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## TreasureDAO Report

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Treasure Technology Foundation (USD)  
Q2 2023



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# Disclaimer

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This report is prepared solely for the confidential use of the Treasure Technology Foundation (“TreasureDAO” and the “Company”). In the preparation of this report, its preparer (r3gen Finance) has relied upon unaudited financial and non-financial information available for all TreasureDAO related entities. Information contained in this report has not been audited or formally reviewed, and therefore does not express an opinion or any other form of assurance on the accuracy of the information presented. No party shall be liable for any loss, damage or expense which may be caused to another party by relying on this report.

## **No Assurance**

Unaudited financial and non-financial information available for the entity has been relied upon in the preparation of this report. r3gen Finance has applied its expertise in accounting and financial reporting to assist in the preparation and presentation of these financial statements. This report and associated parties do not express an opinion or any other form of assurance on the accuracy of the information presented.

## **Compilation**

r3gen Finance, has compiled the accompanying financial statements of Treasure Technology Foundation based on information the entity has provided.

r3gen Finance, has applied their expertise in accounting and financial reporting to assist in the preparation and presentation of these financial statements in accordance with the applicable financial reporting standards. The report has been compiled with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are the entity’s responsibility. Since a compilation engagement is not an assurance engagement, r3gen Finance is not required to verify the accuracy or completeness of the information provided to us to compile these financial statements. Accordingly, no audit opinion or a review conclusion on these financial statements has been expressed.

## **Basis of preparation**

The accompanying Management Accounts of Treasure Technology Foundation, incorporated in the Cayman Islands, have been prepared in accordance with IFRS (International Financial Reporting Standards). The management accounts have been prepared under the historical cost convention, except where IFRS requires an alternative treatment (such as fair value). The historical cost convention uses the original cost of the assets, with adjustments for depreciation, amortization, and impairment, as applicable.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, have been disclosed separately, if required.

All amounts are presented in U.S. dollars, unless otherwise indicated. The financial statements and related disclosures are presented on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

# 1. Purpose of Report

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The purpose of the report is to provide the TreasureDAO community with greater visibility into the current state of the DAO's operations and financials as well as its high-level roadmap and plans. This will allow TreasureDAO community members to identify the best ways to contribute to the Treasure ecosystem..

The objectives of this report are:

- To keep DAO members informed and enable them to make the best decisions for themselves, the community, and the expansive and growing Treasure ecosystem
- To increase trust in the core contributors and council team operating on behalf of and for the benefit of all members of TreasureDAO
- To provide DAO members a report of TreasureDAO's asset holdings, giving the community peace of mind of the DAO's financial position and ensuring that the DAO's treasury and funds are not being misappropriated
- To provide a clearer, up-to-date roadmap of what is being developed and what is to come, ensuring further alignment and visibility into the DAO's broader strategy and overall future direction while balancing commercial pragmatism

## r3gen Finance background

r3gen Finance ("r3gen") has been collaborating closely with the TreasureDAO core contributing team to generate comprehensive financial reports detailing the performance of TreasureDAO and its affiliated entities. r3gen strives to ensure complete adherence to all pertinent regulations concerning token issuance, ongoing operations, and tax obligations. Furthermore, r3gen is in the process of evaluating the robustness of internal controls and operational procedures.

r3gen's ongoing engagement with TreasureDAO encompasses the following key areas:

### **Financial Record-Keeping:**

1. Comprehensive bookkeeping and cataloguing of all transactions from inception, encompassing both on-chain and off-chain activities.
2. Clarification of asset ownership patterns and the formulation of revenue recognition guidelines.
3. Release of an official chart of accounts and a financial statement spanning from inception to present.
4. Integration and automation of a controls architecture within the accounting framework.

### **Operational Controls:**

1. Detailed mapping of current and projected funding flows and multi-signature configurations.
2. Creation and formalization of a holistic multi-entity financial controls system, fortified with protective measures.
3. Thorough documentation and enactment of internal control mechanisms.

A significant part of r3gen's undertaking aims at enhancing transparency and accountability, in line with suggestions and improvements raised by the community. r3gen's deliverables will present an up-to-date financial statement featuring a synopsis of treasury holdings, the revenue amassed from diverse revenue channels, and the strategic reinvestment of this revenue to bolster ecosystem development. In conjunction, r3gen will also furnish a detailed analysis of operational costs borne by Treasure and its affiliated entities, covering both on-chain and off-chain expenditures.

## 2. Key Developments within Q2

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There have been a number of significant developments within Q2 contributing to the growth of the ecosystem, both in terms of gaming and commercial initiatives. These developments have enhanced the financial sustainability and expenditure efficiency of TreasureDAO.

### Game Growth

It was announced that Permadeath Studios' Kaiju Cards deck building rogue like game will be coming to Treasure. Coupled within this Mighty Bear Games' Mighty Action Heroes has also joined Treasure to launch their fast-paced casual battle royale. Whilst games are being brought to the Treasure ecosystem we are seeing significant activity of builders within the ecosystem. The Beacon and Knights of the Ether held major gameplay events and initiatives that coincided with the game communities securing Harvesters through active gameplay ([The Beacon's Grin Dungeon](#) and Knights of the Ether's Mydsummer Madness).

The Treasure Cup was held jointly with Arbitrum neighbour, AI Arena, and 10 Treasure games concluded. The event brought our game communities together through an innovative AI-powered Super Smash Brothers-like game with Bitmates being crowned the victor of the tournament.

### Organization Developments

As TreasureDAO works to ensure appropriate allocation of resources whilst rewarding and retaining top talent within the ecosystem an important development is the reallocation of MAGIC from TreasureDAO's LP and Staking Rewards fund to the Ecofund and Future Contributors. As part of TIP-25, a portion of MAGIC that was originally assigned for LP and staking rewards was moved to the Ecofund for future ecosystem growth initiatives and earmarked for contributor allocations to maintain long-term alignment to build within the Treasure ecosystem ([see link](#))

In addition to the reallocation of MAGIC from the LP and staking rewards fund the organization made the decision to amend MAGIC LP incentives to respond to strong markets and reduce unnecessary inflation. Whilst this took place in Q4 2022, the amendment reaches well into Q2 and the rest of 2023 to impact LP incentives available within Sushi. ([see link](#))

Additionally, there was a proposal TIP-24 which reallocated a portion of the MAGIC/ETH protocol owned liquidity towards standing up a game development team for producing a playable, immersive game for Bridgeworld as the interoperable center of the Treasureverse. ([see link](#))

### Partnerships and Ecosystem Growth

Treasure in Q2 partnered with Hop Protocol to launch fast bridging support for MAGIC to/from Arbitrum One, Arbitrum Nova, and Ethereum L1. TIP-27 stipulated the use of 1.5M MAGIC and 5 ETH to enable Hop Protocol's fast bridging support to offer a significantly improved UX to transfer MAGIC across chains as games building with Treasure on the Arbitrum Nova chain scales up. ([see link](#))

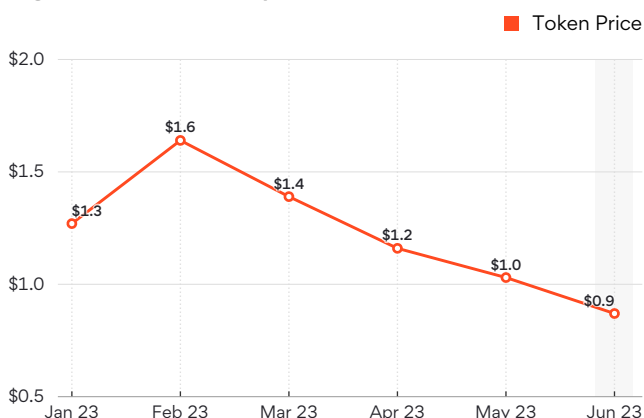
As many are aware Treasure received a sizable airdrop from the Arbitrum foundation. The DAO is utilising a portion of the ARB granted for game studio partnerships and grants. Utilising this will enable Treasure to recognise contributing game builders and strengthen strategic and aligned relationships with high calibre games and studios, igniting the next stage of Treasure's growth as a web3 gaming ecosystem. Of the 2M ARB, 500k was used to recognise early contributing builders with the remainder earmarked for future treasury swaps / investments or grants with prospective, high quality game studios ([see link](#))

Overall Q2 has seen some significant ecosystem developments and also strong Game builder growth setting up Treasure for a prosperous 2023 and beyond.

### 3. Q1 vs Q2 Key Insights

Over the past 6 months, the organization, alongside the entire industry, has faced challenging market conditions. Crypto generally is in a steady bear market, price discovery has not gained any real, sustained traction and asset prices have remained relatively stable as can be seen in Fig 1 with MAGIC prices fluctuating between \$0.9 and \$1.6. Throughout the period, the MAGIC token has been predominately the largest treasury holding and the underlying transactional currency of Treasure and the ecosystem. The DAO however is working with various partners to firm up the treasury holdings and diversify into stablecoin assets where appropriate. [TIP-22 - Adding Self-Funding Treasury Management](#) has enabled the organisation to diversify the revenue generated through marketplace fees and game revenue primarily associated with Bridgeworld. This is a positive step towards building a treasury that is well diversified to deal with volatile market conditions.

Fig 1 - MAGIC token price



TreasureDAO generates revenue through the use of the marketplace receiving royalties from trades across its ecosystem of games and underlying NFT collections. Another revenue stream is through in-game loops within Bridgeworld, including crafting and summoning (now no longer active). Revenue for Q2 totals \$124,455 for Marketplace Fees and \$148,289 In-Game Revenue. It should also be noted that the organization received a sizable airdrop from the Arbitrum foundation, valued at \$10,683,303 at the point of receipt.

The organization plans to utilize the airdrop to maintain its position as, at the time of writing, the largest delegate within Arbitrum DAO, to continue contributing to Arbitrum's overall development and network growth, all while fostering further growth of the TreasureDAO ecosystem under [TIP-28 - Use of ARB for Game Studio Partnerships](#). Per TIP-28, the organization will allocate 2,000,000 of the 8,000,000 (25%) ARB distribution towards recognition of contributing game builders and strengthening strategic and aligned relationships with high caliber games and studios, igniting the next stage of Treasure's growth as a decentralized gaming ecosystem.

Notable expenses are in relation to Liquidity and Mining incentives YTD totalling \$2,453,795. Payroll represents the second largest cost behind that of Liquidity and Mining incentives. The organisation consists of various working groups and contributors - each have either a set salary or a flexible contract with both cash and MAGIC long-term incentives. The greatest payroll cost centre is product and engineering, totalling \$957,027 YTD, this is to be expected as TreasureDAO continues to build out the core infrastructure around the Treasure platform and marketplace, Bridgeworld, supporting and co-developing alongside the games within the ecosystem to drive towards greater interoperability and realize its vision of creating an interconnected network of games.

#### TOTAL MV CRYPTO HOLDINGS (Jun 23)

**\$74,352,336**

▼ -7.8% from last month



This figure represents the current market valuation of the treasury holdings. This is different to that of the impaired asset holdings which is the balance sheet valuation applying accounting standards

#### CRYPTO HOLDINGS IMPAIRED HOLDINGS (Jun 23)

**\$30,505,795**



Under IFRS the assets should be considered for impairment. If an indicator of impairment is identified then it should be realised and marked down to that value. This total figure is shown here.

## STABLECOINS (Jun 23)

**\$5,829,627**

▼ -8.9% from last month



Total Stablecoin and Fiat holdings, end of April 2023

## TOKEN PRICE (Jun 23)

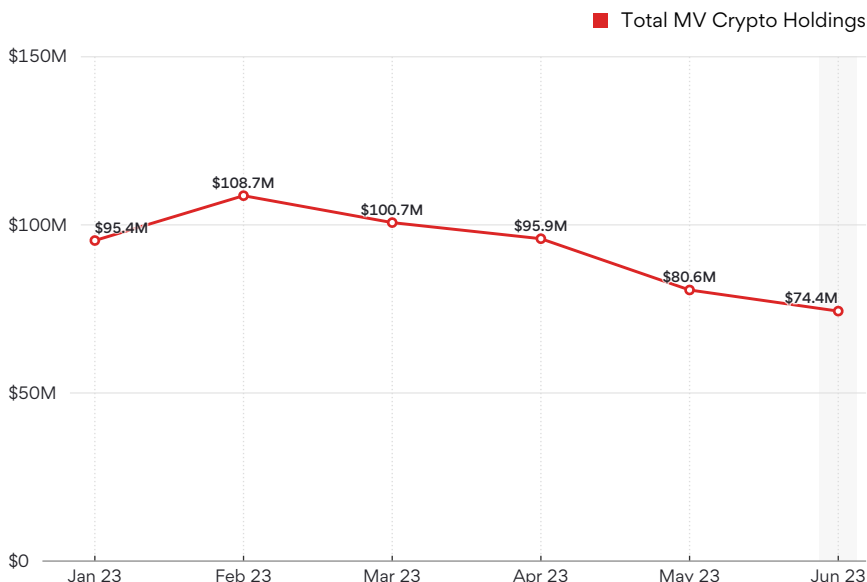
**\$0.87**

▼ -15% from last month



MAGIC token price is slightly down from last month. During the last year prices have been turbulent

Fig 2 - MV of Treasury Holdings



The TreasureDAO treasury largely comprises MAGIC holdings coupled with stablecoin holdings as the most prominent positions within the treasury. Shown below is the market value of the treasury over the last 6 months which largely follows the trends in the market with asset valuations correlated to the market cap of ETH.

The organization is planning to firm up the stablecoin runway to place less reliance upon the MAGIC token which will enable the organization to continue to operate should there be further black swan events or significant sustained market downturn.

Treasure receives revenue from various different streams, be it through activity through marketplace fees, in-game loops within Bridgeworld, or the market maker. We have seen significant fluctuations month-on-month ("MoM"). The fluctuations are largely due to MAGIC price fluctuation. Since we are analyzing the performance of the organization in US Dollar however the majority of assets on the marketplace are denominated in MAGIC, resulting in a fluctuation in the revenue generated per month. Periodically, marketplace revenue is moved to the treasury and converted as part of TIP-22 to stablecoins to fund operating expenditure.

## IN-GAME REVENUE (2023 YTD)

**\$441,844**



Revenue generated from in-game purchases and marketplace fees as MAGIC. As with marketplace revenue, this is converted to a USD value at the point of the transaction.

## ROYALTIES AND MARKETPLACE FEES (2023 YTD)

**\$552,191**



This figure represents royalties and marketplace fees received from activity on Treasure's marketplace. Fees are received in MAGIC but converted to USD value for comparison.

## TOTAL EXPENSES

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**\$2,474,375**

▲ 8.7% from last quarter



This figure represents all operating expenditure in the day-to-day running of the organization. This figure excludes liquidity and mining incentives.

Expenses for the period have seen a slight increase from Q1, this is due to a combination of expenses, most notably increased legal costs, and the accounting for long term contributor incentive plans which were finalized and agreed towards the end of Q1 and the start of Q2. As the entity finalizes its incorporation and structuring, it anticipates legal expenses to reduce significantly month-on-month. During Q2, the Treasure core team has undertaken a detailed budget review into the spending of the organization and will action recommendations from this exercise in due course, driving for further operating efficiency and optimisation.

## AIRDROPS RECEIVED (2023 YTD)

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**\$10,683,303**



This figure represents airdrops received in the financial year. Most notably, the Arbitrum airdrop of 8M ARB which Treasure received from the Arbitrum Foundation was one of the largest during the DAO airdrop period.

It is also worth mentioning that there was a significant airdrop received from the launch of the Arbitrum token. Treasure as a USD value received \$10.7M equivalent of ARB token. The organization has put forward initial plans on how to utilize this to both further the development of Treasure and the ecosystem along with supporting growth more broadly on Arbitrum.



## 4. Financial Statements YTD

Profit or (loss) account for the period 1st January 2023 to 30th June 2023. The financial accounts are prepared in USD utilizing IFRS to prepare and account for the on-chain and off-chain transactions throughout the period. We have provided summary accounts with notes to the financial statement providing more detailed analysis.

### Profit or loss account for the period ending June 30, 2023

PROFIT & LOSS	Q2 2023	Q1 2023	This quarter vs last quarter (\$)	This quarter vs last quarter (%)
<b>Revenue</b>				
Revenue including Other income				
Marketplace Fees	\$124,455	\$427,736	(\$303,281)	-70.90%
In-Game Revenue	\$148,289	\$293,555	(\$145,266)	-49.49%
Airdrops Received	\$10,677,374	\$5,929	\$10,671,445	179,996.38%
<b>Total Revenue including Other income</b>	<b>\$10,950,118</b>	<b>\$727,220</b>	<b>\$10,222,898</b>	<b>1,405.75%</b>
<b>Total Revenue</b>	<b>\$10,950,118</b>	<b>\$727,220</b>	<b>\$10,222,898</b>	<b>1,405.75%</b>
<b>Cost of Sales</b>				
Incentive programs				
Mining Emissions	\$45,867	\$94,897	(\$49,030)	-51.67%
Liquidity Incentives	\$644,781	\$1,668,250	(\$1,023,469)	-61.35%
<b>Total Incentive programs</b>	<b>\$690,648</b>	<b>\$1,763,147</b>	<b>(\$1,072,499)</b>	<b>-60.83%</b>
<b>Total Cost of Sales</b>	<b>\$690,648</b>	<b>\$1,763,147</b>	<b>(\$1,072,499)</b>	<b>-60.83%</b>
<b>Gross Profit</b>	<b>\$10,259,470</b>	<b>(\$1,035,927)</b>	<b>\$11,295,397</b>	<b>1,090.37%</b>
<b>Expenses</b>				
Total expenses				
Marketing and Partnerships	\$263,982	\$515,806	(\$251,824)	-48.82%
Payroll	\$811,743	\$1,031,610	(\$219,867)	-21.31%
Contributor Incentive plans	\$300,497	\$102,225	\$198,272	193.96%
Professional fees	\$350,676	\$115,657	\$235,019	203.20%
Gas Fees	\$3,771	\$5,569	(\$1,798)	-32.29%
Grant Expenditure	\$0	\$84,416	(\$84,416)	-100.00%
Management Service Charge	\$707,166	\$383,256	\$323,910	84.52%
Market Maker Fees	\$36,540	\$37,493	(\$953)	-2.54%
<b>Total Total expenses</b>	<b>\$2,474,375</b>	<b>\$2,276,033</b>	<b>\$198,342</b>	<b>8.71%</b>
<b>Total Expenses</b>	<b>\$2,474,375</b>	<b>\$2,276,033</b>	<b>\$198,342</b>	<b>8.71%</b>
<b>Operating Profit</b>	<b>\$7,785,095</b>	<b>(\$3,311,961)</b>	<b>\$11,097,056</b>	<b>335.06%</b>
<b>Other Expenses</b>				
Revaluations				
Realised Gains on Crypto Asset Revaluati...	\$24,845,959	(\$4,166,123)	\$29,012,082	696.38%
<b>Earnings Before Interest &amp; Tax</b>	<b>(\$17,060,864)</b>	<b>\$854,162</b>	<b>(\$17,915,026)</b>	<b>-2,097.38%</b>
<b>Net Income</b>	<b>(\$17,060,864)</b>	<b>\$854,162</b>	<b>(\$17,915,026)</b>	<b>-2,097.38%</b>

## 5. Balance Sheet - June 2023

Below we present the balance sheet for the organization. As you can see, treasury holdings have been split by volatile and stablecoin assets. Assets on the balance sheet are held at their impaired cost value and not at market value. Refer to Section 7 of this report where the treasury is analyzed in greater detail.

The balance sheet represents the position of the organization as at the end of Q2 being 30th June 2023. The financial accounts are prepared in USD utilizing IFRS to prepare and account for the on-chain and off-chain transactions throughout the period.

<b>BALANCE SHEET</b>	<b>2023 (YTD)</b>
<b>ASSETS</b>	
<b>Other Current Assets</b>	
<b>Crypto Holdings</b>	
<b>Volatile Crypto Holdings</b>	
MAGIC	\$16,125,012
ARB	\$7,527,176
ETH	\$18,080
arbETH	\$2,136
wETH	\$3,843
gFLY	\$999,920
<b>Total Volatile Crypto Holdings</b>	<b>\$24,676,167</b>
<b>Stablecoins</b>	
USDC	\$5,829,628
USD	\$0
<b>Total Stablecoins</b>	<b>\$5,829,627</b>
<b>Total Crypto Holdings</b>	<b>\$30,505,795</b>
<b>Total Other Current Assets</b>	<b>\$30,505,795</b>
<b>Total Current Assets</b>	<b>\$30,505,795</b>
<b>Total Non-Current Assets</b>	<b>\$0</b>
<b>Total Assets</b>	<b>\$30,505,795</b>
<b>LIABILITIES</b>	
<b>Total Current Liabilities</b>	<b>\$0</b>
<b>Long Term Debt</b>	
Pre seed OTC raise	(\$12,609)
Seed round OTC raise	\$99,991
<b>Total Long Term Debt</b>	<b>\$87,382</b>
<b>Total Non-Current Liabilities</b>	<b>\$87,382</b>
<b>Total Liabilities</b>	<b>\$87,382</b>
<b>EQUITY</b>	
<b>Retained Earnings</b>	
Retained Earnings	\$46,625,114
<b>Current Earnings</b>	
Current Year Earnings	(\$16,206,701)
<b>Total Equity</b>	<b>\$30,418,413</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$30,505,795</b>

## 6. Revenue Analysis

Treasure generates revenue through marketplace fees, which encompass transaction fees levied on the resale of marketplace goods, as well as through in-game revenue derived from the purchase and engagement within Bridgeworld.

The revenue is acquired in the form of MAGIC fees, and therefore its magnitude is somewhat contingent upon the appreciation or depreciation of MAGIC for fixed-price items. The first part of the year saw a notable upswing in revenue during February and March 2023, attributed to heightened marketplace activity and favorable price fluctuations of MAGIC. Throughout Q2 asset prices have remained lower than that of Q1 and as a result revenue figures have been comparably less. However, when comparing the quantity of MAGIC received in income it shows volume is down compared to that of Q1 in addition to a depreciating MAGIC price.

REVENUE (\$)	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Total
Revenue including Other in...										
Marketplace Fees	35,272	39,608	70,275	132,115	153,231	142,389	57,160	28,126	39,170	697,346
In-Game Revenue	28,769	12,963	27,842	50,024	120,964	122,567	73,697	41,962	32,630	511,418
Airdrops Received	0	0	0	0	0	5,929	10,677,374	0	0	10,683,303
Total Revenue including Oth...	64,041	52,571	98,117	182,139	274,196	270,885	10.808M	70,088	71,800	11.892M
Total Revenue	64,041	52,571	98,117	182,139	274,196	270,885	10.808M	70,088	71,800	11.892M

### IN-GAME REVENUE

**\$148,289**

▼ -49.5% from last quarter



In-game revenue received for the quarter compared to Q1. As stated before reduction is due to asset price impact and volume

Revenue that is generated for the purposes of financial reporting is converted into the USD value figure at the point the transaction takes place. As seen in Fig 3 & 4, there are two factors that drive the revenue generated for Treasure. The first being the MAGIC price (the majority of collections on Treasure's marketplace are denominated in MAGIC and thus take on the price risk of the MAGIC token) and the second being volume of transactions in a given month

### MARKETPLACE FEES

**\$124,455**

▼ -70.9% from last quarter



This figure represents royalties and Marketplace Fees received in relation to the trade on the treasure marketplace.

### TOTAL REVENUE (INC... (2023 YTD)

**\$11,677,337**



Figure representing total income generated from all revenue streams including the airdrop received from Arbitrum

Fig 3 - Revenue per month (\$MAGIC)

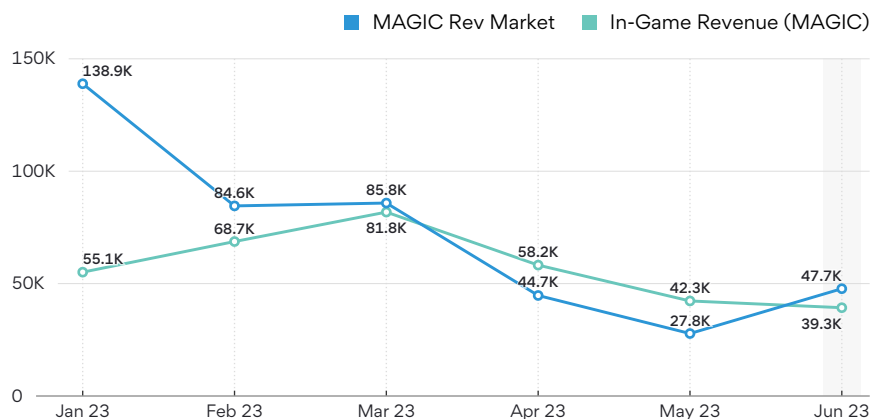
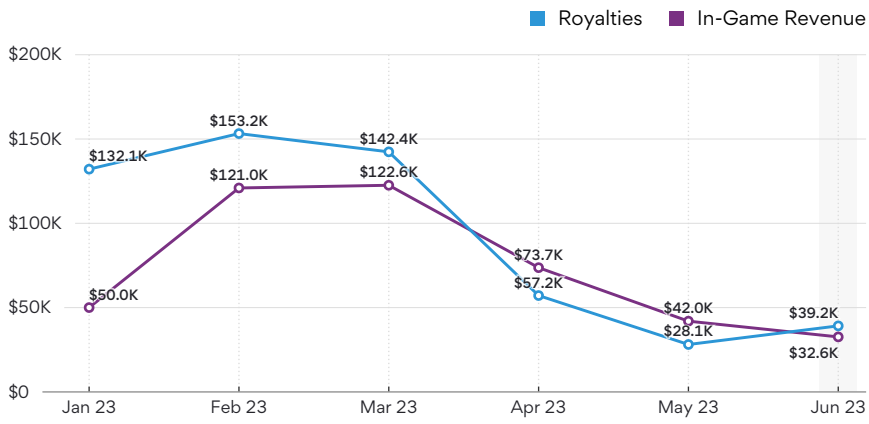


Fig 4 - Total Revenue per Month (\$)



Volume and price within Q1 saw stronger revenue performance than in Q2. Volume throughout Q1 totalled 514.9k MAGIC. Whereas Q2 total volume in MAGIC terms was 260k a reduction of 49.5%. (Figures pulled from fig 3)

## 7. Overall Cost Analysis

Costs are accounted for at the date the transaction occurs either on or off-chain. We have accounted for all accruals within the financial accounting system and implement the accruals basis throughout the preparation of the accounts. There are some key expense areas to pull out and analyze in more detail:

(Figures stated show Q2 actuals)

7a) Human Capital costs - \$811,743

7b) Liquidity and Mining Incentives (COS) - \$690,648

7c) Professional fees - \$350,676

7d) Marketing and partnerships \$263,982

EXPENSES (\$)	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Total
<b>Total expenses</b>							
Marketing and Partnerships	183,591	285,383	46,832	53,004	31,389	179,590	779,788
Payroll	421,140	351,510	258,960	273,716	263,439	274,588	1,843,354
Contributor Incentive plans	7,396	20,920	73,909	100,758	0	199,738	402,722
Professional fees	54,637	7,986	53,035	148,127	51,798	150,750	466,333
Gas Fees	0	3,385	2,185	504	2,551	716	9,340
Grant Expenditure	0	84,416	0	0	0	0	84,416
Management Service Charge	(54,637)	241,574	196,319	214,266	297,533	195,366	1,090,422
Market Maker Fees	0	0	37,493	0	0	36,540	74,033
<b>Total Total expenses</b>	<b>612,127</b>	<b>995,174</b>	<b>668,732</b>	<b>790,375</b>	<b>646,710</b>	<b>1,037,289</b>	<b>4,750,408</b>
<b>Total Expenses</b>	<b>612,127</b>	<b>995,174</b>	<b>668,732</b>	<b>790,375</b>	<b>646,710</b>	<b>1,037,289</b>	<b>4,750,408</b>

### LIQUIDITY INCENTIVES

**\$644,781**

▼ -61.3% from last quarter



Liquidity Incentives are recorded at the point that the rewards leave the Sushi rewarder smart contract (link to Arbiscan) and converted to the USD equivalent value at the spot price. Q2 represents a lower incentive distribution in line with TIP-20(b) - Amendment to MAGIC LP Incentives.

### MINING EMISSIONS

**\$45,867**

▼ -51.7% from last quarter



Due to limitations in tooling, the mining emissions are accounted for at the point of deposit into the rewarder contract. The comparative to last quarter is skewed depending on when deposits took place.

COST OF SALES (\$)	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Total
<b>Incentive programs</b>							
Mining Emissions	15,812	38,842	40,244	23,364	12,419	10,083	140,764
Liquidity Incentives	399,513	707,010	561,728	284,524	201,200	159,057	2,313,031
<b>Total Incentive programs</b>	<b>415,324</b>	<b>745,851</b>	<b>601,971</b>	<b>307,888</b>	<b>213,620</b>	<b>169,140</b>	<b>2,453,795</b>
<b>Total Cost of Sales</b>	<b>415,324</b>	<b>745,851</b>	<b>601,971</b>	<b>307,888</b>	<b>213,620</b>	<b>169,140</b>	<b>2,453,795</b>

## PAYROLL

# \$811,743

▼ -21.3% from last quarter



Total human capital cost is down slightly from Q1 as a result of a closer review into spending within the organization, renegotiated salaries, and team departures.

## MANAGEMENT SERVICE CHARGE (2023 YTD)

# \$1,090,422



The management service charge is invoiced quarterly but payments are made almost monthly to contribute to the services provided by third party organizations.

## Top 10 Expense Accounts (2023 YTD)

Management Service Charge	\$1,090,422
Payroll - Product & Engineering	\$957,027
Partnership Expenses	\$657,116
Payroll - Employee incentive plans	\$402,722
Payroll - Creative & Design	\$389,678
Legal Expenses	\$306,712
Payroll- Operations	\$165,674
Payroll - Ecosystem & Partnerships	\$159,590
Audit Fees	\$143,067
Payroll - Community	\$136,740

## PROFESSIONAL FEES

# \$350,676

▲ 203.2% from last quarter



Professional fees are up materially in Q2 due to large legal expenses coupled with smart contract audit fees contributing to the increase Quarter-on-Quarter (“QoQ”).

In addition to traditional expenses such as mining, liquidity, payroll and other on-chain expenses, TreasureDAO has a number of relationships at an arm’s-length basis with various service companies and is charged a management service fee assessed by a managing company for the services provided to maintain, administer, or oversee an organization. In financial accounting, the management service charge is recorded as an expense, reflecting the cost incurred in the management and administration of the organization's assets. Its purpose is to provide transparency in the allocation of costs and ensures that the financial statements accurately represent the expenses related to management activities, contributing to a clear and fair representation of the organization's financial position.

Human capital costs remain the largest expense item, excluding incentive programs. Treasure relies on a strong core contributor base within the broader web3 ecosystem who is primarily dedicated to the upkeep, growth, and continued development within the Treasure ecosystem. Its workforce consists largely of specialists in their respective areas who are in high demand across engineering, design, marketing, economy, and more. To retain top talent, the organization offers competitive salary packages, reflecting market conditions and commensurate incentive packages needed to attract and retain skilled professionals.

Additionally, Treasure incurs a management service charge from Game Builder Services Inc. This charge is a result of the services provided by Game Builder Services Inc. to provide services for Treasure’s core products and infrastructure offered to the network, while also working with the third-party game partners in a hands-on fashion to provide top advisory, support, and services. This also comprises a Treasure-dedicated game studio developing a flagship first party game which, altogether, works to ensure the future success of the organization. The management service charge reflects the investment made to create a robust and thriving gaming infrastructure.

# 7a. Human Capital Costs

The success of Treasure now and in the future is reliant upon the core contributors within the organization. There are multiple working groups within the Treasure Technology Foundation. These are as follows:

Figures shown are 2023 actuals

- **Community** - \$136,740
- **Creative & Design** - \$389,678
- **Ecosystem & Partners** - \$159,590
- **Game** - \$8,068
- **Marketing** - \$26,577
- **Operations** - \$165,674
- **Product & Engineering** - \$957,027

Fig 5 - Payroll Breakdown (2023 YTD)

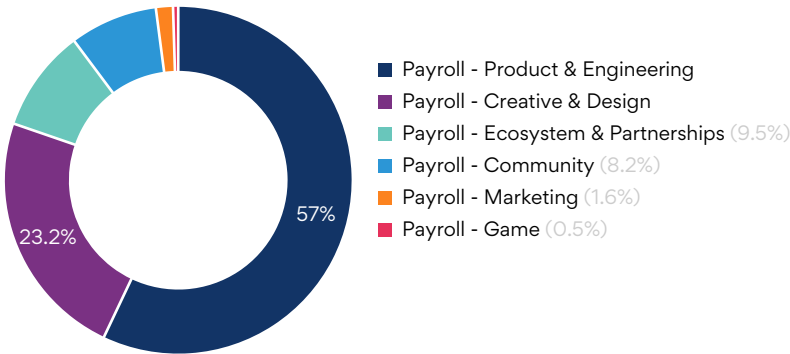
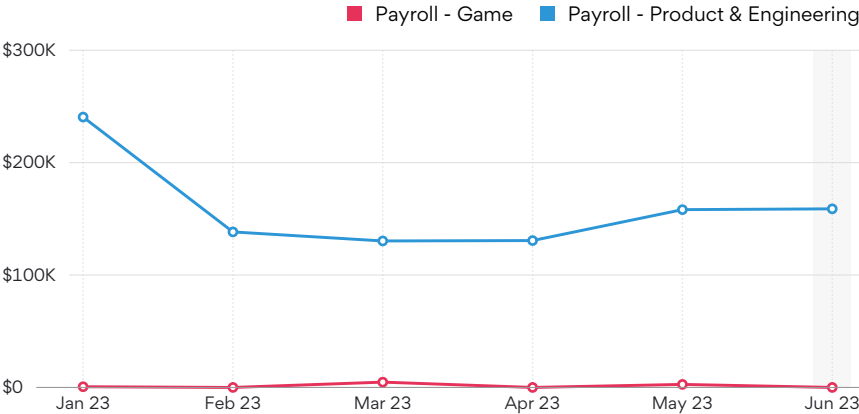
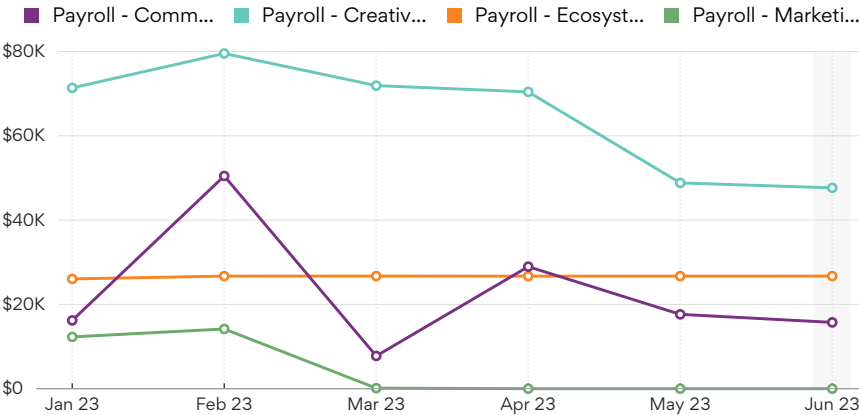


Fig 6 - Technical HC cost



As expected in an early-stage, technology-driven organization that is in the building and growth phase of its lifecycle, there is a strong focus on the developers in the Product & Engineering department. Payments have trended downwards month-on-month, mainly due to movement within the teams and reductions to a core dedicated team.

Fig 7 - Non-Technical HC cost



Creative and design payroll has represented the largest cost throughout the last 6 months, totalling \$389,678 , it has been positive to see reductions throughout Q2 as the organisations seeks for a better balance of cost vs head count. Throughout the next few months we will better understand our budgets and forecasts of costs going forward.

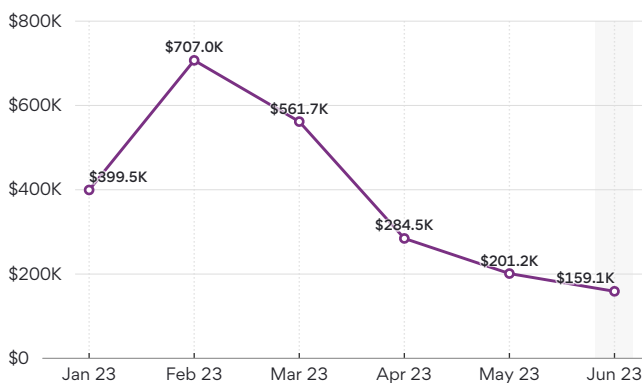
## 7b. Liquidity and Mining Incentives

Liquidity and mining incentives are essential to bootstrap the adoption of the ecosystem, ensuring deep liquidity for a great user experience and a flywheel for the use of MAGIC with regards to mining incentives. Treasure since genesis has provided incentives which are detailed within these forum posts.

The initial Liquidity and mining Incentive structure can be seen in [TIP-08 - Liquidity Bootstrapping Program](#) with further amendments as ratified by the DAO in [TIP-20\(b\) - Amendment to MAGIC LP Incentives](#).

In terms of accounting, for simplicity we have accounted for mining incentives at the point they have been deposited to the Harvester contracts. For liquidity incentives, we have tracked expenditure as it is distributed to the liquidity provider, resulting in high months for mining costs as the Harvesters are deposited.

Fig 8 - Liquidity Incentives

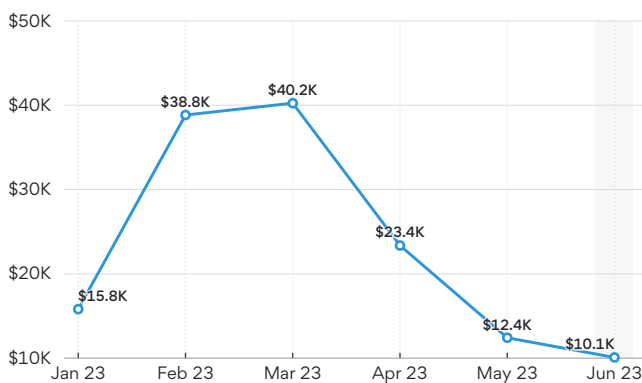


Liquidity incentives have been tracked directly within the contract. Meaning that the liquidity expenses are accurate to the minute pricing as the reward is distributed to the third party LP provider.

As we can see over the last 6 months, the organisation has spent \$2,313,031 on bootstrapping liquidity. The [original proposals](#) state emissions denominated in MAGIC. So whilst the amount distributed does not deviate from the proposals, the USD value of the transaction is coupled with MAGIC price movement throughout the period..

The organization has migrated to this model where the LP incentives from August start to taper down from 650,000 per month to 140,000 by the end of 2023 per TIP-20(b).

Fig 9 - Mining Emissions



Mining emissions are accounted for slightly differently than liquidity incentives. Due to the nature of the distribution of these rewards it is not feasible to track each individual reward. However we have tracked the seeding of the Harvesters and original Atlas Mine that took place last year. The seeding of the mine totalled \$12.8M in September 2022. Expenses in the following months are top ups to those incentives.

The organization has since sunsetted the Atlas Mine as part of [TIP-23 - Atlas Mine Cataclysm \(Sunset\)](#).



# 7c. Professional Fees

Professional fees throughout the last 6 months are broken down into the following areas:

- Legal services - \$306,712
- Smart contract Audits - \$143,067
- Accounting & Consulting Fees - \$16,553

## Legal services

For the current year, Legal Services are anticipated to be on the higher side whilst TreasureDAO builds out its legal structure and the organization ensures it is compliant with the increasing regulatory surface area covered in the crypto space. These costs are anticipated to decrease given high initial set-up costs of foundations and companies that are not expected to occur again in the near future.

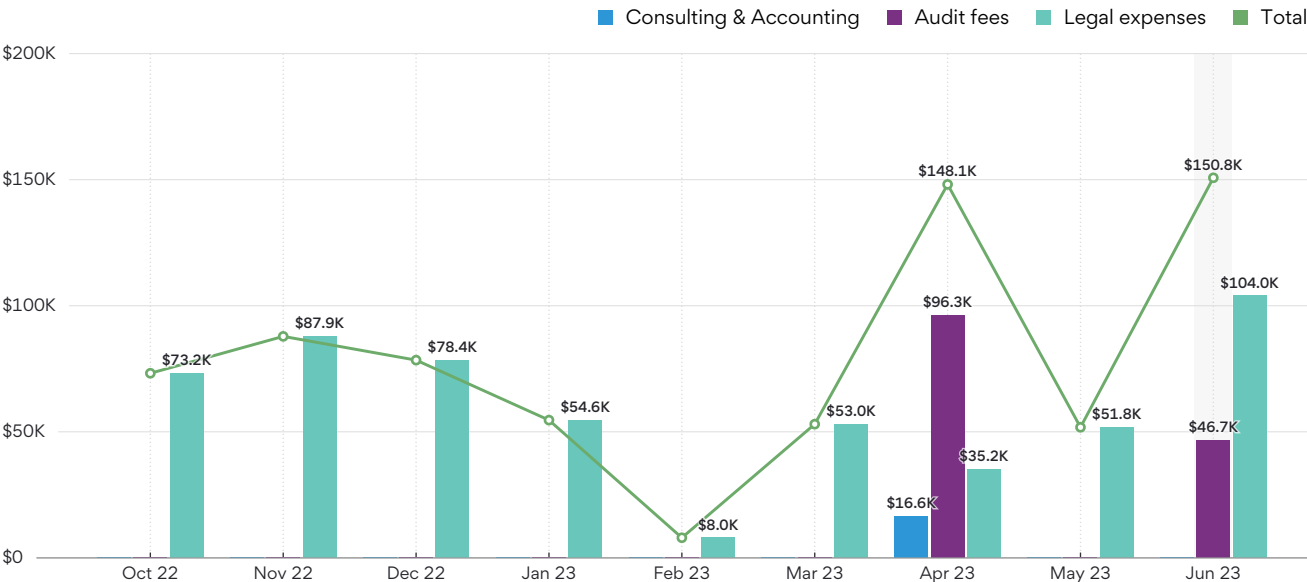
## Audits

Smart Contract Audits are in relation to the review of smart contracts conducted by reputable smart contract auditing firms such as Macro and Quantstamp. This is a cost that has to be incurred by the organization in order to provide reassurance to the users of the ecosystem that there are no bugs or security concerns that could cause user funds to be at risk.

## Accounting and Consultancy fees

We anticipate a slight increase in Accounting & Consultancy Fees. We have recently engaged a 12 month contract with r3gen Finance to provide fractional CFO, financial recordkeeping, and operational controls services. With an initial scope of work starting in April 2023 to provide genesis to date financial history as well as a mandate to deliver this first report to the DAO.

Fig 10 - Professional fees



# 7d. Marketing and Partnerships

Throughout 2023, Treasure has worked with many different organizations partnering to build new games and integrations. Expenses have been grouped to include activities that push the organization forward from a growth perspective. The key areas include advertising, partnership expenses, and event costs such as conferences, competitions, tournament sponsorships, and live operations.

The largest cost within this group is partnership expenses with the main expense through Q1 and Q2 of 2023 being in relation to the partnership with Strider to launch and seed a Treasure-owned game studio to build a high fidelity game experience leveraging original Smol IP (as Smolville, the game's indicative title). The original proposal is laid out in [TIP-13 - Partnership with Strider to Create a High Fidelity Game Experience](#).

Treasure continues to explore more partnership opportunities with game studios to grow the ecosystem and provide new, fun, and delightful experiences for players while supporting its goals to build an interconnected network of games. We anticipate over time this expense will continue to grow as it becomes an enabler for Treasure's future success while fostering alignment with closely partnered game studios building within the network. Moving forward, we can anticipate more activity relating to grants, investments, and/or treasury swaps conducted with game partners to align interests to build within the Treasure ecosystem over the long term.

## MARKETING AND PARTNERSHIPS

**\$263,982**

▼ -48.8% from last quarter



Total marketing and partnership expenses throughout Q2. As we can see it is down by 48% from Q1.

## PARTNERSHIP EXPENSES

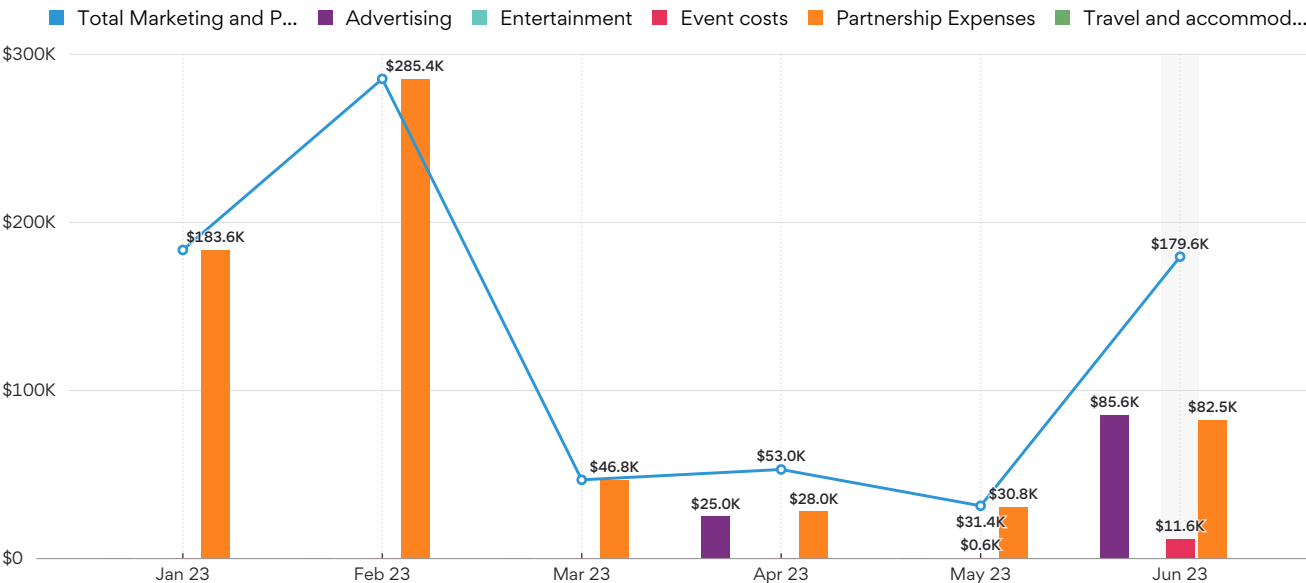
**\$141,310**

▼ -72.6% from last quarter



Total Partnership expenses this quarter. Down from Q1 as some delivery milestone payments were made in Q1.

Fig 11 Marketing and Partnerships



# 8. Treasury Holdings

The TreasureDAO Treasury is held using the historical cost convention less any impairments to date. This is an interpretation of the IFRS standards applied to the crypto economy. Under the standards the entity should look for any indicators of impairment and revalue the asset accordingly. We have made the assumption that all price impacts should trigger a revaluation. Assets are impaired to their lowest valuation.

We have shown two asset holding schedules. One which represents the impaired asset holding and is what is shown on the balance sheet. The other represents the market value of the total treasury holdings currently held across all treasure wallets.

## TOTAL MV CRYPTO HOLDINGS (Jun 23)

**\$74,352,336**



This figure represents the total holding of TreasureDAO treasury as at the last day of June 2023.

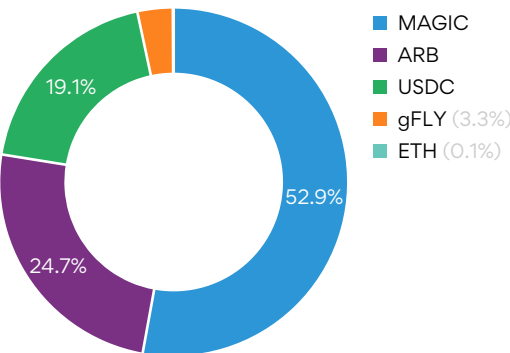
## CRYPTO HOLDINGS (Jun 23)

**\$30,505,795**



Total impaired balance of Crypto Holdings across all asset classes.

Fig 12 Treasury Holdings (\$) Impaired Holding (Jun 23)



As we can see from the pie chart (fig 12) that 53% of the treasury is held in MAGIC. With the remainder largely held in ARB as a result of the airdrop received towards the start of Q2. The remaining balance is held within stabelcoin and stablecoin equivalents.

# 9. Market Maker Analysis

During August of 2022 Treasure started its search for a Market Maker, after evaluating more than 10 providers, the council narrowed the search to three market makers and underwent thorough negotiations before landing what is believed to be the best offer provided by Flowdesk. Flowdesk has been engaged since October of 2022 and initially charged a monthly fee of \$3,500 before Treasure opted to increase the surface area covered by Flowdesk through [this proposal](#).

Under the new proposal the monthly fee of \$12,500 is charged for market making services, annualized at **\$150,000**.

## About Flowdesk

Flowdesk was founded in 2020 and combines significant experience from traditional markets with acute knowledge of algorithmic trading and crypto. They have developed a proprietary trading infrastructure which integrates more than 85 CEXs and DEXs, and executes over 2M orders daily. Flowdesk employs 55 people and has an office in Paris and Singapore. They expect to grow to 70-80 employees by year-end. In June, Flowdesk announced a \$30M raise and are backed by Eurazeo, Aglae, Fabric Ventures, Ledger, Coinbase Ventures.

### MARKETMAKER FEES (2023 YTD)

**\$74,033**



This figure represents MM fees paid in the 6 months from January 23 to June 23 the end of Q2.

The expanding service offering has enabled treasure to increase working capital and ultimately the volume being processed through the market make to maintain healthy markets across centralized and decentralized exchanges:

- **Trading pairs and exchanges:** Unlimited number. Supports Coinbase, Binance, OKX, and other high quality exchanges with meaningful MAGIC volume
- **Monthly retainer fee:** \$12.5k
- **Working capital requirements** (notional): Initially seeded with the following parameters - CEX: \$150k in MAGIC and \$150k in USD → \$500k in MAGIC and \$400k in USD. Sushi: \$150k in MAGIC and \$150k in ETH - supplement with additional \$100k in ETH. Flexibility was later approved by the DAO to allow the council to adjust working capital requirements based on the strategy and market demand
- **Profit sharing:** 100% of any potential profits

More details on the partnership can be found in [TIP-17 - Market Making Partnership with Flowdesk to Provide Liquidity for MAGIC](#) and [TIP-21 - Expanding Market Making Partnership with Flowdesk](#).

We have utilized reports prepared by Flowdesk and internal financial bookkeeping to analyze the volume through Flowdesk and the realized gain/(loss) as a result of market making activity.

Through our accounting, we have tracked the activity of the market maker and have realized within the code "Realized crypto gains/losses" gains/losses as a result of trading activity. Below we provide some key figures for volume of trading and average trade price throughout 2023.

### QUANTITY OF MAGIC TRADED (2023 YTD)

**5,960,446**



This figure represents the total of traded MAGIC through the brokerage functionality within flowdesk.

### QUANTITY OF ETH TRADED (2023 YTD)

**825**

This figure represents the total of traded ETH through the brokerage functionality within flowdesk.

#### AVERAGE SWAP PRICE OF MAGIC (2023 YTD)

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**1.12**

This figure represents the average swap price of all MAGIC traded through the brokerage functionality within flowdesk throughout 2023.

#### AVERAGE SWAP PRICE OF ETH (2023 YTD)

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**1,847.72**

This figure represents the average swap price of all ETH traded through the brokerage functionality within flowdesk throughout 2023.

# 10. Realised gains/(losses)

As part of the financial statements we are required to prepare a realised and unrealised gain/(loss) calculation. Crypto assets are deemed to be held as intangible assets which are to be reviewed for impairment when an indicator exists. However in the case of the crypto holdings on the TreasureDAO balance sheet these differ significantly from traditional Intangible assets such as patents or goodwill for example. Intangibles are notoriously difficult to value since there is usually not an actively traded market. However in this case we have a highly traded asset MAGIC, ETH and other holdings with an active trading market. Therefore we have the ability to revalue the assets as frequently as needed. We however have applied the impairment model of valuing assets. Assets are marked down to the lowest valuation in the impairment period and an impairment is recognised in the P/L account.

Realised currency gains will be included on the balance sheet on the day of the transaction and will represent the market value vs the cost to acquire the token, resulting in a realised gain/(loss). Unrealised gains will be recorded at the end of each month and a balancing journal posted to the revaluation reserve.

EXPENSES (\$)	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Total
Total expenses	921,821	681,378	908,648	612,127	995,174	668,732	790,375	646,710	1.037M	7.262M

## CRYPTO HOLDINGS (Jun 23)

**\$30,505,795**



This represents the impaired cost basis of all crypto holdings in USD.

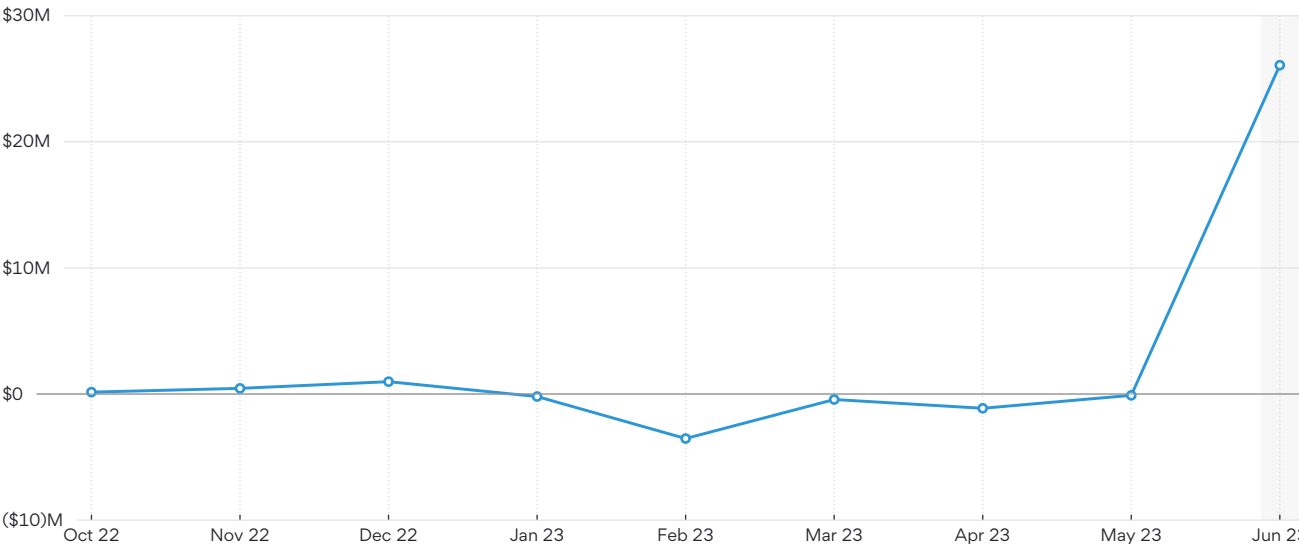
## REALISED GAINS ON CRYPTO ASSET REV... (2023 YTD)

**\$20,679,836**



Total realised (gain)/loss recorded for the YTD period.

## Realised (Gains)/losses per month



# 11. Credits

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This report has been prepared by r3gen Finance Limited. Reporting team:

**Elliott Watts -**

EY alumni having spent 6 years as a Chartered Accountant specializing in financial management, analytics and accounting. Full-time web3 since October 2021 as Head of Finance at Index Coop and financial accounting and reporting lead at Llama working on Aave and Gitcoin accounts.

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**Hammad Tahir -**

PwC consulting alumni specializing in financial operations, analytics and reporting. Joined web3 full time at [Index Coop](#) as Operations Lead and Finance Analyst and played a treasury management advisory role at various DAO's.

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