Fundamental Report - Metaverse

Prime Rating Report V1.1

Protocol: Pegaxy Stone (PGX)
Category: Gaming
Version: n/a
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Previous Report: n/a

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Reviewed by: OriginalSK
Season/competition: Metaverse Rate-athon

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	8 / 15
b) Target market size	15 / 15
c) Product-market fit	12 / 15
Total Points - Value Proposition	**35 / 45**
2. Competitive moat	Points
a) Integrations & partnerships	6 / 10
b) Intellectual property	2 / 10
c) Infrastructure - security	10 / 10
d) Infrastructure - fees and ancillary infrastructure	10 / 10
e) Treasury management	0 / 10
Total Points - Value Proposition	**28 / 50**
3. Tokeneconomics	Points
a) Genesis token distribution	2 / 15
b) Purpose of the token	2 / 10
c) Ongoing token issuance / inflation	1 / 10
d) Value capture	3 / 10
e) Token liquidity	1 / 5
f) Extrinsic productivity	1 / 5

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Total Points - Tokenomics	10 / 55
4. Team	**Points**
a) Credibility and reputation	7 / 10
b) Relevant experience	5 / 15
c) Thought leadership and public presence	1 / 10
d) Ability to foster a community and coordinate resources	12 / 15
Total Points - Team	**25 / 50**
5. Governance	**Points**
a) Extent of governance capabilities	0 / 10
b) Active governance contributors	0 / 5
c) Governance infrastructure	0 / 5
d) Robustness of the governance process	0 / 10
Total Points - Governance	**0 / 30**
Total	**98 / 230**

For gaming projects only:

6. In-game economy	Points
a) Ease of use / Onboarding	9 / 15
b) Sustainability of P2E or in-game economy	8 / 20
c) Utilisation of NFTs	15 / 15
Total Points - In-game economy	**32 / 50**
Total	**130 / 280**

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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 organisational? Or has it just forked someone else's code?

Answer: It is no secret that Pegaxy is built on the back of Axie Infinity's tremendous success. Certain aspects of the project such as breeding logic and governance mechanics are, in fact, copy-paste versions of Axie Infinity (Figure 1).

Looking under the hood, however, we see that Pegaxy has a much easier user on-boarding experience to get players started and immediately enjoy the game. There is no need to download the game, there is no requirement for a specialized wallet (e.g. Ronin Wallet for Axie Infinity) and there is no need to even own an in-game NFT thanks to features such as renting and profit-sharing. This last feature is especially crucial for gaming guilds to provide a simplified, trustless, on-chain profit-share mechanism to their scholars (Figure 2). Pegaxy's on-chain solution offers the following benefits versus traditional profit-sharing mechanisms developed by gaming guilds: (i) trustless on-chain verification and distribution of a scholar's earnings vs. having to rely on written/verbal agreements between the guild and the scholar; (ii) real time processing of earnings vs. manual off-chain method that is processed batch-wise once per month; and (iii) lower working capital requirement from scholars and guilds. Pegaxy has used this feature to make gaming guilds their primary customer segment, something that helped them build up a large player base in a relatively short period of time (more in Section 1c).

In a user-friendly move, Pegaxy has also moved away from Ethereum and is built on Polygon, reducing the exorbitant gas fees we observed until this recent lull in gas prices. Given the [recent hack of Axie Infinity's side-chain wallet](#), Pegaxy's decision to build on Polygon also has positive security implications for its community.

Moving on, Pegaxy's game-play is also simple and easy to understand, something that allows the team to quickly develop and roll-out a mobile version of the game. This is currently planned for Q2 2022 and would be a big user-acquisition win in the NFT P2E gaming space. Pegaxy also has a high outcome velocity; in other words, players know very quickly the outcome of a race and whether they have won prizes, something that boosts player engagement. On the other hand, the game-play is *too* simple. Race outcomes are determined entirely by random number generation. While the Pegas or in-game NFT's have various attributes such as strength, speed, etc., these have no role in determining race outcomes.

Based on the above, we score 8/15 on balance for the novelty of Pegaxy. A higher score would require more in-game innovations and skill-based race outcomes.

Figure 1: Elements of Axie Infinity (left) and Pegaxy (right) whitepapers are very similar
*Source: whitepaper.axieinfinity.com and whitepaper.pegaxy.io*
Governance
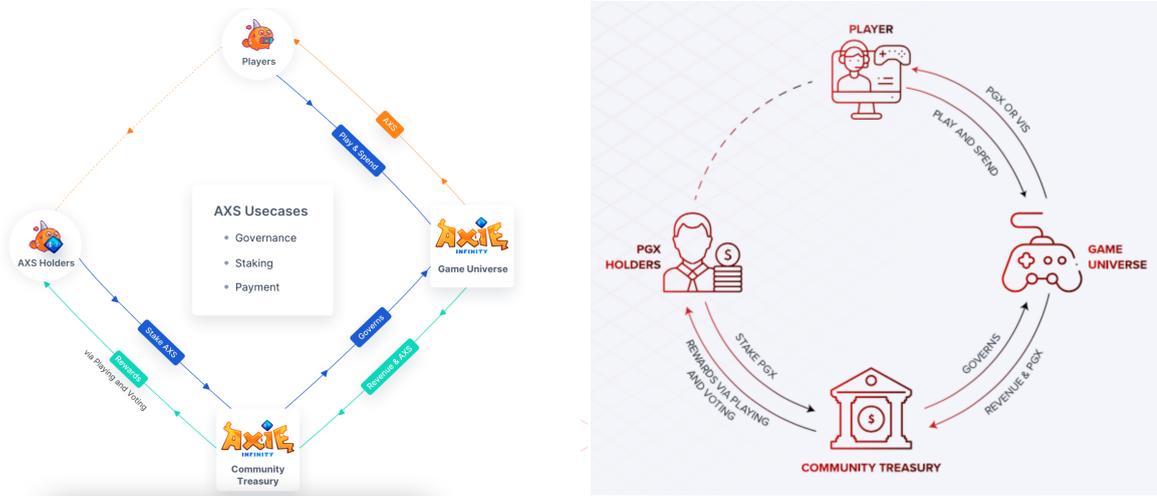
Breeding

Breed Count	Breed Number	SLP Cost Per Parent
(0/7)	1	900
(1/7)	2	1350
(2/7)	3	2250
(3/7)	4	3600
(4/7)	5	5850
(5/7)	6	9450
(6/7)	7	15300

Breed Count	Breed Number	VIS Cost	PGX Cost
(0/7)	1	2,000	30
(1/7)	2	4,000	30
(2/7)	3	6,000	30
(3/7)	4	10,000	30
(4/7)	5	16,000	30
(5/7)	6	26,000	30
(6/7)	7	42,000	30

Figure 2: Comparing Pegaxy's on-chain rental model with Axie Infinity
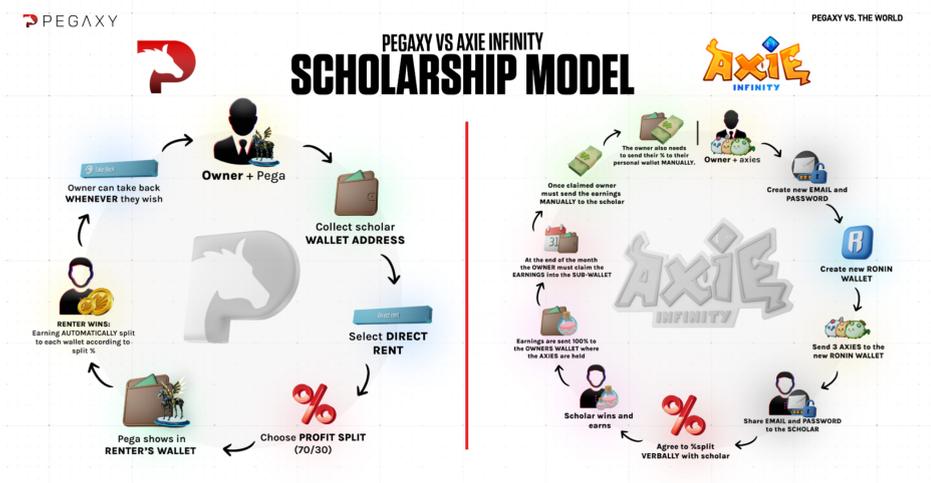

Score: 8/15

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.

Answer: The Metaverse market is expected to reach $783.3 billion in 2024 vs. $478.7 billion in 2020 representing a compound annual growth rate of 13.1%, based on [Bloomberg](#) analysis. Within this space, gaming is expected to capture a US$ 400bn share by 2024 (Figure 3), 2.7x the size of the traditional gaming space.

Sitting square at the heart of P2E NFT gaming, Pegaxy is in the *right* place at the *right* time. Full points.

Figure 3: Metaverse gaming market growth outlook
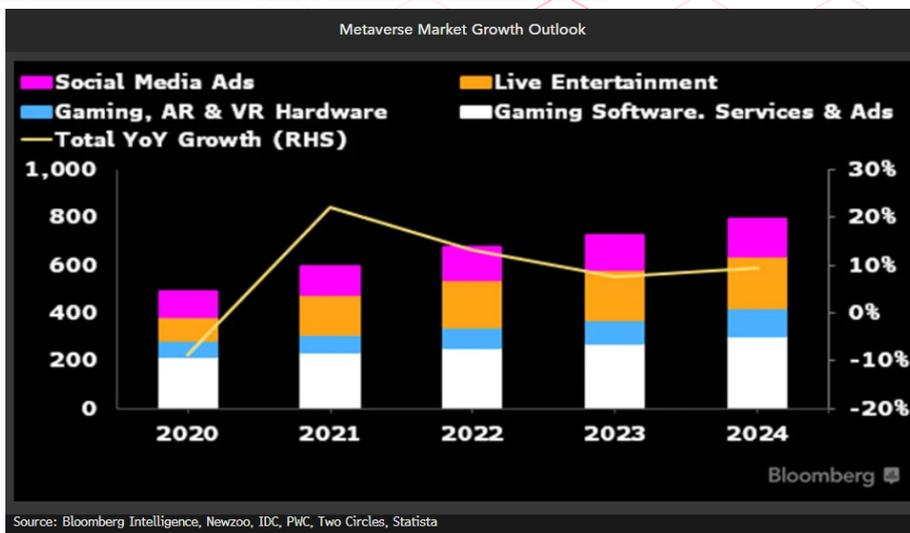
Score: 15/15

c) Product-market fit (15 points)

Product-market fit evaluates the degree to which a protocol satisfies market demand in their 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: It is clear that Pegaxy has galloped to a rapid start since launching 6 months ago, building both transaction volumes and user count. Since launch in November 2021, Pegaxy has an all-time sales volume of US$ 190mn, and has sold 286k unique Pegas in its marketplace. In comparison, [Axie Infinity](#) has an all-time sales volume of US$ 4.1bn since launch and has sold >15mn NFT's. While the gap between the two looks immense, Pegaxy's sales volume as a percentage of PGX [fully diluted market cap](#) is 1.2 compared to 0.3 for Axie Infinity (AXS), showing that Pegaxy is punching way above its size.

In terms of users, Pegaxy hit 22k unique users in late-March in a steady upward growth trend; however, this has since faltered, most likely as a fallout from the Axie Infinity hack mentioned previously (Figure 4). The same can be seen for 24-h transaction volumes, which peaked at US$ 13.3mn in February and have since been on a downward trend. This too is in line with overall trends following the slowdown in the NFT gaming space since January 2022.

Given the above, we assign a 14/15 score to Pegaxy on market fit. The game shows clear signs of having established market fit in a short time period. As mentioned in Section 1a, the strategy to build an on-chain NFT rental mechanism has also allowed them to target gaming guilds successfully. Finally, Pegaxy has stamped a solid first place among other Polygon based games (using 30d active user count as of Apr 22, 2022).

Figure 4: Pegaxy users, volumes and transactions

Source: Footprint Analytics

Score: 12/15

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: At this point, Pegaxy's unforkable value lies in two factors: (i) the partnerships it has with gaming guilds around the world (Figure 5); (ii) the speed with which it educates & onboards guild members and scholars to the

community (evident from participation in their Discord server and the abundance of educational materials produced). While it is clear that Pegaxy's design hinges on partnering with gaming guilds (as also elaborated in Section 1a), the protocol is not fundamentally designed to be interoperable with other parts of the metaverse. There are no vertical or horizontal integrations currently present nor is this planned by the team in their 12-month roadmap.

For the above reasons, we score 8/10 on this section, awarding points for the protocol's guild partnerships. We see this providing high unforkable value to Pegaxy, one that new entrants cannot build up immediately.

Figure 5: Pegaxy's verified guild list
Source: Pegaxy Discord channel

Score: 6/10

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 two sources of IP for Pegaxy. The first is the elaborate visual designs of Pega NFT's. The second is the storyline of Pega's, including attributes such as scarcity, bloodlines, unique Pega characteristics, etc. These can already be seen valued by the market, with rarer bloodlines fetching higher prices both on platforms such as Opensea, as well as on Pegaxy's own marketplace. All the IP is currently designed in-house, giving Pegaxy greater control and defensibility.

Given that the game has not been around for a long time, it is hard to determine the value of the produced IP. As the NFT's are currently only useful in the Pegaxy ecosystem, we also don't see any scope for valuing it's interoperability. Thus, we score 2/10 in this section. We would move this higher on seeing some recognition of the design-work or on signing of licensing deals that unlock IP value.

Score: 2/10

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: Pegaxy is built on Polygon, a Layer 2 chain built on top of Ethereum. All transactions occur on the Polygon chain without a side-chain or any other off-chain settlement. Full points for security of chosen infrastructure.

While this is not asked in this question, it's noteworthy that Pegaxy team controls all admin keys at the moment to the treasury. We highlight this as a potential security issue that increases risk of an attack on the protocol's funds.

Score: 10/10

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: Given the choice to build on Polygon, Pegaxy benefits from both low fees while having access to the wide infrastructure of Ethereum. Ethereum compatible wallets such as Metamask can be used directly on-ramp or off-ramp to Pegaxy. Full points.

Score: 10/10

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?

Answer: Pegaxy is a fully centralized protocol for the time being and does not release any information on its treasury nor on how it is managed. Attempts to learn more about this over their Discord channel or by contacting customer service chat were ignored or directed to the Pegaxy whitepaper.

Using our best estimates then for which smart contract address could belong to the Pegaxy treasury, we focused on three specific wallets: one allocated to the [team](), another one allocated to [liquidity](), and the final one marked as [ecosystem & marketing](). In all three, we see PGX as the primary (99%) allocation with other tokens such as ApeCoin and Stepn making up the balance. Given the lack of transparency on plans to diversify their treasury and the concentration of native tokens, we award no points in this section.

Score: 0/10

3. Token Economics

The "Token Economics" section assesses the function of a protocol's token. This includes the token distribution, its functionality, the ability of the token to incentivise 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: Figure 6 shows the genesis distribution of PGX and token release notes. The only clear distribution is to investors and the team. It is not yet clear what tokens are allocated for game rewards (the whitepaper mentions that some PGX can be earned through gameplay), and what proportion will be owned by the community. This increases the risk of token concentration and project centralization. This concern is underscored when compared to other NFT P2E projects such as DeFi Kingdoms or Tinyworlds, where (i) token allocations are clearly documented; (ii) early investors + team own 10% ([DeFi Kingdoms]()) and 25% ([Tinyworlds]()) of tokens vs. 44% at Pegaxy. Finally, on this point, the release on demand feature of 'ecosystem and marketing' expenses also stands out as a yellow flag, given that this portion of the tokens are entirely at the control of the project team (given the lack of any governance mechanisms, as elaborated in Section 5 below), effectively raising the portion of tokens under centralised control.

Pegaxy also mentions several times in their whitepaper that creating a successful game would take time. The 12-month lock-up + 12-month linear vesting for the team, and the 3-month lock-up + 12-month linear vesting for key investors; however, looks rather short vs. this long-term vision. The team and key investors can offload tokens just as the project is establishing itself in the market.

Based on the above, a 2/15 score is assigned to Pegaxy. While we appreciate the need for a game studio to centralize early to build fast, we would like to see (i) greater long-term vision alignment with token release for the team + investors; and (ii) more clarity upfront of what portion of token distribution will ultimately rest with the community.

Figure 6: PGX token distribution table
Source: [Pegaxy whitepaper](#)

Allocation	% of total	Release notes
Community developer incentives	16%	24 month linear vesting
Ecosystem & marketing	30%	Release on demand
Team	22%	12 month lock. Then, 12 month linear vesting
Liquidity provisions	10%	Release on demand
#1 Private sale	10%	10% at launch. 3 month lock-up, then 12 month linear vesting
#2 Private sale	10%	10% at launch. 3 month lock-up, then 12 month linear vesting
IDO/IEO	2%	50% at launch. Then vesting over 5 months.

Score: 2/15

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: PGX currently functions only as a utility token in Pegaxy. It can be used in-game for use-cases such as breeding and for paying certain transaction fees on Pegaxy's marketplace. There are no staking provisions in place nor clear indications for when this will be introduced. No governance rights are present either. The project team mentions a few times in their whitepaper that Pegaxy is a centralized project at the start; however, with missing timelines on what would trigger decentralization and further enhancement of the PGX token, we are hard pressed to award more than 2/10 points. Acknowledging a lack of token features "by design" earns no fundamental analysis points.

Score: 2/10

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 incentivise positive-sum behaviour? Are the benefits flowing to all relevant stakeholders or just select groups?

Answer: Based on Section 4a, it is not clear how much PGX is allocated for the community, outside the team and key investors. Due to this, it is difficult to determine the impact that planned inflation will have on the behaviour of non-insiders.

Looking at insiders, based on the token unlock mechanism (Figure 7), we see two sources of token inflation after Q3-2022: (i) unlocking of team's token holdings; (ii) planned increase in marketing expenses. From both, we see no positive incentives in place to improve the protocol. If anything, inflation of tokens appears aggressive and geared towards insiders (e.g. via short unlock periods for team + key investors).

We would have liked to see gradual token release for insiders and better PGX tokenomics (utility, governance features and staking) incorporated. Without these, we assign a 1/10 to the protocol for inflation.

Figure 7: PGX token release schedule
*Source: [Pegaxy whitepaper](#)*
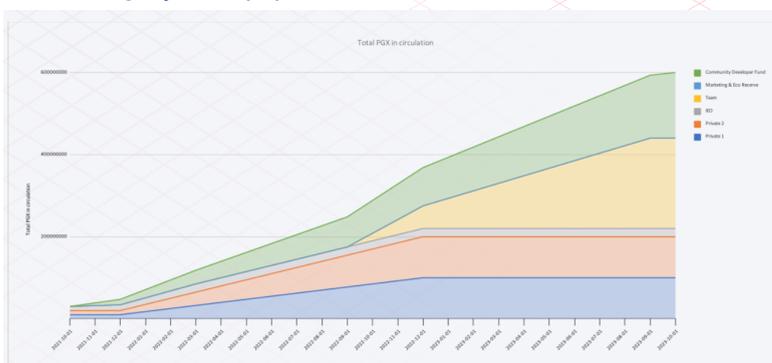
Score: 1/10

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: In principle, the value capture of PGX is supposed to mirror that of Axie Infinity (Figure 1, shared again below). PGX value would accrue thanks to its several use-cases for stakeholders. Players would utilize PGX for in-game aspects such as breeding and earn PGX rewards from large-scale tournaments. The community treasury would earn fees from transactions on the Pegaxy marketplace and from breeding fees. And finally, passive investors would earn rewards from staking and governance participation.

In reality, however, few aspects of this vision have yet to be realised. Given the limited tokenomics (as highlighted above) and missing community treasury, it is impossible to setup a robust, market agnostic value-capture mechanism. The protocol would mostly capture value in a bull market where NFT prices are high, incentivizing breeding and trading on the marketplace (both of which generate PGX value). In a bear market such as now, this system would collapse.

We thus put 3/10 points as a score, given the limited value accrual and insignificant role in coordinating stakeholders.
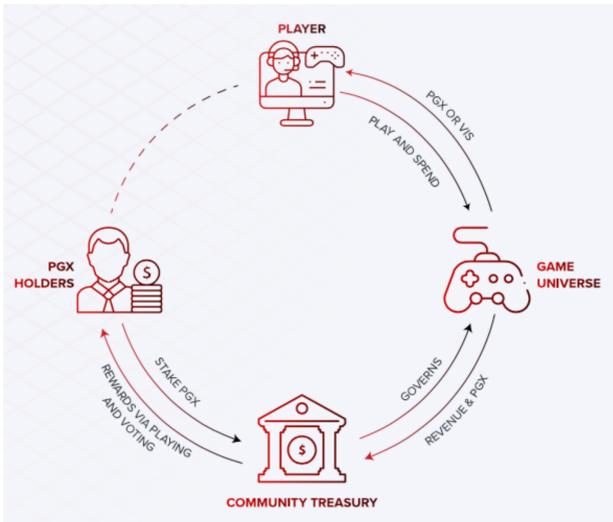
Score: 3/10

e) Token liquidity (5 points)

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

Answer: So far, the token is available only on Kyber Swap, mostly on the PGX/USDT trading pair. 24-h trading volumes are thin at US$ 286k (vs. US$ 8.9M/US$ 1M for games such as DeFi Kingdoms/Tiny World).

Score: 1/5

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: PGX can be used to add DEX liquidity in Kyber Swap (Figure 8). No other extrinsic productivity use cases exist at the moment.

Figure 8: PGX/USDT liquidity pool
Source: Kyber Swap

Score: 1/5

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 Pegaxy co-founders are [Ken Pham](#), [Steve Nguyen](#) and [Corey Wilton](#). [Ken](#) has a degree in international business and worked for 3 years in the HR + logistics space in China before helming Pegaxy. Steve can be seen having relevant tech experience, building up Appota, a Vietnam-based gaming company, where he still serves as CTO. Finally, Corey has a background setting up a customer-service org, Help Desk Official. He is the most outspoken, public figure of Pegaxy and is constantly hosting talks and AMA's with the community.

Though Ken has built up a sizeable org at Pegaxy (more on this in Section 4d), he has no previous experience in tech, crypto or in company leadership. Does he have a solid vision to guide Pegaxy into lead position? There is no predence to suggest so. We have questions on his track record to build and lead a crypto start-up. Thus, we remove 2 points.

While Steve and Corey bring relevant backgrounds, this is also their first foray in the crypto space. This is not uncommon in the nascent P2E sector, but we deduct one point here to reflect the higher risk, and lower overall team credibility.

Score: 7/10

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: Continuing from Section 4a, we look deeper than the execution track record of the core team. With no previous founding or leadership experience, Ken is a high risk CEO vis-a-vis execution. Corey has a publicly traceable background in setting up a company related to customer services 4 years ago. It is difficult to identify how successful this venture is. [LinkedIn data](#) shows a total of 3 employees at the company and no online reviews or data exists online to corroborate Corey's competence in executing. Some companies [listed on the Help Desk](#) website do not have functioning websites anymore (e.g. Sid Token and Anti-Hack), something that raises its own set of questions. Steve, in contrast, has a highly credible history of execution as CTO, having built Appota into a gaming company in Vietnam.

For these reasons, we raise doubts on the long-term efficacy of the Pegaxy team. Coupled with the misaligned vesting schedules identified in Section 3, we find the team in a precarious position to execute in the long-term. We therefore score 5/15 points here.

Score: 5/15

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: While both Ken and Corey are active on Twitter, they post almost exclusively on Pegaxy and game updates.

Score: 1/10

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: Pegaxy has built up a globally distributed team of 68 members, filling critical roles such as full-stack developers, product managers, 3D artists, customer service and marketing leads.

From participating in their Discord channel, the activeness and strength of their customer service reps and community managers is also seen to be strong. Messages are answered within seconds by the customer service reps. Tons of tutorials, how-to videos and explainers exist on the Pegaxy website and on social media, all made in-house. Thus, not only is the Pegaxy team present in numbers, but they also show up with gusto.

The only downside we would call out is how centralized and customer-service like the Discord channel *feels*. There is heavy moderation of conversations and few, if any, direct peer-to-peer messages are seen. It would be apt to say that Pegaxy has fostered passionate *customers* vs. a *community*. If the aim is to move towards decentralization (as the team calls out in the whitepaper), we would like to see more efforts to foster a non-censored, community culture. We deduct three points for this.

Apart from building up an effective team, Pegaxy has also been able to raise funding at incredible speed, raising US$2.5mn in their last funding round in November 2021 from marquee investors such as Shima Capital, Crypto.com and Kyber Ventures,, as well as from gaming guilds such as Real Deal and Good Games.

Score: 12/15

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: Pegaxy had announced in February 2022 that they will be launching a governance mechanism, named Themis, for the community soon. In a conversation with the team on April 16, 2022 (see screenshot below), there is no ETA yet of when this could launch. At the moment, Pegaxy is a fully centralized protocol with no governance capabilities.
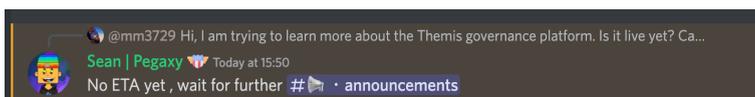
We score all questions in the governance section with a 0.

Score: 0/10

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: No governance exists.

Score: 0/5

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: No governance exists.

Score: 0/10

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: No governance exists.

Score: 0/5

6. Gaming Specific - In-game Economy

Gaming is and will continue to be an essential part of the metaverse. One of the benefits of NFT gaming and blockchain technology more broadly is authentic verifiable digital ownership. For games, that enables the creation of open in-game economies. However, these economies need to be well balanced through token economics and token design. The "Gaming" section focuses on the analysis of in-game economies and their sustainability.

a) Ease of use / Onboarding (15 points)

Gaming projects are introducing crypto to a lot of people in a short space of time. How easy is it for players to get to grips with the game, token economics, and onboard funds from the traditional financial system? Can the game be played on mobile, PC (browser or install) or both?

Answer: Pegaxy does not have a dedicated fiat on-ramp as yet. On and off ramps exist via USDT and require some MATIC to pay for gas fees on Polyon. That said, the gameplay is simple and easily understood (almost *too simple* as we argued in Section 1a). UI is designed with features such as renting to allow players with no NFT ownership as well to start playing immediately. There is no need to download any software (Pegaxy is browser based) or juggle with specialized wallet interfaces. If the goal is player onboarding, Pegaxy does this superbly! There is constant customer support availability on Discord and an abundance of educational material both in-house and via paid blogs/marketing channels. Though no mobile UX is available, there are plans to launch this in Q3-2022.

We score 9/15 here, and would allot more points once a mobile version is launched and on-ramping is possible directly from fiat.

Score: 9/15

b) Sustainability of P2E or in-game economy (20 points)

This section scores the sustainability of the in-game economy. Does it rely on the ever-increasing growth to sustain the ecosystem? Are there multiple levers the team can pull to balance the economy?

Answer: The Pegaxy economy is built around growth in the player base. On-chain data (Figure 9) shows the VIS (in-game token) mint-burn ratio as 79% since game-launch. The ratio remained above 85% through Q1-2022 when new Pegas could be sold for handsome profits. As the NFT bull-market has dried up though, there is a drop in the mint-burn ratio. Data from the last 15 days shows that only 59% of minted VIS are being burnt, a matter of concern highlighted by User *Seer* in Figure 10. This data underscores that the Pegaxy game-play is not yet sustainable and has a high "beta", or correlation with market prices.

Moving to the levers available for the team to adjust in-game economics, this is something the team has full control over at present since they control all admin keys. This article outlines some new game changes made in the last

weeks by the Pegaxy team to bring back the in-game economy to control. It includes features such as fusing Pegas together (to reduce NFT supply and put a price floor), reducing race-win probabilities (to lower VIS mint ratio), and adding specialized food to the gameplay (to increase VIS sinks). While such changes can be launched by the team, Figure 10 shows the detrimental effect they are having on player sentiment. The rapid launch of changes has also clogged game servers in the last week, something the team has acknowledged multiple times. We therefore question how many changes the Pegaxy team can realistically make to in-game economics. While they control all levers, pulling and pushing them too fast can alienate their players and erode community cohesion.

For the above reasons, we score 8/20 points in this section. Higher points would come from more self-correction faucet-sink mechanisms in-game, a greater control over launching self-correcting patches, and evidence of more proactive vs reactive updates to gameplay.

Figure 9: VIS Mint-Burn ratio since game-launch
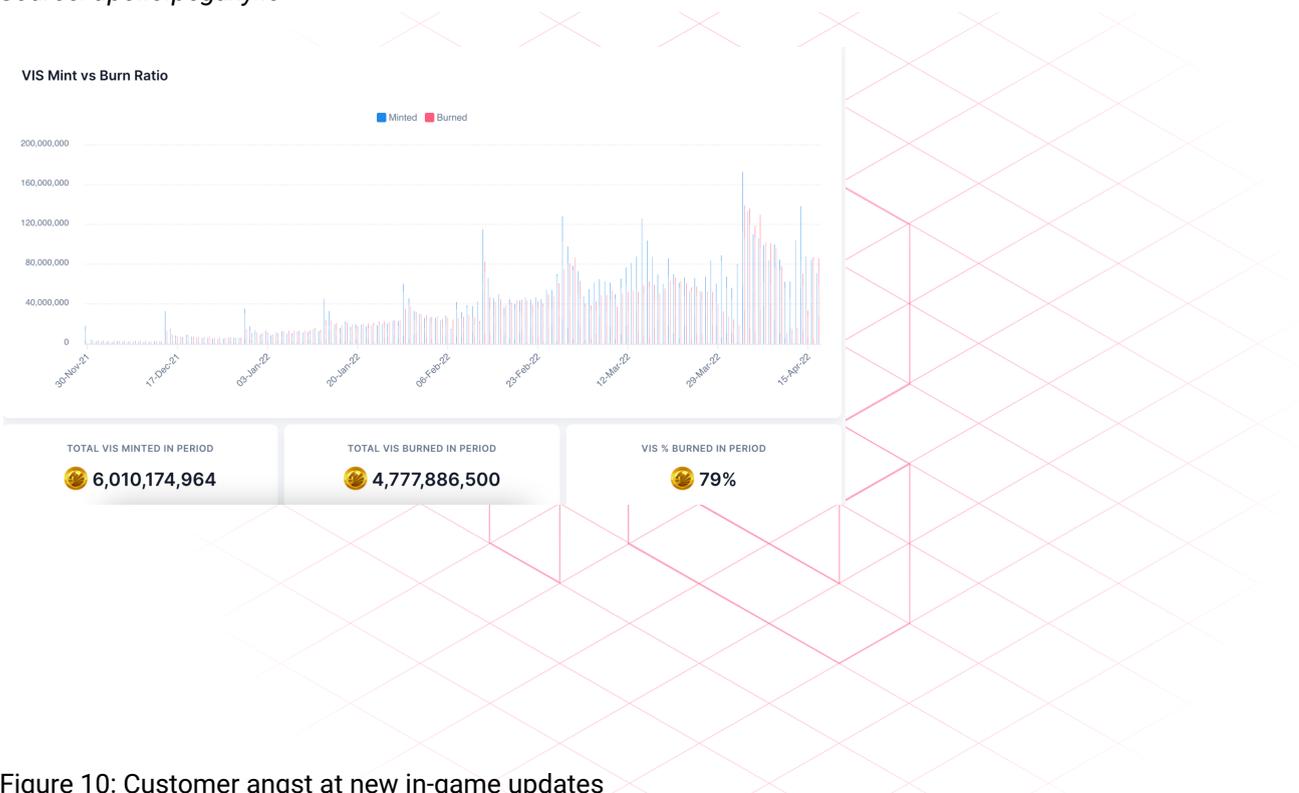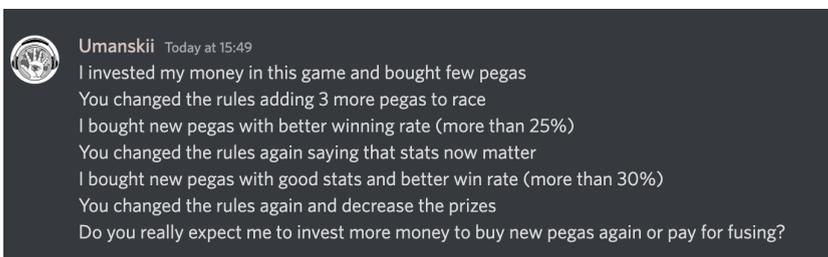*Source: apollo.pegaxy.io*

Figure 10: Customer angst at new in-game updates
Source: Pegaxy Discord channel

Kokwey Today at 16:35
Hi @Corey | Pegaxy and team, thank you so much for the update, it means a lot to us, but i have to say this too, i know its impossible to get our vis back for those who have fused before the update but could we at least have some compensation? On behalf on everyone who fused, i would like to say: We trusted your updates and have gone thru with it, but i hope we didnt just end up a lab rat. like refund more pgx based on the additional vis used (from the treasury), or to have discount/ free fusion based on the total vis used to fuse. (maybe not free, but discounts on preceding fusion until fully compensated as it also motivates us to fuse more). (edited)

Seer | ∞ Today at 17:57
The incompetence of the pegaxy team is incredible… The updates are not fixing squat and no real utility or burning mechanisms are being implemented… They saw what happened to axie and learned nothing from it..
Continue going on vacation and messing up the game as the tokens inflate more and more…
Great job

Score: 8/20

c) Utilisation of NFTs (15 points)

NFTs are the fundamental building block of NFT gaming projects and enable open and transparent in-game economies. Can everything in the game be owned by players (Land, Character, Items) as an NFT, or is it limited? Once owned, can items be traded freely?

Answer: All in-game assets are NFT's and can be traded on a marketplace. Full points.

Score: 15/15

About the Author:

mm3729's mission is in uncovering hard truths for the common good. He is a passionate DeFi rater and the winner of two top-quality report writing prizes at Prime Rating. His background is in TradFi (hedge funds due-diligence), digital product development, journalism and entrepreneurship. Twitter: @mm3729

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