Treasury Council regularly reviews its stablecoin policy with respect to market dynamics and risks and may in future seek to diversify its holdings if appropriate.

The majority of the DAO's operating expenses are represented in USDC, with salaries (which are also paid in PDT) the primary driver of the \$1.04m reduction over the six month period at a current burn rate of roughly \$0.4m per quarter. The remaining difference comprises \$150k paid in respect of the Priming acquisition, Parallel TCG card purchasing and ongoing tech infrastructure costs.

In the period a profit of \$168k in USDC was earned as a result of trading around the USDC depeg, however this was used largely to fund a purchase of 100 ETH at \$1,400.

Liquid Tokens

The DAO uses a small basket of non-stablecoin cryptocurrencies in its daily operations; Ethereum (which is our primary network token and required for gas or payment for certain activities), and PRIME

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(the ecosystem token of our largest investment to date, Parallel TCG and has been accumulated over the past year, however may diversify its holdings in future as required to operate on other networks:

- Ethereum (ETH): Holdings have decreased by \$0.37m (63.8%) in the period to 30 Jun-23 as a result of gas fees required to operate on the Ethereum network, and Parallel TCG purchases. At 30 Apr-23 the Ethereum balance had grown to \$2.02m due to a combination of the release of Ethereum from the existing PDT/WETH LP, and Ethereum purchases made in the same month. The majority (1,000 ETH) of this was staked in May-23 and included in Short-Term Investments.
- Echelon Prime (PRIME): Holdings have increased from \$nil to \$1.21m in the period to 30 Jun-23, however the DAO has been accumulating PRIME since Jul-22, though it did not begin trading (and therefore have a value) until Mar-23. Throughout this period we have continued to accumulate PRIME, while also sharing a portion with the community (300k PRIME) - this is why the balance has been largely flat since 31 Mar-23. The balance presented is inclusive of tokens earned to 30 Jun-23, albeit some of these were not claimed until the first week of Jul-23.

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Short-Term Investments

METRIC		AMOUNT (\$USD M)						VARIANCE		
ITEM		Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	YTD	(%)
Uniswap: V3 PDT/WETH (0.3%)		2.57	3.33	5.42	3.46	-	-	-	(2.57)	(100.0%)
Uniswap: V3 PDT/WETH (1%)		-	-	-	-	1.05	1.02	0.98	0.98	n/a
Uniswap: V3 PRIME/PDT (1%)		-	-	-	-	0.24	0.21	0.24	0.24	n/a
Uniswap: V3 PRIME/WETH (1%)		-	-	-	-	0.25	0.23	0.26	0.26	n/a
LP Tokens PDT Provision		(1.29)	(1.67)	(2.71)	(1.73)	(0.65)	(0.62)	(0.61)	0.67	(52.5%)
LIQUIDITY PROVIDER TOKENS		1.29	1.67	2.71	1.73	0.90	0.85	0.87	(0.41)	(32.1%)
Lido Staked Ether (stETH)		-	-	-	-	-	1.89	1.83	1.83	n/a
STAKED TOKENS		-	-	-	-	-	1.89	1.83	1.83	n/a
SHORT-TERM INVESTMENTS		1.29	1.67	2.71	1.73	0.90	2.74	2.70	1.42	110.3%

Short-Term Investments represents semi-liquid assets intended to derive yield such as liquidity pool shares and staked tokens. It has increased from \$1.29m at 31 Dec-22 to \$2.70m at 30 Jun-23 (\$1.42m, (110.3%)) due to i) a \$(0.41)m reduction in Liquidity Provider Tokens driven by the project to rightsize our Uniswap liquidity in Apr-23; offset by ii) a \$1.83m increase in Staked Tokens representing the choice to stake the majority of the DAO's liquid Ethereum with Lido in May-23.

Liquidity Provider Tokens

The DAO utilises protocol-owned liquidity, i.e. it owns the vast majority of the LP used for trading in its native token PDT. It also deploys strategic amounts of liquidity into select tokens owned by the treasury where it makes sense for the purposes of hedging, or capturing fees from tokens it holds anyway. The DAO underwent an exercise in Mar-23 to rightsize the liquidity it provided on Uniswap, as well as to deploy new pools in order to capture fees and upside around trading in the PRIME token. The numbers presented do not reflect roughly \$30k of uncollected fees across all pools and are net of PDT values:

- Uniswap: V3 PDT/WETH: Holdings have decreased by \$1.56m (61.7%) on a net basis in the period to 30 Jun-23 as a result of a reduction in the amount of liquidity provided after a review of the DAO's peers, and changes in the PDT and ETH price over the six months to date. Some of these funds returned to the treasury as ETH and PDT, whereas some were redeployed into new PRIME/PDT and PRIME/WETH pools on Uniswap. At 28 Feb-23 the balance had grown to \$5.42m due to market speculation around the PRIME launch and headwinds captured by PDT. The subsequent decrease reflects the reversal of this trend post-PRIME launch in Mar-23.
- Uniswap: V3 PRIME/PDT: The DAO elected to deploy a new pool to capture trading fees around the PRIME ecosystem, pairing PRIME with PDT on the basis that prices have been shown to move broadly in tandem to date meaning any impermanent loss risk is reasonably low.
- Uniswap: V3 PRIME/WETH: With the PRIME token launch experiencing shallow initial liquidity, the DAO added liquidity to the existing 1% pool to benefit from fees and support price.

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- LP Tokens PDT Provision: The figures presented in this report are exclusive or net of native assets, i.e. any PDT balances (the DAO's native token). This is intended to present the most prudent picture of the health of the balance sheet given the DAO does not trade in its own token, and would be able to realise the values held in the treasury based on the amount of liquidity available. This manual provision removes the value of all PDT assets held across the LPs presented, meaning the net total represents just the ETH and PRIME amounts.

Staked Tokens

To date the DAO has only deployed Ethereum into staking solutions, holding 1,005 Lido Staked Ether (stETH) at 30 Jun-23, vs. its initial investment of 1,000 tokens. This came from a strategic review of the market, treasury and our appetite for generating revenue from idle assets in Apr-23, which in turn was driven by the recapture of a significant amount of ETH back into our treasury after rightsizing our LP. The DAO will continue to monitor its investment and ETH reserves with respect to adding to this amount and/or looking to diversify with other appropriate protocols to reduce any financial risk.

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Inventory

METRIC		AMOUNT (QUANTITY)						VARIANCE	
ITEM	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	YTD	(%)
Masterpieces	22	22	22	22	22	22	22	-	-
Catalyst Drives	15	15	15	15	15	15	15	-	-
Cores	12	14	14	14	14	14	14	2	16.7%
Prime Keys	68	68	68	68	68	69	69	1	1.5%
Galaxy Keys	12	12	12	12	12	12	12	-	-
Overclock Keys	47	48	48	48	48	48	48	1	2.1%
Multifold Keys	17	17	17	17	17	17	17	-	-
Surge Keys	1	1	1	1	1	1	1	-	-
Prismatic Keys	79	79	79	79	79	79	79	-	-
Gravity Keys	-	-	57	57	57	57	57	57	n/a
The First Son of Mars	2	2	2	2	2	2	2	-	-
Art Cards	13	13	13	14	14	14	14	1	7.7%
Card Backs	114	132	132	132	132	132	144	30	26.3%
Legendary SE	156	174	174	174	174	174	174	18	11.5%
Rare SE	424	473	473	473	473	473	473	49	11.6%
Uncommon SE	550	637	637	637	637	637	613	63	11.5%
Common SE	796	1,024	1,024	1,024	1,024	1,024	990	194	24.4%
Legendary PL	23	23	23	23	23	23	23	-	-
Rare PL	86	91	91	91	91	91	91	5	5.8%
Uncommon PL	92	114	114	114	114	114	89	(3)	(3.3%)
Common PL	11	52	52	52	52	52	34	23	209.1%
Legendary FE	1,366	1,664	1,758	1,767	1,764	1,798	1,798	432	31.6%
Rare FE	2,620	3,115	3,528	3,779	3,779	3,855	3,789	1,169	44.6%
Uncommon FE	617	674	1,286	1,325	1,325	2,649	2,746	2,129	345.1%
Common FE	704	711	8,775	9,334	9,334	22,884	24,690	23,986	3407.1%
PARALLEL TCG (LL)	7,847	9,175	18,415	19,274	19,271	34,256	36,004	28,157	358.8%
Parallel Comics (LLCMC)	22	20	20	20	42	42	42	20	90.9%
Parallel Lore (LLLR)	22	22	22	22	44	-	-	(22)	(100.0%)
Parallel Auxiliary Items (AUX)	19	20	19	19	47	19	19	-	-
OTHER PARALLEL NFTS	63	62	61	61	133	61	61	(2)	(3.2%)
Anata	-	-	-	-	-	-	7	7	n/a
ARBO	365	365	365	365	365	365	365	-	-
The Watch	92	92	92	92	92	92	92	-	-
OTHER NFTS	457	457	457	457	457	457	464	7	1.5%
INVENTORY	8,367	9,694	18,933	19,792	19,861	34,774	36,529	28,162	336.6%

Inventory primarily represents NFT assets intended for use in our ecosystem products by players, for marketing and giveaways, as part of strategic partnerships, and to obtain governance shares in our ecosystem partners (e.g. assets that may be rewarded in future with governance tokens). To date the vast majority of inventory has comprised Parallel ecosystem assets (given the DAO's origins), however as new quality Web3 games are launched we expect this to gradually diversify. The numbers presented are quantities, however we expect to be also be able to provide cost detail in future updates:

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Parallel TCG (LL)

Parallel TCG (LL) holdings have increased by 28,157 (358.8%) in the period to 30 Jun-23 as a result of a push from the DAO to build sufficient inventory ahead of the launch of our Equip product. There was also one pack drop in this period (PDVI) in Jan-23 whereby a number of cards were added. Despite difficult market conditions and low supply, the purchasing team has developed and been executing a detailed strategy focused on staple cards needed for various decks that are currently seen as desirable, with a focus on First Edition (FE) cards to maximise potential PRIME earnings relative to cost; as such, less focus has been placed on premier assets like Prime Keys and Masterpieces compared to last year.

Other Parallel NFTs

As a result of our Masterpiece and Prime Key holdings, the DAO has been fortunate enough to earn pack reservations, merchandise and media to supplement its card holdings. These are primarily used as prizes for giveaways, however we were able to sell our supply of Shard Fragments from the Parallel Lore collection and used the funds for additional card purchases. The purchasing team regularly monitors the market for these sorts of opportunities where there is not a business reason to hold certain assets and it makes more sense to realise the funds and reinvest them elsewhere (primarily into Parallel cards).

Other NFTs

While the focus to date has largely been on the Parallel ecosystem, we do also hold assets of other gaming ecosystems in anticipation of their launches. There have been no changes in our ARBO and The Watch holdings in the period to 30 Jun-23, though we are actively exploring opportunities with new partners for our ecosystem, with announcements to hopefully come in due course.

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Long-Term Investments

METRIC ITEM	AMOUNT (\$USD M)							VARIANCE	
	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	YTD	(%)
BLVKHVND	0.16	0.16	0.16	0.16	0.16	0.16	0.16	-	-
The Priming	-	0.27	0.27	0.27	0.27	0.27	0.27	0.27	n/a
GAMING INFRASTRUCTURE	0.16	0.43	0.43	0.43	0.43	0.43	0.43	0.27	167.2%
Abacus	-	-	0.05	0.05	0.05	0.05	-	-	n/a
Gradient	0.05	0.05	0.05	0.05	0.05	-	-	(0.05)	(100.0%)
Guzzolene	0.05	0.05	-	-	-	-	-	(0.05)	(100.0%)
NFT INFRASTRUCTURE	0.10	0.10	0.10	0.10	0.10	0.05	-	(0.10)	(100.0%)
Holyheld	0.03	0.03	0.03	0.03	0.03	0.03	0.03	-	-
Utopia	0.04	0.04	0.04	0.04	0.04	0.04	0.04	-	-
PAYMENTS INFRASTRUCTURE	0.07	0.07	0.07	0.07	0.07	0.07	0.07	-	-
LONG-TERM INVESTMENTS	0.33	0.59	0.59	0.59	0.59	0.54	0.49	0.17	51.4%

While not an investment DAO or venture capital firm, from time to time the DAO is offered to work with strategic partners, provide grants and participate in funding rounds. Some of these represent a passive investment into a product or team whose product we use/intend to use and whose values align with ours, and others represent more active investments into technology and infrastructure which is intended to be integrated into our products and ecosystem.

Long-Term Investments has increased from \$0.33m at 31 Dec-22 to \$0.49m at 30 Jun-23 (\$0.17m, (51.4%)) due to i) a \$0.27m increase in Gaming Infrastructure driven investment in the Priming in Jan-23; offset by ii) a \$(0.1)m decrease in NFT Infrastructure following the sunsetting of Abacus, Gradient and Guzzolene over the course of the period as a result of the bear market. All values represent the cost at the time of acquisition and not fair values of investments today given the lack of an active market in which to price seed investments.

Gaming Infrastructure

Gaming Infrastructure primarily reflects products and protocols that are intended to be deeply integrated into our ecosystem. As such we work closely with these teams in order to realise the investment made and also retain a larger amount of control relative to our other investments:

- BLVKHVND: Our first major investment was made in 2022 and details around the nature of the agreement and progress can be found earlier in this report. The value shown represents the cost in USDC, with no changes required given the project/team is still active and building.
- The Priming: Purchase of the Priming was finalised in Jan-23, details of which can be found earlier in this report. The value presented represents the \$150k and 1m vested PDT paid to the previous owners marked to the date of acquisition. The value of the PDT paid and which has

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been vesting over a year, which would otherwise have remained in our treasury, is now roughly 60% of the value at the time of acquisition.

NFT Infrastructure

NFT Infrastructure broadly relates to investments into products and teams that align with our primary products and infrastructure and would be of use to future users. These typically represent small grants made to support ongoing build cost and/or future integration of our ecosystem/assets:

- Abacus/Guzzolene: The DAO issues a \$50k grant to Guzzolene in 2022 to position itself to significantly increase its yield on idle NFTs by securing a governance stake in Guzzolene to direct liquidity to the DAO's spot pools on Abacus in order to take advantage of loan, insurance and capital efficiency opportunities. Guzzolene ceased operations in Feb-23 with roughly half of the funds returned, and the original investment instead rolled into Abacus. Unfortunately Abacus also ceased operations in Jun-23 and the initial \$50k investment into Guzzolene has been written off. There is a chance a further reimbursement of some funds is made in future.
- Gradient: Intending to tap into the utility provided by Abacus oracles by leveraging Gradient to borrow against NFTs and provide support in critical areas including liquidity, the DAO issued a \$50k grant to Gradient in 2022. Gradient ceased operations and this was written off in May-23.

Payments Infrastructure

Payments Infrastructure primarily reflects investment into infrastructure partners associated with the DAO's non-core operations, largely in the finance space. The DAO typically works with such products closely, benefitting from direct and preferential access to teams and ability to request new features to help improve the DAO's operations:

- Holyheld: Holyheld (formerly Mover) is our debit card partner and used to pay for subscription costs primarily. The DAO made a \$25k investment in 2022 which has remained unchanged.
- Utopia: Utopia is our on-chain payments and reporting partner and used to pay for salary costs primarily. The DAO made a \$41k investment in 2022 which has remained unchanged.

Review

The treasury's efforts have strengthened the financial foundations of the DAO, improving transparency, accountability, and the potential for long-term success in the Web3 gaming space. We hope that you have found our first Treasury Report report insightful and valuable, and would like to thank all of our holders, community members and partners for their continued support during what has been a tricky year to navigate for everyone in the space. Expect to see a lot more reporting output in the second half of the year as Parallel and our products officially launch, including the next Treasury Report in Q3.



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