



Fundamental Report - Metaverse

Prime Rating Report V1.2

Protocol: ILLUVIUM

Category: GameFi

Version:

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Previous Report: [Link to previous report](#)

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Season/competition: Metaverse Rate-athon

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	13 / 15
b) Target market size	13 / 15
c) Product-market fit	12 / 15
Total Points - Value Proposition	38 / 45
2. Competitive moat	Points
a) Integrations & partnerships	3 / 10
b) Intellectual property	6 / 10
c) Infrastructure - security	8 / 10
d) Infrastructure - fees and ancillary infrastructure	7 / 10
e) Treasury management	1 / 10
Total Points - Value Proposition	25 / 50
3. Tokenomics	Points
a) Genesis token distribution	10 / 15
b) Purpose of the token	8 / 10
c) Ongoing token issuance / inflation	8 / 10



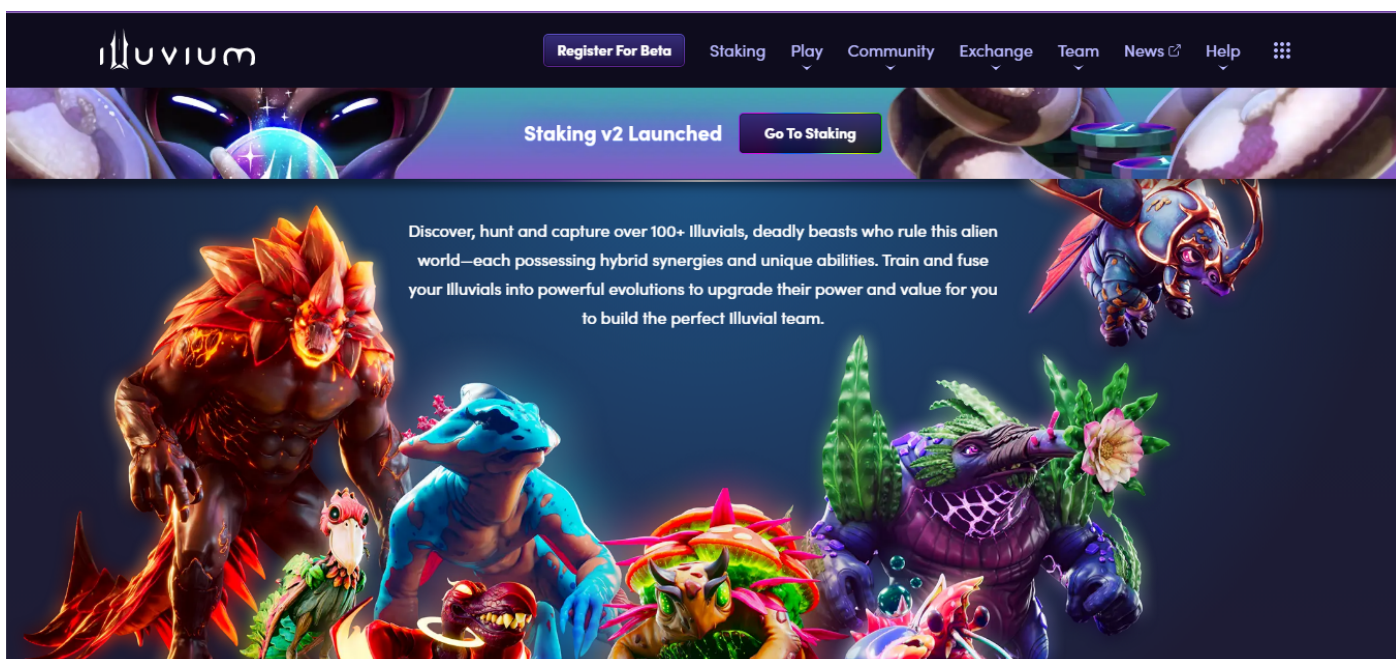
d) Value capture	7 / 10
e) Token liquidity	5 / 5
f) Extrinsic productivity	0 / 5
Total Points - Tokenomics	38 / 55
4. Team	Points
a) Credibility and reputation	9 / 10
b) Relevant experience	14 / 15
c) Thought leadership and public presence	7 / 10
d) Ability to foster a community and coordinate resources	12 / 15
Total Points - Team	42 / 50
5. Governance	Points
a) Extent of governance capabilities	7 / 10
b) Active governance contributors	5 / 5
c) Governance infrastructure robustness	6 / 10
d) Process and ease of use	3 / 5
Total Points - Governance	21 / 30
Total	164 / 230

1. Value Proposition

The "Value Proposition" section assesses the value a protocol delivers to its users. The rating is based on the size of the problem a protocol addresses and the product/market fit of the protocol's solution

a) Novelty of the solution (15 points)

This score evaluates the novelty (uniqueness) of the protocol. Has the protocol introduced any innovations that help solve users' problems, either technical or organizational? Or has it just forked someone else's code?



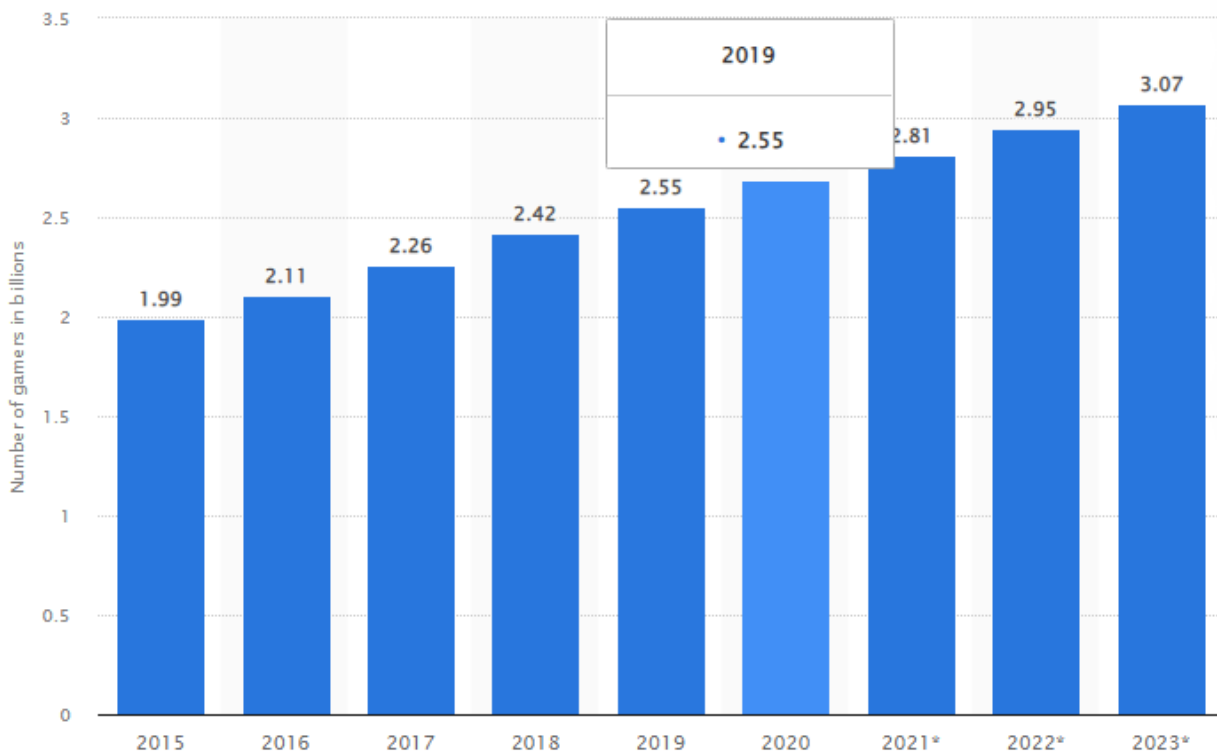
Answer: Illuvium looks to provide a source of entertainment to both casual gamers and hardcore DeFi fans through a range of collecting and trading features. Illuvium has been in development since 2020, and is being built by a worldwide team of more than 40 individuals, including the co-founders; serial entrepreneur and early cryptocurrency adopter [Kieran Warwick](#), and experienced game designer [Aaron Warwick](#), who are brothers. (And who are coincidentally also the brothers of Kain Warwick, the co-founder of DeFi platform Synthetix). Illuvium features a fully 3D environment, with over 100 unique Illuvials found scattered throughout its various regions.

[One of its technical innovations which make illuvium appealing is the Zero gas fees courtesy of building their platform on Immutable X. Illuvium ensures players can mint and trade their NFTs with zero gas fees and practically instant transaction finality.](#) Zero gas fee is not the only perk of the Layer 2 integration with Immutable X, Illuvium also inherits the security intensity of the Ethereum blockchain technology. Governance for illuvium is structured differently. It is a distinctive quality and an organizational innovation when it comes to Illuvium. According to the [whitepaper](#), the DAO consists of council members who are nominated by \$ILV holders or their proxy. An election is conducted and the 5 best candidates are elected. The eDAO will then collate all proposed members from the [Illuvium Discord Channel](#) Illuvinati Council, and prepare the candidates to be voted on within Snapshot. Besides that, some of the biggest concerns of the GameFi space include security and scalability. [John, the Lead server Engineer is working with the team to build a serverless architecture that fosters seamless scalability and security whilst reducing operational costs.](#)

Score: 13

b) Target market size (15 points)

The target market size evaluates the current and future size of the problem a protocol aims to solve. While the term Metaverse is all-encompassing, what is the target market size for the relevant sector? For example, NFT games are trying to disrupt the traditional gaming industry, which is reported to be worth roughly \$175 billion.



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Answer: According to research conducted by [FinancesOnline](#) on the traditional gaming industry as a whole, the total number of active video gamers in 2020 was pegged at 2.69 Billion. This figure factors in the pandemic/Covid outbreak in 2020. According to the report, the industry is expected to grow by 5.6% Y-o-Y with 2021, 2022, and 2023 figures expected to be [2.81Billion, 2.95Billion, and 3.07Billion respectively](#). The global games market had \$159.3 billion in revenues for 2020, almost half of which came from the Asia Pacific market. Illuvium is a blockchain role-playing game (RPG). A blockchain game where stats and abilities can be improved upon, and you also get to battle other players for wins. According to [The Business Research Company](#), the global role-playing games market reached a value of nearly \$15BN million in 2019, having increased at a compound annual growth rate (CAGR) of 6.84% since 2015, and is expected to grow at a CAGR of 9.22% to nearly \$22BN by 2023. The expected growth is way higher than the growth of the entire traditional gaming space at 5.6%. Based on this report, it is to be estimated that a major contributor to the growth of the traditional gaming industry is RPG games.

Score: 13

c) Product-market fit (15 points)

Product-market fit evaluates the degree to which a protocol satisfies market demand in its specific sector. How many users does a protocol have? What is the trading or transaction volume on a platform? Is there growth on both the buy and sell-side of the market? Is the protocol targeting the right product segment at all?

Answer: Illuvium is still in development and is expected to launch in Q1 2022 according to their documentation. However, is it possible to examine just how interested their target market is in their product? Of course, we can



examine forum and media numbers. Currently, [Twitter Illuvium has a total of 295K followers](#) and Discord Illuvium has over 193,136 users.

How does illuvium intend to introduce its product to the market? By wrapping its game around blockchain, making it decentralized, and providing users with the opportunity to own their in-game items unlike traditional gaming would.

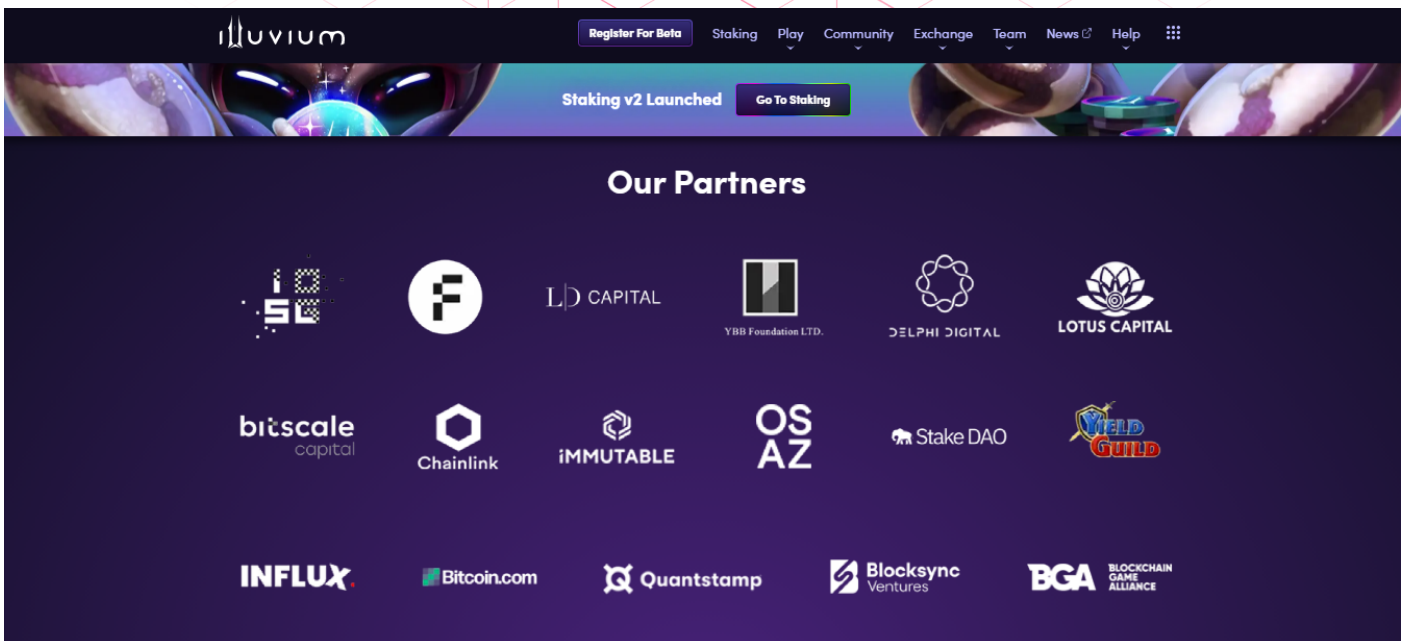
Score: 12

2. Competitive Moat

The "Competitiveness" section looks at a protocol's competitive moat in the space and its unforkable assets. This includes integrations and partnerships, intellectual property, the underlying infrastructure being used, and treasury management.

a) Integrations & partnerships (10 points)

Due to crypto's open-source nature, the code of most protocols can easily be forked. This score represents one piece of unforkable value. Some indicators are the number of applications built on top of the protocol (vertical integration) and other entities integrating the protocol's services (horizontal integration).



Answer: There are no integrations at the moment, vertical or horizontal. However, a significant partnership that contributed to Illuvium's uniqueness is that of Immutable X. Whether other protocols are going to be built on Illuvium or not can't be determined for sure until they've launched. Besides from the partnership with Immutable X, they've also partnered with the likes of Influx, Lotus capital, etc.

Score: 3

b) Intellectual property (10 points)

Intellectual property is and will continue to be a crucial part of the metaverse. This score considers if a project, for example, developed a unique IP that creates a sustainable competitive moat around it or, as an alternative, secured IP through agreements with outside parties.



Answer: [There are a couple of instances where Illuvium has shared its intellectual property, an example is the NFT-revenue sharing deal with DeathRace \(DRACE\).](#) In an interview report between Stockhead News and Kieran, the co-founder of Illuvium, he explained the dynamics of the deal, 25% of revenue goes into the ILV vault and is distributed to those with their tokens and the rest 85% goes to DRACE. Around October 2021, Illuvium made two significant partnerships. [Illuvium partnered with Warena to build cross-metaverse compatibility between both ecosystems.](#) [The other partnership was with Miami Skyline so that Illuvium can co-opt their game on the Wilder World.](#) This partnership involves sharing their intellectual property right for mutual benefits.

Score: 6

c) Infrastructure - security (10 points)

Metaverse projects make all kinds of choices when it comes to infrastructure. Some build their own solutions, whether Ethereum side-chains or a new blockchain entirely, and some deploy to an existing sidechain or a level 1 blockchain. These decisions have significant trade-offs across security, maintenance, ease of use, costs and scalability, etc. This score assesses specifically the security of the chosen infrastructure solution.

Answer: Illuvium is built on [Immutable X](#), the core infrastructure that allows for the minting, depositing, withdrawing, and trading of assets on the Layer 2 blockchain. [It is an open-source ZK Rollup protocol built with the vision of facilitating a gas-free NFT ecosystem that allows users to build and develop their own decentralized apps, such as games and marketplaces. It can facilitate up to 9000 transactions per second while still leveraging Ethereum's security and network effect.](#) Essentially, Illuvium is developed on Immutable X, a platform with Zero gas fees, speed, and the



security intensity of the Ethereum blockchain technology.

Score: 8

d) Infrastructure - fees and ancillary infrastructure (10 points)

The section above assessed specifically the security of the chosen infrastructure solution. This score, however, looks at the other side of the scalability trilemma - fees and the ancillary infrastructure like bridges, wallets, etc.

Answer: The IlluviDEX is the marketplace for in-game items. According to a publication on [Medium](#), Exchange Fees and Wagering Fees are generated from every sale on our IlluviDEX at an initial rate of 5% of the total transaction value. In addition to this, the Immutable X platform (IMX) takes a small capped fee of all transactions on their network in exchange for waiving GAS fees. Illuvium x Immutable X allows players to trade NFTs without gas fees.. Bridging can also be done via the platform.

Score: 7

e) Treasury Management (10 points)

Treasury management refers to the project's management of its assets and balance sheet. How diversified is its treasury? If diversified, are the assets productive? For example, does the project own its liquidity? Are there procedures and plans in place for managing the treasury?

Asset	Symbol	Contract Address	Quantity	Price	Change (24H)	Value
Ethereum	ETH	-	134.919522478850195...	\$2,964.71	▲ 0.18%	\$399,997.26
Illuvium	ILV	0x767fe9edc9e0df98e07...	6349138.88177391808...	\$518.28	▼ 0.5%	\$3,290,631,699.65
USD Coin	USDC	0xa0b86991c6218b36c1...	15451988.446914	\$1.001	▲ 0.1%	\$15,467,440.44
Tether USD	USDT	0xdac17f958d2ee523a2...	13377650.431937	\$1.001	▲ 0.11%	\$13,391,028.08
SushiToken	SUSHI	0x6b3595068778dd592e...	28011.41785732414374	\$3.46	▼ 1.24%	\$96,919.51
Wrapped Ethe...	WETH	0xc02aaa39b223fe8d0a...	0.0108	\$2,964.71	▲ 0.18%	\$32.02
Pre Illuvium...	preILV	0xabdef64e297a6dd56e...	1241043.18599999999...	-	--	-
Illuvium Sma...	BPT-IL...	0xf657666c7823c68dcca...	1	-	--	-
Beeple NFT G...	BEEPLE	0x7e6d3ce80b9808353c...	874600	-	--	-
Paraswap.io	PRSW	0x4d98ed5510dc8d9e06...	214300	-	--	-

Answer: The treasury can be accessed on [Etherscan](#). The image above indicates that over 95% of the treasury is allocated to the game's token.



Token Holdings [0x58C37A622cdf8aCe54d8b25c58223f61d0d738aA](#) ID

Overview

Net Worth in USD \$3,319,987,129.09	Net Worth in ETH 1119835.373129	Total Balance Change (24H) -0.05%	Hide \$0.00 assets <input type="checkbox"/>
Assets in Wallet (10) \$3,319,987,116.96	Liquidity Pool Assets in Wallet (1) \$12.13	NFT Assets (1) -	Show/Hide value in ETH <input type="checkbox"/>

The treasury has over \$3BN in assets and about 95% and above was allocated to Illuvium. This doesn't constitute proper diversification of funds.

Score: 1

3. Token Economics

The "Token Economics" section assesses the function of a protocol's token. This includes the token distribution, its functionality, and the ability of the token to incentivize desired behaviours and value capture potential.

a) Genesis token distribution (15 points)

Token distribution can be an indicator of a healthy protocol and, if done well, can improve coordination and alignment among different stakeholders. Was the initial distribution fair and balanced? Are the tokens distributed widely or is the ownership concentrated?

Answer: Token distribution for \$ILV started with the [pre-seed sale](#) and offered 500,000 ILV at \$1 USD each.

Distribution	Status	Amount	Month
Pre Seed	Concluded	500,000	Dec
Seed	Concluded	1,500,000	Jan
Team	Concluded	1,500,000	Feb
Treasury	Concluded	1,500,000	Feb
Launchpad	Concluded	1,000,000	Mar
Yield farming	On going	3,000,000	May
In-game rewards	Not started	1,000,000	TBC

The pre-seed sale was followed by a seed sale that was used to further accelerate new hires, audits, listings and all other cumulative costs. The seed sale began on the 15th of January and ran for less than half the allotted time. All 1,500,000 \$ILV were distributed at a price of \$3 USD. The token distribution is quite organized and evenly distributed. A total of 35% is allocated to investors and investors giving the community the opportunity to own 65% of the total supply. To incentivize long-term stakers, staked tokens get a weighting of twice their locked value.

Score: 10



b) Purpose of the token (10 points)

This score evaluates the purpose of a token in the project's ecosystem. For example, does it provide utility? Does it have governance rights attached to it or a built-in value capture mechanism?

Answer: There are three primary uses for ILV:

1. Players are rewarded with ILV coins for their successes and achievements when playing the game.
2. Holders can stake ILV in the Illuvium Vault. Stakers receive rewards in ILV or sILV.
3. Holders can participate in the game's governance via the Illuvium Decentralized Autonomous Organization (DAO). The Illuminati Council allows for community collaboration in creating game improvement proposals and other changes to the governance model.

Owning tokens gives you the opportunity to participate in governance and also share revenue. Stakers have the option to claim their tokens in the form of sILV2, a synthetic token that is pegged to the price of \$ILV inside the game and Illuvium ecosystem. sILV2, like ETH, can be used as currency to purchase things in-game such as Curing Shard, Skins, Enhancements, and Travel, as well as participate in Illuvium auctions such as the Land Sale and Illuvitars. sILV2 will also have to be sent to IMX in order to be used in the game. 4% of the value of these transactions goes to the vault. Once the game is live, players will be able to spend ETH in exchange for various in-game items and functions. This ETH is stored in the Vault. Players can also spend money on the IlluviDEX, where they trade ETH for items that other players own. 5% of the value of these transactions goes to the Vault. ([source](#)).

Score: 8

c) Ongoing token issuance/inflation (10 points)

Most tokens have built-in inflation. This section evaluates the purpose of that inflation. Is it justifiable? Does it help improve the coordination and alignment of incentives for the protocol? Does it incentivize positive-sum behaviour? Are the benefits flowing to all relevant stakeholders or just select groups?

Answer: About 7M of the total supply has been distributed already leaving 4M left to be distributed as rewards to stakers and to gamers as in-game rewards. The available supply for stakers is quite alright for those who decide to put their token to use and earn a yield on it. This issuance model benefits every stakeholder evenly.

Score: 8

d) Value capture (10 points)

The ability to accrue value and consequently distribute it to stakeholders can be an effective coordination mechanism and deliver long-term benefits to a project.

Answer: as mentioned earlier, revenue is shared with stakeholders from the vault. The vault is a revenue account that keeps a certain percentage of trading fees in the in-game marketplace. Besides from this, there is also a staking reward that is paid to long-term token holders. All of this is dependent on whether the game takes off or not.

Score: 7



e) Token liquidity (5 points)

Is the token widely available and is there sufficient liquidity to facilitate all protocol functionalities?

Answer: According to [SushiSwap analytics](#), ILV has \$134,483,220 in liquidity which is actually nice compared to the trading volume of \$23,457,526 as seen on [CoinMarketCap](#). The token is officially available on Sushi, Binance, Kucoin, etc. Tokens can be bought on centralized and decentralized exchanges.

Score: 5

f) Extrinsic productivity (5 points)

Can the token be used outside of the project's ecosystem? For example, can it be used as collateral elsewhere, be staked for yield or rewards, etc.

Answer: There is no extrinsic use for tokens.

Score: 0

4. Team

The "Team" section describes the quality of the team behind the protocol. The current version of Prime Rating favours teams that are publicly identifiable. In the case of an anon team, the track record of the specific anons involved can be taken into account.

a) Credibility and reputation (10 points)

Are the identities of the core team public? In the case of anon team members, do they have a track record or reputation in the crypto space?

Answer: The team is credible and has a good reputation. Illuvium was founded by Kieran Warwick, Grant Warwick, and Aaron Warwick. All of the co-founders have a public profile which is available on LinkedIn. Illuvium can also be accessed on [LinkedIn](#) as well. According to their website, [Illuvium is a web of 150 talented individuals working in different divisions](#). Identification of the Warwick brothers is not complete without mentioning the founder of Synthetix, [Kain Warwick](#).

Score: 9

b) Relevant experience? (15 points)

Does the team have a track record of execution? Have individual team members built a product or a business before? Does the team have the necessary skills? For example, if a project is making a game, do they have a game developer?

Answer: Kieran is a proven serial entrepreneur. Working alongside his brother Kain Warwick in e-commerce. Kieran successfully onboarded major Australian Exchanges and started the world's first OTC cryptocurrency exchange. As for Aaron, he found himself obsessed with building and programming games. An avid seeker of scientific knowledge and the philosophical implications of technology his interest in artificial intelligence sprouted at an early age. Aaron's unique knowledge of world-building and game lore has guided Illuvium's vision to create the world's first AAA game built on the Ethereum blockchain. Danny is a business executive and partnership leader with over 20 years of success



in amplifying business performance to hit top goals. Danny has held multiple directors and leadership roles in varying retail and tech-based organizations, making him an invaluable asset to Illuvium. In 2016, Danny founded a joint venture organization with one of Australia's iconic business leaders, Gerry Harvey. In just three short years, this venture grew to over \$150M+ in revenue with a team of over 150 people. Nate Wells, Game Producer, With 20+ years in the gaming industry, Nate Wells is known for his work in Bioshock & Bioshock Infinite. He was also a Lead Game Producer on The Last of Us, and Rise of the Tomb Raider. As an art direction and UX consultant, Nate aims to help projects find their visual focus.

[Essentially, every team member is experienced and has a history of successful execution.](#)

Score: 14

c) Thought leadership and public presence (10 points)

To what extent do the protocol contributors participate in the public debate around the metaverse? Are the team members giving presentations, sharing their thoughts and opinions, and do they help raise the industry's collective intelligence?

Answer: [Here is a combined list of AMA sessions that members of the team have participated in.](#) Beyond AMAs, Kieran participated in a DeFi Live virtual conference about the state of building in the metaverse. [He participated to educate listeners on Illuvium and the blockchain gaming space.](#) Asides from that, he also jumped on a [Blockworks podcast](#) explaining how Illuvium will outplay P2E.

Score: 7

d) Ability to foster a community and coordinate resources (15 points)

How effective is the team at attracting and coordinating resources for the benefit of the protocol? Do they manage the community well, fostering a welcoming and positive environment? Does the community represent the project well externally?

Answer: So far, Currently, [Twitter Illuvium has a total of 295K followers](#) and Discord Illuvium has over 193,136 users as of writing. Asides from this, they also have a functioning medium publication page to keep the community engaged and abreast of the recent updates regarding Illuvium. They have also been hiring the best minds and talented individuals to work on Illuvium.

Score: 12

5. Governance

The "Governance" section evaluates all aspects of the protocol's governance, from infrastructure to processes and distribution of governance power.



a) Extent of governance capabilities (10 points)

Distributed governance should allow token holders to participate in the governance process. How much influence does the current governance process have when everything works as intended? What parts of the protocol does governance touch? Who can put forward a vote, and are there any limits or requirements (number of tokens, only the team can queue votes up, etc.)?

Answer: Holders of \$ILV have the ability to nominate an individual for a council seat as well as delegate their vote to a nominee. A formal voting period that lasts 72 hours is conducted to elect the 5 individuals best suited for the role of governing the platform. [A quadratic voting mechanism](#) will be utilized to reduce the voting power of large \$ILV holders and reduce plutocracy. Illuvium Proposals (changes in the protocol via ICCPs and IIPs) are submitted to the IIP's Github repository and will be posted on the Illuvium Proposal space. Proposals must reach a supermajority agreement to be enacted. Despite the council reaching a consensus on a proposal, the [ExecutionerDAO](#) still acts as a backstop for the protocol and can step in case of an emergency. Not all parameters can be influenced by holders, but to a large extent, they control a wider range of parameters. The executionerDAO still has the superseding power.

Score: 7

b) Active governance contributors (5 points)

Governance is time-consuming, and governance apathy is a common problem in most democratic systems, including crypto. Therefore, it's essential to have a sufficient number of community members allocate resources to the governance process of the protocol. How many individuals participate in the debate around the protocol? How active are voters? Is delegation enabled?

Answer: a proposal was recently passed on the 23rd of April, 2022 according to [Messari Governor](#). The proposal aims to approve the Parameters for Illuvium: Zero Land Sale. This proposal process, well documented by Messari Governor, indicates how active the Illuvinati Council is. The members of the council are active and they contribute actively to the governance process. There are 5 active Illuvinati council members.

Score: 5

c) Governance infrastructure robustness (10 points)

Robust infrastructure relates to how well the technology, software, and models used by the protocol's governance withstand actual use cases. Does the protocol have a reliable voting mechanism? How robust is the governance process, and does it facilitate good governance? Are the votes binding, or do they function solely as signals to the team?

Answer: Snapshot and Discord are two of the instruments used by Illuvium in Governance. Illuvium Proposals (changes in the protocol via ICCPs and IIPs) are submitted to the IIP's Github repository and will be posted on the Illuvium Proposal space. Proposals must reach a supermajority agreement to be enacted. Illuvium Configuration Change Proposals (ICCPs) are documents that put forth a case for modifying one of the System Configuration Variables of Illuvium. The intent is to provide a clear and detailed history behind each configuration change and the rationale behind it at the time it was implemented. An IIP is a design document providing information to the Illuvium community about a proposed change to the system. Basically, IIPs are submitted to the Illuvinati council for voting through GitHub. So far, the system has proven reliable and the community members do not have issues with it. It is, however, subject to improvement.

Score: 6



d) Process and ease of use (5 points)

This score is based on the documentation and process for governance. More specifically, how easy it is to participate in governance. Does the protocol have a formal governance process? Is sufficient documentation available? Is there a basic framework to establish social consensus? Are there channels dedicated to governance debate?

Answer: The process starts with a discord announcement, then IIPs sent through GitHub, council members vote on proposals and the information regarding the proposal and the voting process is made open and available to the public. It could however be made better.

Score: 3

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