

REFINITIV

DELTA REPORT

10-Q

ALLIED GAMING & ENTERTAIN

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

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TOTAL DELTAS 2134

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023 March 31, 2024

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-38226

ALLIED GAMING & ENTERTAINMENT INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

82-1659427

(I.R.S. Employer
Identification No.)

745 Fifth Ave, Suite 500
New York, NY 10151

(Address of principal executive offices)

(646) 768-4240
(Issuer's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	AGAE	NASDAQ Capital Market

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 6, 2023 May 17, 2024, 36,842,663 45,515,313 shares of common stock, par value \$0.0001 per share, were outstanding.

ALLIED GAMING & ENTERTAINMENT INC.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	September 30, 2023 (unaudited)	December 31, 2022	March 31, 2024 (unaudited)	December 31, 2023
Assets				
Current Assets				
Cash and cash equivalents	\$ 10,435,990	\$ 11,167,442	\$ 7,300,965	\$ 16,320,583
Short-term investments	59,950,000	70,000,000	69,642,386	56,500,000
Interest receivable	2,058,576	677,397	1,319,578	792,223
Due from affiliate	3,500,000	-	-	-
Accounts receivable	10,673	72,739	477,790	529,369
Loan receivable			1,340,149	-
Deposits, current portion			3,700,000	3,700,000
Prepaid expenses and other current assets	470,390	459,274	550,572	498,886
Total Current Assets	76,425,629	82,376,852	84,331,440	78,341,061
Restricted cash	5,000,000	5,000,000	5,000,000	5,000,000
Property and equipment, net	3,794,373	4,005,622	3,608,688	3,834,193
Digital assets	49,300	49,761	49,300	49,300
Intangible assets, net	688,721	72,786	6,009,070	6,254,731
Deposits	380,703	379,105	-	-
Deposits, non-current portion			385,524	392,668
Operating lease right-of-use asset	5,411,841	5,845,549	5,141,048	5,415,678
Goodwill			12,490,536	12,729,056
Total Assets	\$ 91,750,567	\$ 97,729,675	\$ 117,015,606	\$ 112,016,687
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable	\$ 470,264	\$ 317,561	\$ 172,975	\$ 371,830
Accrued expenses and other current liabilities	306,270	1,645,379	496,992	763,512
Deferred revenue	357,677	108,428	105,650	103,748
Operating lease liability, current portion	1,390,533	1,227,164	1,484,332	1,482,977
Loans payable			14,856,822	9,230,168
Total Current Liabilities	2,524,744	3,298,532	17,116,771	11,952,235
Operating lease liability, non-current portion	5,744,166	6,527,075	5,191,538	5,560,251
Deferred tax liability			1,075,620	1,096,160
Total Liabilities	8,268,910	9,825,607	23,383,929	18,608,646
Commitments and Contingencies (Note 5)				
Commitments and Contingencies (Note 9)				
Stockholders' Equity				
Preferred stock, \$0.0001 par value, 1,000,000 shares authorized, none issued and outstanding	-	-	-	-
Common stock, \$0.0001 par value; 100,000,000 shares authorized, 39,085,470 shares issued at September 30, 2023 and December 31, 2022, and 36,842,663 and 38,503,724 shares outstanding at September 30, 2023 and December 31, 2022, respectively	3,909	3,909	-	-
Series A Preferred stock, \$0.0001 par value, 50,000 shares designated, none issued and outstanding			-	-
Common stock, \$0.0001 par value; 100,000,000 shares authorized, 47,795,097 and 39,085,470 shares issued at March 31, 2024 and December 31, 2023, and 45,515,313 and 36,805,686 shares outstanding at March 31, 2024 and December 31, 2023, respectively			4,780	3,909
Additional paid in capital	198,663,219	198,526,614	205,660,677	198,677,132
Accumulated deficit	(112,745,327)	(110,235,568)	(115,370,139)	(113,671,029)
Accumulated other comprehensive income	221,555	219,675	299,880	433,565
Treasury stock, at cost, 2,242,807 and 581,746 shares at September 30, 2023 and December 31, 2022, respectively	(2,661,699)	(610,562)	-	-
Stock subscription receivable			(4,597,000)	-
Treasury stock, at cost, 2,279,784 shares at March 31, 2024 and December 31, 2023			(2,693,653)	(2,693,653)
Total Allied Gaming & Entertainment Inc. Stockholders' Equity			83,304,545	82,749,924

Non-controlling interest			10,327,132	10,658,117
Total Stockholders' Equity	83,481,657	87,904,068	93,631,677	93,408,041
Total Liabilities and Stockholders' Equity	<u>\$ 91,750,567</u>	<u>\$ 97,729,675</u>	<u>\$ 117,015,606</u>	<u>\$ 112,016,687</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Loss

(unaudited)

	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Revenues:						
In-person	\$ 1,119,865	\$ 1,551,963	\$ 3,580,968	\$ 3,734,400	\$ 1,255,198	\$ 1,193,330
Multiplatform content	94	13,679	2,000,518	1,401,130	59	101
Casual mobile gaming					1,123,804	-
Total Revenues	<u>1,119,959</u>	<u>1,565,642</u>	<u>5,581,486</u>	<u>5,135,530</u>	<u>2,379,061</u>	<u>1,193,431</u>
Costs and Expenses:						
In-person (exclusive of depreciation and amortization)	575,176	1,112,645	1,891,229	2,784,933	635,963	672,222
Multiplatform content (exclusive of depreciation and amortization)	-	31,010	1,517,707	1,020,886	-	395
Casual mobile gaming (exclusive of depreciation and amortization)					936,905	-
Research and development expenses					195,211	-
Selling and marketing expenses	51,448	54,445	172,987	185,614	53,688	54,598
General and administrative expenses	894,181	2,397,901	5,660,553	8,762,193	2,857,800	2,543,347
Stock-based compensation	-	-	-	-	-	-
Depreciation and amortization	239,413	(328,739)	1,030,191	1,288,106	374,992	578,560
Impairment of digital assets	-	-	-	-	164,411	-
Total Costs and Expenses	<u>1,760,218</u>	<u>3,267,262</u>	<u>10,272,667</u>	<u>14,206,143</u>	<u>5,054,559</u>	<u>3,849,122</u>
Loss From Operations	<u>(640,259)</u>	<u>(1,701,620)</u>	<u>(4,691,181)</u>	<u>(9,070,613)</u>	<u>(2,675,498)</u>	<u>(2,655,691)</u>
Other Income (Expense):						
Other (expense) income, net	(388)	34,073	15,954	(45,859)	(13,158)	27,455
Interest income, net	715,893	25,316	2,165,468	34,093	859,205	734,449
Total Other Income (Expense)	<u>715,505</u>	<u>59,389</u>	<u>2,181,422</u>	<u>(11,766)</u>		
Net income (loss)	<u>75,246</u>	<u>(1,642,231)</u>	<u>(2,509,759)</u>	<u>(9,082,379)</u>		
Other comprehensive income:						
Foreign currency translation adjustments	-	(31,747)	1,880	(90,378)		
Total Comprehensive Income (Loss)	<u>\$ 75,246</u>	<u>\$ (1,673,978)</u>	<u>\$ (2,507,879)</u>	<u>\$ (9,172,757)</u>		
Net Loss					(1,829,451)	(1,893,787)
Less: net loss attributable to non-controlling interest					(130,341)	-
Net Loss Attributable to Common Stockholders					<u>\$ (1,699,110)</u>	<u>\$ (1,893,787)</u>
Earnings (Loss) per Common Share						
Basic	\$ 0.00	\$ (0.04)	\$ (0.07)	\$ (0.23)		
Diluted	\$ 0.00	\$ (0.04)	\$ (0.07)	\$ (0.23)		
Net Loss per Common Share						
Basic and Diluted					\$ (0.04)	\$ (0.05)
Weighted Average Number of Common Shares Outstanding:						
Basic	<u>36,942,149</u>	<u>39,094,696</u>	<u>37,351,735</u>	<u>39,092,133</u>		
Diluted	<u>37,134,457</u>	<u>39,094,696</u>	<u>37,351,735</u>	<u>39,092,133</u>		
Basic and Diluted					<u>38,857,728</u>	<u>37,924,754</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES
 Condensed Consolidated Statements of Comprehensive Loss
 (unaudited)

	For the Three Months Ended March 31,	
	2024	2023
Net Loss	\$ (1,829,451)	\$ (1,893,787)
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(334,329)	1,880
Total comprehensive loss	<u>(2,163,780)</u>	<u>(1,891,907)</u>
Less: net loss attributable to non-controlling interest	(130,341)	-
Less: other comprehensive loss attributable to non-controlling interest	(200,644)	-
Comprehensive Loss Attributable to Common Stockholders	<u>\$ (1,832,795)</u>	<u>\$ (1,891,907)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Stockholders' Equity

(unaudited)

For The Three and Nine Months Ended September 30, 2023											For The Three and Nine Months Ended September 30, 2022					
	Common Stock				Treasury Stock				Accumulated			Total Stockholders' Equity	Common Stock		Treasury Stock	
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Other Comprehensive Income	Accumulated Deficit	Equity	Shares	Amount	Shares	Amount	Common Stock	Treasury Stock		
Balance - January 1, 2023	39,085,470	\$ 3,909	581,746	\$ (610,562)	\$ 198,526,614	\$ 219,675	\$ (110,235,568)	\$ 87,904,068								
Stock-based compensation:																
Restricted common stock									1,460,000	146	-	-				
Stock options	-	-	-	-	5,126	-	-	5,126	-	-	-	-				
Repurchases of common stock	-	-	1,105,604	(1,459,078)	-	-	-	(1,459,078)								
Shares withheld for employee payroll tax									(80,373)	(8)	-	-				
Issuance of common stock pursuant to a Share Purchase Agreement									7,330,000	733	-	-				
Net loss	-	-	-	-	-	-	-	(1,893,787)	(1,893,787)	-	-	-				
Other comprehensive income	-	-	-	-	-	1,880	-	-	1,880	-						
Balance - March 31, 2023	39,085,470	\$ 3,909	1,687,350	\$ (2,069,640)	\$ 198,531,740	\$ 221,555	\$ (112,129,355)	\$ 84,558,209								
Stock-based compensation:																
Stock options	-	-	-	-	66,856	-	-	66,856								
Repurchases of common stock	-	-	372,436	(415,313)	-	-	-	(415,313)								
Net loss	-	-	-	-	-	-	-	(691,218)	(691,218)							
Balance - June 30, 2023	39,085,470	\$ 3,909	2,059,786	\$ (2,484,953)	\$ 198,598,596	\$ 221,555	\$ (112,820,573)	\$ 83,518,534								
Stock-based compensation:																
Stock options	-	-	-	-	64,623	-	-	64,623								
Repurchases of common stock	-	-	183,021	(176,746)	-	-	-	(176,746)								
Net loss	-	-	-	-	-	-	-	75,246	75,246							
Balance - September 30, 2023	39,085,470	\$ 3,909	2,242,807	\$ (2,661,699)	\$ 198,663,219	\$ 221,555	\$ (112,745,327)	\$ 83,481,657								
Other comprehensive loss																
Balance - March 31, 2024								47,795,097	\$ 4,780	2,279,784	\$ (2,693,653)	\$ 2				

For The Three and Nine Months Ended September 30, 2022											For The Three and Nine Months Ended September 30, 2021					
	Common Stock				Treasury Stock				Additional			Total Stockholders' Equity	Common Stock		Treasury Stock	
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Other Comprehensive Income	Accumulated Deficit	Equity	Shares	Amount	Shares	Amount	Common Stock	Treasury Stock	Paid-in Capital	
Balance - January 1, 2022	39,085,470	\$ 3,909	581,746	\$ (610,562)	\$ 198,526,614	\$ 219,675	\$ (110,235,568)	\$ 87,904,068								
Stock-based compensation:																
Restricted common stock	-	-	-	-	1,460,000	146	-	-	1,460,000	146	-	-				
Stock options	-	-	-	-	5,126	-	-	5,126	-	-	-	-				
Repurchases of common stock	-	-	1,105,604	(1,459,078)	-	-	-	(1,459,078)	-	-	-	-				
Shares withheld for employee payroll tax									(80,373)	(8)	-	-				
Issuance of common stock pursuant to a Share Purchase Agreement									7,330,000	733	-	-				
Net loss	-	-	-	-	-	-	-	(1,893,787)	(1,893,787)	-	-	-				
Other comprehensive income	-	-	-	-	-	1,880	-	-	1,880	-						
Balance - March 31, 2022	39,085,470	\$ 3,909	1,687,350	\$ (2,069,640)	\$ 198,531,740	\$ 221,555	\$ (112,129,355)	\$ 84,558,209								
Stock-based compensation:																
Stock options	-	-	-	-	66,856	-	-	66,856								
Repurchases of common stock	-	-	372,436	(415,313)	-	-	-	(415,313)								
Net loss	-	-	-	-	-	-	-	(691,218)	(691,218)							
Balance - June 30, 2022	39,085,470	\$ 3,909	2,059,786	\$ (2,484,953)	\$ 198,598,596	\$ 221,555	\$ (112,820,573)	\$ 83,518,534								
Stock-based compensation:																
Stock options	-	-	-	-	64,623	-	-	64,623								
Repurchases of common stock	-	-	183,021	(176,746)	-	-	-	(176,746)								
Net loss	-	-	-	-	-	-	-	75,246	75,246							
Balance - September 30, 2022	39,085,470	\$ 3,909	2,242,807	\$ (2,661,699)	\$ 198,663,219	\$ 221,555	\$ (112,745,327)	\$ 83,481,657								
Other comprehensive loss																
Balance - March 31, 2023									47,795,097	\$ 4,780	2,279,784	\$ (2,693,653)	\$ 2			

Balance - January 1, 2022	39,116,907	\$ 3,912	- \$	- \$ 197,784,972	\$ 269,606	\$ (99,411,683)	\$ 98,646,807	Shares	Amount	Shares	Amount	Capital
Balance - January 1, 2023								39,085,470	\$ 3,909	581,746	\$ (610,562)	\$ 198,526
Stock-based compensation:												
Restricted common stock	-	-	-	-	82,345	-	-	82,345				
Stock options	-	-	-	-	318,951	-	-	318,951	-	-	-	5,
Repurchases of common stock										1,105,604	(1,459,078)	
Net loss	-	-	-	-	-	-	(3,751,197)	(3,751,197)	-	-	-	-
Other comprehensive income	-	-	-	-	-	12,964	-	12,964	-	-	-	-
Balance - March 31, 2022	39,116,907	\$ 3,912	- \$	- \$ 198,186,268	\$ 282,570	\$ (103,162,880)	\$ 95,309,870					
Stock-based compensation:												
Stock options	-	-	-	-	153,093	-	-	153,093				
Net loss	-	-	-	-	-	-	(3,688,951)	(3,688,951)				
Other comprehensive loss	-	-	-	-	-	(71,595)	-	(71,595)				
Balance - June 30, 2022	39,116,907	\$ 3,912	- \$	- \$ 198,339,361	\$ 210,975	\$ (106,851,831)	\$ 91,702,417					
Stock-based compensation:												
Stock options	-	-	-	-	238,840	-	-	238,840				
Shares withheld for employee payroll tax	(31,437)	(3)	-	-	(49,667)	-	-	(49,670)				
Net loss	-	-	-	-	-	-	(1,642,231)	(1,642,231)				
Other comprehensive loss	-	-	-	-	-	(31,747)	-	(31,747)				
Balance - September 30, 2022	39,085,470	\$ 3,909	- \$	- \$ 198,528,534	\$ 179,228	\$ (108,494,062)	\$ 90,217,609					
Balance - March 31, 2023								39,085,470	\$ 3,909	1,687,350	\$ (2,069,640)	\$ 198,531

The accompanying notes are an integral part of these condensed consolidated financial statements.

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(unaudited)

	For the Nine Months Ended		For the Three Months Ended	
	September 30,		March 31,	
	2023	2022	2024	2023
Cash Flows From Operating Activities				
Net loss	\$ (2,509,759)	\$ (9,082,379)	\$ (1,829,451)	\$ (1,893,787)
Adjustments to reconcile net loss to net cash used in operating activities:				
Stock-based compensation	136,605	793,229	471,600	5,126
Non-cash rent expense	723,594	646,657		
Non-cash operating lease expense			270,027	227,136
Digital currency received as revenue	-	(249,888)	-	(26)
Impairment of digital assets	-	164,411		
Net gains on sale of equipment	(8,388)	-		
Expenses paid using digital assets	461	69,533	-	395
Change in fair value of warrant liabilities	-	7,400		
Depreciation and amortization	1,030,191	1,288,106	373,731	578,560
Changes in operating assets and liabilities:				
Accounts receivable	62,066	266,889	55,440	(233,684)
Interest receivable	(1,381,179)	-	(527,353)	(624,815)
Prepaid expenses and other current assets	(11,116)	(243,058)	(52,239)	(264,837)
Deposit returns	(1,598)	-		
Accounts payable	152,701	404,715	(184,702)	164,163
Accrued expenses and other current liabilities	(1,339,109)	(2,079,071)	(361,443)	251,495
Operating lease liability	(909,426)	(808,148)	(362,834)	(280,615)
Deferred revenue	(543,786)	269,685	1,902	1,037,772
Total Adjustments	(2,088,984)	530,460	(315,871)	860,670
Net Cash Used In Operating Activities	(4,598,743)	(8,551,919)	(2,145,322)	(1,033,117)
Cash Flows From Investing Activities				
Expenditures on software development costs			-	(49,950)
Issuance of short-term loan			(1,340,149)	-
Proceeds from maturing of short-term investments			6,500,000	-
Purchases of short-term investments	(19,950,000)	-	(19,642,386)	(4,500,000)
Proceeds from maturing of short-term investments	30,000,000	-		
Loan to affiliate	(3,500,000)	-		
Investment in digital assets	-	(41,026)		
Proceeds from sale of equipment	106,914	-		
Purchases of intangibles	(618,930)	-		
Purchases of intangible assets			-	(508,500)
Purchases of property and equipment	(119,525)	(6,697)	(10,639)	(36,934)
Net Cash Provided By (Used In) Investing Activities	5,918,459	(47,723)		
Net Cash Used In Investing Activities			(14,493,174)	(5,095,384)
Cash Flows From Financing Activities				
Repurchases of common stock	(2,051,137)	-	-	(1,459,078)
Net Cash Used In Financing Activities	(2,051,137)	-		
Effect of Exchange Rate Changes on Cash				
Net Decrease In Cash, Cash Equivalents, And Restricted Cash				
Cash, cash equivalents, and restricted cash - Beginning of Period	(731,452)	(8,662,030)		
Cash, cash equivalents, and restricted cash - End of Period	16,167,442	97,887,030		
Cash and restricted cash consisted of the following:	\$ 15,435,990	\$ 89,225,000		
Cash	\$ 10,435,990	\$ 84,225,000		
Restricted cash	5,000,000	5,000,000		
	\$ 15,435,990	\$ 89,225,000		
Non-Cash Investing and Financing Activities:				
ROU asset for lease liability	\$ 289,886	\$ -		

Property and equipment received as deferred revenue	\$ 793,035	\$ -
Proceeds from issuance of common stock in share purchase agreement		2,000,000
Proceeds from short-term loan		5,626,654
Net Cash Provided By (Used In) Financing Activities		7,626,654 (1,459,078)

The accompanying notes are an integral part of these condensed consolidated financial statements.

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows, continued
(unaudited)

	For the Three Months Ended March 31,	
	2024	2023
Effect of Exchange Rate Changes on Cash	(7,776)	7,328
Net Decrease In Cash, Cash Equivalents, And Restricted Cash	(9,019,618)	(7,580,251)
Cash, cash equivalents, and restricted cash - Beginning of Period	21,320,583	16,167,442
Cash, cash equivalents, and restricted cash - End of Period	<u><u>\$ 12,300,965</u></u>	<u><u>\$ 8,587,191</u></u>
 Cash and restricted cash consisted of the following:		
Cash	\$ 7,300,965	\$ 3,587,191
Restricted cash	5,000,000	5,000,000
	<u><u>\$ 12,300,965</u></u>	<u><u>\$ 8,587,191</u></u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

Note 1 – Business Organization and Nature of Operations

Allied Gaming & Entertainment Inc. ("AGAE" and together with its subsidiaries, "the Company") operates a public esports and entertainment company through its wholly owned subsidiaries Allied Esports International, Inc., ("AEII"), Esports Arena Las Vegas, LLC ("ESALV"), Allied Mobile Entertainment Inc. ("AME"), Allied Mobile Entertainment (Hong Kong) Limited ("AME-HK"), Allied Experiential Entertainment Inc. ("AEE"), Skyline Music Entertainment (Hong Kong) Limited ("Skyline HK"), and Allied Esports GmbH ("AEG" and together with AEII, AME and ESALV, "Allied Esports"). AEII produces a variety of esports and gaming-related content, including world class tournaments, live and virtual events, and original programming to continuously foster an engaged gaming community. ESALV operates HyperX Arena Las Vegas, the world's most recognized esports facility. AME-HK is a wholly owned subsidiary of AME and has a 40% interest in Beijing Lianzhong Zhihe Technology Co. ("ZTech"). ZTech is engaged in the development and worldwide distribution of mobile casual games in China. AEE owns a 51% interest in Skyline Music Entertainment Limited ("Skyline"), which is principally engaged in the organization of events, shows and concerts by top entertainment artists. AEG is currently inactive.

Note 2 – Significant Accounting Policies

There have been no material changes to the Company's significant accounting policies as set forth in the Company's audited consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2022 (the "Annual Report") December 31, 2023, filed with the Securities and Exchange Commission ("SEC") on March 24, 2023 March 28, 2024, as amended by the Form 10-K/A filed on April 27, 2023 and May 3, 2023, on Forms 10-K/A, April 29, 2024.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") GAAP for interim financial information. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for annual consolidated financial statements. In the opinion of management, the accompanying condensed consolidated financial statements include all adjustments which are considered necessary for a fair presentation of the unaudited condensed consolidated financial statements of the Company as of September 30, 2023 March 31, 2024, and for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023. The results of operations for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the operating results for the full year ending December 31, 2023 December 31, 2024 or any other period. These unaudited condensed consolidated financial statements have been derived from the Company's accounting records and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report, annual report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 28, 2024, as amended by the Form 10-K/A filed on April 29, 2024.

Investments in Equity Linked and FX Linked Notes

The Company has elected the fair value option for recording its equity linked and FX linked notes (the "Notes"), pursuant to ASC 825-10, *Financial Instruments* ("ASC 825"), whereby the hybrid instrument is initially recorded in its entirety at fair value and changes in fair value are recorded in other income (expense) on the condensed consolidated statements of operations. The Company determines the appropriate classification of these investments at the time of purchase and reevaluates such designation at each balance sheet date. The Company's Notes are classified as current assets if the maturity date is less than one year from the balance sheet date.

Fair Value of Financial Instruments

The Company measures the fair value of financial assets and liabilities based on the guidance of ASC 820 "Fair Value Measurements and Disclosures" ("ASC 820").

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 - quoted prices in active markets for identical assets or liabilities.

Level 2 - quoted prices for similar assets and liabilities in active markets or inputs that are observable.

Level 3 - inputs that are unobservable (for example, cash flow modeling inputs based on assumptions).

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

The following table provides information about the Company's financial assets and liabilities measured at fair value on a recurring basis and indicates the level of the fair value hierarchy utilized to determine such fair values:

As of September 30, 2023	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
As of March 31, 2024								
Digital assets	\$ 49,300	\$ -	\$ -	\$ 49,300	\$ 49,300	\$ -	\$ -	\$ 49,300
Equity linked notes						- 9,874,780	-	9,874,780
FX linked notes						- 4,967,606	-	4,967,606
Sponsor warrants	-	-	100	100	-	-	100	100
Total	\$ 49,300	\$ -	\$ 100	\$ 49,400	\$ 49,300	\$ 14,842,386	\$ 100	\$ 14,891,786
As of December 31, 2022	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
As of December 31, 2023								
Digital assets	\$ 49,761	\$ -	\$ -	\$ 49,761	\$ 49,300	\$ -	\$ -	\$ 49,300
Sponsor warrants	-	-	100	100	-	-	100	100
Total	\$ 49,761	\$ -	\$ 100	\$ 49,861	\$ 49,300	\$ -	\$ 100	\$ 49,400

The carrying amounts of the Company's financial instruments, such as cash equivalents, accounts receivable, short-term investments (excluding equity and FX linked notes), interest receivable, due from affiliates, loans receivable, accounts payable, and operating lease liabilities – current portion, accrued liabilities, and loans payable approximate fair value due to the short-term nature of these instruments.

Short-term investments consist of Equity linked notes and FX linked notes are categorized within level 2 of the fair value hierarchy, as the fair value is based on the price of deposit with original maturities of greater than three months but less than the underlying equity securities or equal to twelve months when purchased, foreign exchange rates. See Note 4 – Short-Term Investments for further details on short-term investments.

See *Digital Assets* below for further details on digital assets.

The Sponsor Warrants are carried at fair value as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 and are included in accrued expenses on the accompanying condensed consolidated balance sheets. The Sponsor Warrants are valued using level 3 inputs. The fair value of the Sponsor Warrants is estimated using the Black-Scholes option pricing method. Significant level 3 inputs used to calculate the fair value of the Sponsor Warrants include the share price on the valuation date, expected volatility, expected term and the risk-free interest rate.

The following is a roll forward of the Company's Level 3 instruments during the nine months ended September 30, 2023 March 31, 2024:

Balance, January 1, 2023	\$ 100
Change in fair value of sponsor warrants	-
Balance, March 31, 2023	100
Change in fair value of sponsor warrants	-
Balance, June 30, 2023	100
Change in fair value of sponsor warrants	-
Balance, September 30, 2023	\$ 100
Balance, January 1, 2024	\$ 100
Change in fair value of sponsor warrants	-
Balance, March 31, 2024	\$ 100

The key inputs into the Black-Scholes model used to value Sponsor Warrants at the relevant measurement dates were as follows:

Input	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Risk-free rate	5.46 %	4.57 %	5.46 %	5.41 %
Remaining term in years	0.86	1.61	0.36	0.61
Expected volatility	64.0 %	56.0 %	68.0 %	68.0 %
Exercise price	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50

Fair value of common stock

\$	0.91	\$	1.05	\$	1.01	\$	1.06
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ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Net Loss per Common Share

Basic loss per common share is computed by dividing net loss attributable to the Company by the weighted average number of common shares outstanding during the period. Diluted loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding, plus the impact of common shares, if dilutive, resulting from the potential exercise of outstanding stock options and warrants and vesting of restricted stock awards.

The following table presents the computation of basic and diluted earnings (loss) net loss per common share:

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Numerator:				
Net income (loss)	\$ 75,246	\$ (1,642,231)	\$ (2,509,759)	\$ (9,082,379)
Denominator (weighted average quantities):				
Common shares outstanding	36,942,149	39,094,696	37,351,735	39,109,422
Less: Unvested restricted shares	-	-	-	(17,289)
Denominator for basic net loss per share	36,942,149	39,094,696	37,351,735	39,092,133
Add: Contingent consideration shares	192,308	-	-	-
Denominator for fully diluted net loss per share	37,134,457	39,094,696	37,351,735	39,092,133
Income (Loss) per common shares				
Basic	\$ 0.00	\$ (0.04)	\$ (0.07)	\$ (0.23)
Diluted	\$ 0.00	\$ (0.04)	\$ (0.07)	\$ (0.23)
For the Three Months Ended				
March 31,				
Numerator:				
Net loss attributable to common stockholders	\$ (1,699,110)	\$ (1,893,787)		
Denominator:				
Weighted-average common shares outstanding	39,314,981	37,924,754		
Less: weighted-averages unvested restricted shares	(457,253)	-		
Denominator for basic and diluted net loss per share	38,857,728	37,924,754		
Basic and Diluted Net Loss per Common Share	\$ (0.04)	\$ (0.05)		

The following securities are excluded from the calculation of weighted average dilutive common shares because their inclusion would have been anti-dilutive:

	For the Three Months Ended		For the Nine Months Ended	
	March 31,		March 31,	
	2024	2023	2024	2023
Options				
Options	1,320,000	1,540,000		
Warrants				
Warrants	20,091,549	20,091,549		
Contingent consideration shares (1)				
Contingent consideration shares (1)	192,308	192,308		
	21,603,857	21,823,857		
For the Three Months Ended				
September 30,				
Options	1,540,000	1,810,000	1,540,000	1,810,000
Warrants	20,091,549	20,091,549	20,091,549	20,091,549
Equity purchase options	-	600,000	-	600,000
Contingent consideration shares (1)	-	192,308	192,308	192,308
	21,631,549	22,693,857	21,823,857	22,693,857

(1) Holders who elected to convert a certain former Bridge Note from the Company their convertible debt into common stock are entitled to receive contingent consideration shares equal to the product of (i) 3,846,153 shares, multiplied by (ii) that holder's investment amount, divided by (iii) \$100,000,000, if at any time within five years after the August 9, 2019 closing date, the last exchange-reported sale price of common stock trades at or above \$13.00 for thirty (30) consecutive calendar days.

Revenue Recognition

To determine the proper revenue recognition method, the Company evaluates each of its contractual arrangements to identify its performance obligations. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The majority of the Company's contracts have a single performance obligation because the promise to transfer the individual good or service is not separately identifiable from other promises within the contract and is therefore not distinct. Some of the Company's contracts have multiple performance obligations, primarily related to the provision of multiple goods or services. For contracts with more than one performance obligation, the Company allocates the total transaction price in an amount based on the estimated relative standalone selling prices underlying each performance obligation.

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

The Company recognizes revenue primarily from the following sources:

In-person revenue

In-person revenue was comprised of the following for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Event Revenue						
Event revenue	\$ 420,192	\$ 914,386	\$ 1,593,277	\$ 2,115,530	\$ 573,655	\$ 561,077
Sponsorship revenue	457,740	175,299	1,275,218	507,799	460,737	359,741
Food and beverage revenue	47,535	110,139	173,326	342,253	70,708	88,974
Ticket and gaming revenue	151,391	143,413	401,096	394,564	129,771	130,137
Merchandising revenue	43,007	208,726	138,051	374,254	20,327	53,401
Total in-person revenue	\$ 1,119,865	\$ 1,551,963	\$ 3,580,968	\$ 3,734,400	\$ 1,255,198	\$ 1,193,330

Event revenues from the rental of the **Allied Esports** arena and gaming trucks are recognized over the term of the event based on the number of days completed relative to the total days of the event, as this method best depicts the transfer of control to the customer. In-person revenue also includes revenue from ticket sales, admission fees and food and beverage sales for events held at the Company's esports properties. Ticket revenue is recognized at the completion of the applicable event. Point of sale revenues, such as food and beverage, gaming and merchandising revenues, are recognized when control of the related goods are transferred to the customer.

The Company generates sponsorship revenue from the naming rights of its esports arena which are recognized on a straight-line basis over the contractual term of the agreement.

The Company records deferred revenue to the extent that payment has been received for services that have yet to be performed.

Multiplatform revenue

Multiplatform revenue was comprised of the following for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
NFT revenue	\$ -	\$ 13,441	\$ -	\$ 249,889	\$ -	\$ 26
Sponsorship revenue	-	-	2,000,000	1,150,000		
Distribution revenue	94	238	518	1,241	59	75
Total multiplatform revenue	\$ 94	\$ 13,679	\$ 2,000,518	\$ 1,401,130	\$ 59	\$ 101

The Company's NFT revenue is generated from the sale of non-fungible tokens (NFTs). The Company's NFTs exist on the Ethereum Blockchain under the Company's EPICBEAST brand, a digital art collection of 1,958 unique beasts inspired by past and present e-sport games. The Company uses the NFT exchange, OpenSea, to facilitate the sale of NFTs. The Company, through OpenSea, has custody and control of the NFT prior to the delivery to the customer and records revenue at a point in time when the NFT is delivered to the customer and the customer pays. The Company has no obligations for returns, refunds or warranty after the NFT sale.

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

The Company **also** earns a royalty of up to 10% of the sale price when an NFT is resold by its owner in a secondary market transaction. The Company recognizes this royalty as revenue when the sale is consummated.

The Company generates sponsorship revenue from the production and distribution of original content programming over live-streaming services. The Company recognizes sponsorship revenue pursuant to the terms of each individual contract when the Company satisfies the respective performance obligations, which could be recognized at a point in time or over the term of the contract.

The Company's distribution revenue is generated primarily through the distribution of content to online channels. Any advertising revenue earned by online channels is shared with the Company. The Company recognizes online advertising revenue at the point in time when the advertisements are placed in the video content.

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES
 Notes to Condensed Consolidated Financial Statements
 (unaudited)

Casual mobile gaming revenue

The Company's casual mobile gaming revenue is generated through ZTech which was acquired on October 31, 2023. See Note 3 – Business Combination for additional details. Casual mobile gaming revenue amounted to \$1,123,804 and \$0 for the three months ended March 31, 2024 and 2023, respectively. Casual mobile gaming revenue is generated through contractual relationships with various advertising service providers for advertisements within the Company's casual mobile games. Advertisements can be in the form of an impression, click-throughs, videos, or banners. The Company has determined the advertising service provider to be its customer and displaying the advertisements within its games is identified as the single performance obligation. Revenue from advertisements is recognized when the ad is displayed or clicked and the advertising service provider receives the benefits provided from this service. The price can be determined by the applicable evidence of the arrangement, which may include a master contract or a third-party statement of activity.

The transaction price is generally the product of the advertising units delivered (e.g. impressions, click-throughs) and the contractually agreed upon price per advertising unit. The price per advertising unit can also be based on revenue share percentages stated in the contract. The number of advertising units delivered is determined at the end of each month so there is no uncertainty about the transaction price.

The Company's casual games are played on various mobile third-party platforms for which such third parties collect monies from advertisers and remit the net proceeds after deducting payment processing fees and player incentive payments. The Company is primarily responsible for providing access to the games, has control over the content and functionality of games before they are accessed by players, and has the discretion to establish the pricing for the advertisements. Therefore, the Company concluded that it is the principal, and as a result, revenues are reported gross of payment processing fees and player incentive fees. Payment processing fees and player incentive fees are recorded as components of cost of revenue in the accompanying consolidated statements of operations.

Revenue recognition

The following table summarizes our revenue recognized under ASC 606 "Revenue from Contracts with Customers" in our condensed consolidated statements of operations:

	For the Three Months Ended						For the Nine Months Ended		March 31,	
	September 30,		September 30,		March 31,		March 31,		March 31,	
	2023	2022	2023	2022	2024	2023				
Revenues Recognized at a Point in Time:										
Ticket and gaming revenue	\$ 151,391	\$ 143,413	\$ 401,096	\$ 394,564	\$ -	\$ 26				
NFT revenue	-	13,441	-	249,889	\$ -	88,974				
Food and beverage revenue	47,535	110,139	173,326	342,253	70,708	129,771				
Ticket and gaming revenue	129,771	130,137								
Merchandising revenue	43,007	208,726	138,051	374,254	20,327	53,401				
Casual mobile games	1,123,804	-								
Distribution revenue	94	238	518	1,241	59	75				
Total Revenues Recognized at a Point in Time	<u>242,027</u>	<u>475,957</u>	<u>712,991</u>	<u>1,362,201</u>	<u>1,344,669</u>	<u>272,613</u>				
Revenues Recognized Over a Period of Time:										
Event revenue	420,192	914,386	1,593,277	2,115,530	573,655	561,077				
Sponsorship revenue	457,740	175,299	3,275,218	1,657,799	460,737	359,741				
Total Revenues Recognized Over a Period of Time	<u>877,932</u>	<u>1,089,685</u>	<u>4,868,495</u>	<u>3,773,329</u>	<u>1,034,392</u>	<u>920,818</u>				
Total Revenues	\$ 1,119,959	\$ 1,565,642	\$ 5,581,486	\$ 5,135,530	\$ 2,379,061	\$ 1,193,431				

The timing of the Company's revenue recognition may differ from the timing of payment by its customers. A receivable is recorded when revenue is recognized prior to payment and the Company has an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, the Company records deferred revenue until the performance obligations are satisfied. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the Company had contract liabilities of **\$357,677** **\$105,650** and **\$108,428** **\$103,748**, respectively, which is included in deferred revenue on the condensed consolidated balance sheet.

As of **September 30, 2023** Through **March 31, 2024**, **\$94,682** **\$89,251** of performance obligations in connection with contract liabilities included within deferred revenue on the **December 31, 2022** **December 31, 2023** consolidated balance sheet have been satisfied. The Company expects to satisfy the remaining performance obligations of **\$13,746** **\$14,497** related to its **December 31, 2022** **December 31, 2023** deferred revenue balance within the next twelve months. During the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, there was no revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods.

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

Digital Assets

The Company accepts Ether as a form of payment for NFT sales. The Company accounts for digital assets held as the result of the receipt of Ether, as indefinite-lived intangible assets in accordance with ASC 350, Intangibles—Goodwill and Other. The Company has ownership of and control over the digital assets and the Company may use third-party custodial services to secure them. The digital assets are initially recorded at cost and are subsequently remeasured, net of any impairment losses incurred since the date of acquisition.

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements****(unaudited)**

The Company determines the fair value of its digital assets on a nonrecurring basis in accordance with ASC 820, "Fair Value Measurement", based on quoted prices on the active exchange(s) that the Company has determined is the principal market for Ether (Level 1 inputs). The Company performs an analysis each quarter to identify whether events or changes in circumstances, or decreases in the quoted prices on active exchanges, indicate that it is more likely than not that the Company's digital assets are impaired. In determining if an impairment has occurred, the Company considers the lowest market price quoted on an active exchange since acquiring the respective digital asset. If the then-current then current carrying value of a digital asset exceeds the fair value, an impairment loss has occurred with respect to those digital assets in the amount equal to the difference between their carrying values and the fair value of such assets.

The impaired digital assets are written down to their fair value at the time of impairment and this new cost basis will not be adjusted upward for any subsequent increase in fair value. Gains are not recorded until realized upon sale, at which point they are presented net of any impairment losses for the same digital assets held. In determining the gain or loss to be recognized upon sale, the Company calculates the difference between the sales price and carrying value of the digital assets sold immediately prior to sale. Impairment losses and gains or losses on sales are recognized within operating expenses in our condensed consolidated statements of operations and comprehensive loss. There were \$0 and \$164,411 of no impairment charges during losses for the three and nine months ended September 30, 2023, respectively. There were March 31, 2024 and 2023 and no digital assets were sold during the same time periods.

The following table sets forth There were no changes in our digital assets for during the nine three months ended September 30, 2023: March 31, 2024.

Balance, December 31, 2022	\$ 49,761
Expenses paid using digital assets	(461)
Balance, September 30, 2023	\$ 49,300

Concentration Risks

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents, restricted cash, short-term investments, due from affiliate loans receivable, and accounts receivable. Concentrations of credit risk with respect to trade accounts receivable are generally diversified due to the large number of entities comprising the Company's customer base and their dispersion across many different industries and geographies. The Company holds maintains cash cash equivalents deposits and short-term investments at with major U.S. financial institutions in amounts which often that at various times may exceed Federal Deposit Insurance Corporation's Corporation ("FDIC") insurance limits. As of September 30, 2023 March 31, 2024, two customers represented 96% 93% of the Company's accounts receivable balance and one related party affiliate represented 100% of the Company's due from affiliate balance. Historically, the Company has not experienced any losses due to such concentration of credit risk.

During the three months ended September 30, 2023 March 31, 2024 and 2022, 0.4% 47% and 0.5% 0%, respectively, of the Company's revenues were from customers in foreign countries. During other than the nine months ended September 30, 2023 and 2022, 0.3% and 3%, respectively, of the Company's revenues were from customers in foreign countries, United States.

During the three months ended September 30, 2023 March 31, 2024, the Company's two largest customers accounted for 36% 47%, and 18% of the Company's consolidated revenues. During the nine months ended September 30, 2023, the Company's two largest customers accounted for 36% and 20% 19% of the Company's consolidated revenues. During the three months ended September 30, 2022 March 31, 2023, the Company's five two largest customers accounted for 22%, 21%, 18%, 10%, and 10% of the Company's consolidated revenues. During the nine months ended September 30, 2022, the Company's three largest customers accounted for 20%, 17% 26%, and 11% of the Company's consolidated revenues.

Foreign Currency Translation

The Company's reporting currency is the United States Dollar. The functional currencies of the Company's operating subsidiaries are their local currencies (United States Dollar, Euro, and Euro) Chinese Yuan). Since the acquisition of ZTech on October 31, 2023, Yuan-denominated assets and liabilities are translated into the United States Dollar using the exchange rate at the balance sheet date (0.138405 and 0.141048 at March 31, 2024 and December 31, 2023, respectively) and revenue and expense accounts are translated using the weighted average exchange rate in effect for the period (0.139573 for the three months ended March 31, 2024). Resulting translation adjustments are made directly to accumulated other comprehensive income (loss).

Euro-denominated assets and liabilities are translated into the United States Dollar using the exchange rate at the balance sheet date 1.0573 (1.0791 and 1.0699 1.1036 at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, respectively), and revenue and expense accounts are translated using the weighted average exchange rate in effect for that the period 1.0883 (1.0857 and 0.9797 1.0727 for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and 1.0832 and 1.0078 for the nine months ended September 30, 2023 and 2022, respectively, 2023, respectively). Resulting translation adjustments are made directly to accumulated other comprehensive income, income (loss).

Notes to Condensed Consolidated Financial Statements

(unaudited)

The Company engages in foreign currency denominated transactions with customers and suppliers, as well as between subsidiaries with different functional currencies. Realized losses of **\$951** **\$14,436** and **\$38,853** **\$942** arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, respectively, are recognized in other (expense) income (expense) in the accompanying condensed consolidated statements of operations.

Segment Information

Our primary business activity is to provide gaming and entertainment services. Our chief operating decision maker, who is the Chief Executive Officer, reviews financial information presented on a consolidated basis for the purposes of making operating decisions, allocating resources, and evaluating financial performance. Accordingly, we operate our business as one operating and reporting segment.

Subsequent Events

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the condensed consolidated financial statements, other than those disclosed below, except as disclosed.

Reclassifications Recently Issued Accounting Pronouncements

Certain prior period balances have been reclassified in order to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or loss per share.

Recently Adopted Accounting Pronouncements

In June 2016, December 2023, the FASB issued Accounting Standards Update ("ASU") 2016-13 ASU 2023-08, Intangibles – *Financial Instruments Goodwill and Other – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This update requires financial instruments to subsequently measure certain assets at fair value with changes recognized in net income each reporting period. This update also requires that an entity present crypto assets measured at amortized cost basis fair value separately from other intangible assets in the balance sheet and changes from the remeasurement of crypto assets separately from changes in the carrying amounts of other intangible assets in the consolidated statement of operations. Although early adoption is permitted, the new guidance becomes effective on January 1, 2025, and should be applied using a modified retrospective transition method with a cumulative-effect adjustment recorded to be presented at the net amount expected to be collected. The measurement opening balance of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability retained earnings as of the reported amount. Since June 2016, beginning of the FASB issued clarifying updates to the new standard including changing the effective date for smaller reporting companies. The guidance is effective for the Company for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years, with early adoption permitted, year of adoption. The Company adopted this does not believe the adoption of ASU on January 1, 2023, using the modified retrospective approach and it did not 2023-06 will have a material impact on its condensed consolidated financial statements.

In August 2020, position and expects the FASB issued ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts* cumulative adjustment to increase retained earnings as of January 1, 2025 as a result of adopting this guidance in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, to clarify the accounting for certain financial instruments with characteristics of liabilities and equity. The amendments in this update reduce the number of accounting models for convertible debt instruments and convertible preferred stock by removing the cash conversion model and the beneficial conversion feature model. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract. Convertible instruments that continue to be subject to separation models are (1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting and (2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as paid-in-capital. In addition, this ASU improves disclosure requirements for convertible instruments and earnings-per-share guidance. The ASU also revises the derivative scope exception guidance to reduce form-over substance-based accounting conclusions driven by remote contingent events. The amendments in this update are effective for our fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption will be permitted, but no earlier than for fiscal years beginning after December 15, 2020. The Company early adopted ASU 2020-06 effective January 1, 2023 which eliminated the need to assess whether a beneficial conversion feature needs to be recognized upon the issuance of new convertible instruments. 2025.

Note 3 – Business Combination

On October 31, 2023, AME-HK completed its acquisition of a 40% equity interest in ZTech for \$7 million in cash from Beijing Lianzhong Co., Ltd, an entity owned by Ourgame International Holdings Limited, the holder of approximately 32% of AGAE's outstanding common stock as of the acquisition date. Founded in Beijing in April 2022, ZTech is a mobile games developer and operator, specializing in the innovation, research, development and operation of premium card and Mahjong casual games. The acquisition of Z-Tech will allow the Company to expand its operations into one of the most revenue generating segments of the global games industry.

The following information represents the Company's unaudited pro forma combined results of operations, giving effect to the acquisition as if it occurred at the beginning of the year ended December 31, 2023.

	For the Three Months Ended March 31, 2023		
	Pro-forma		
	As reported	Adjustments	Pro-forma
Revenues	\$ 1,193,431	\$ 6,584,670	\$ 7,778,101
Net loss	\$ (1,893,787)	\$ (85,544)	\$ (1,979,331)
Basic and diluted loss per common share	\$ (0.05)		\$ (0.05)
Weighted-average common shares outstanding	37,924,754		37,924,754

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES
 Notes to Condensed Consolidated Financial Statements
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Note 4 – Short-Term Investments

Short-term investments consist of the following:

	Certificates of Deposit	Equity Linked Notes	FX Linked Notes	Total Short-term Investments
Balance as of January 1, 2024	\$ 56,500,000	\$ -	\$ -	\$ 56,500,000
Maturing of short-term investments	(6,500,000)	-	-	(6,500,000)
Purchase of short-term investments	4,800,000	-	-	4,800,000
Purchase of equity linked notes	-	10,002,334	-	10,002,334
Purchase of FX linked note	-	-	4,976,857	4,976,857
Change in market value	-	(37,169)	11,632	(25,537)
Foreign currency translation adjustment	-	(90,385)	(20,883)	(111,268)
Balance as of March 31, 2024	\$ 54,800,000	\$ 9,874,780	\$ 4,967,606	\$ 69,642,386

Short-term investments include certificates of deposit with original maturities of greater than three months but less than or equal to twelve months when purchased.

On March 5, 2024, the Company entered into a one-month FX linked note, an investment product which provides for a fixed payment of 3% per annum on the notional amount with the ultimate return or loss linked to the change in the Japanese Yen/United States Dollar exchange rate. The note matures on April 5, 2024.

On March 15, 2024, the Company entered into two three-month equity linked notes which are investment products that provide for a coupon amount of 0.5% and 0.6667% per month, respectively, and an ultimate return (or loss) tied to the performance of the underlying equities. The notes are callable by the issuer at the end of each month at which time no further coupon amounts shall be payable. The notes mature on June 19, 2024.

Note 35 – Intangible Assets, net

Intangible assets consist of the following:

	Intellectual Property	Licenses	Software Development Costs	Total Intangibles	Accumulated Amortization	Total
Balance as of January 1, 2023	\$ 37,165	\$ -	\$ 49,950	\$ 87,115	\$ (14,329)	\$ 72,786
Purchases of intangibles	3,980	565,000	-	568,980	-	568,980
Software development costs	-	-	49,950	49,950	-	49,950
Amortization expense	-	-	-	-	(2,995)	(2,995)
Balance as of September 30, 2023	\$ 41,145	\$ 565,000	\$ 99,900	\$ 706,045	\$ (17,324)	\$ 688,721

	Trademarks	Software Licenses	Software Development Costs	Mobile Games Licenses	Customer Relationships	Total Intangibles	Accumulated Amortization	Total
Balance as of January 1, 2024	\$ 41,145	\$ 565,000	\$ 149,850	\$ 158,768	\$ 5,584,127	\$ 6,498,888	\$ (244,158)	\$ 6,254,731
Amortization	-	-	-	-	-	-	(138,049)	(138,049)
Foreign currency translation adjustment	-	-	-	(2,975)	(104,638)	(107,612)		(107,612)
Balance as of March 31, 2024	<u>\$ 41,145</u>	<u>\$ 565,000</u>	<u>\$ 149,850</u>	<u>\$ 155,793</u>	<u>\$ 5,479,489</u>	<u>\$ 6,391,276</u>	<u>\$ (382,207)</u>	<u>\$ 6,009,070</u>
Weighted average remaining amortization period at March 31, 2024 (in years)	<u>9.0</u>							

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

On October 31, 2022, the Company entered into a system development agreement to develop an Allied Gaming membership management system and event organizer system. Pursuant to the terms of the agreement, the Company has committed to spend an aggregate amount of \$199,800 in four equal payments of \$49,950. The Company has made **two** three payments of \$49,950 for a total of **\$99,900** \$149,850 as of **September 30, 2023** March 31, 2024 which was capitalized and included within **other intangible** assets on the accompanying condensed consolidated balance sheet. As of September 30, 2023 the system has not yet been placed into service.

On February 27, 2023, the Company purchased a five-year exclusive worldwide software license to operate four mobile casual games for \$565,000 which will be amortized over a useful life of 5 years. As of September 30, 2023 March 31, 2024 the software **has** development costs have not yet been placed into service.

Note 46 – Loan Receivable

On February 21, 2024, Skyline loaned an unrelated third-party vendor \$1.34 million under a one-year loan contract. The loan is unsecured and bears interest at 5% per annum, payable at maturity.

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(b) (audited)

Note 7 – Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	September 30, 2023	December 31, 2022
Compensation expense	\$ 151,121	\$ 1,546,805 ⁽¹⁾
Event costs	2,696	8,411
Legal and professional fees	68,429	43,676
Property and franchise tax	31,000	22,000
Warrant liabilities	100	100
Other accrued expenses	52,924	24,387
Accrued expenses and other current liabilities	<u>\$ 306,270</u>	<u>\$ 1,645,379</u>

(1) Accrued compensation expense includes a \$1 million obligation to a former CEO under a Restricted Stock Unit Agreement dated January 19, 2021, as amended in a certain Release and Separation Agreement with the former CEO dated July 8, 2021. The obligation was settled in July 2023.

	March 31, 2024	December 31, 2023
Compensation expense	\$ 333,793	\$ 655,458
Event costs	-	5,534
Legal and professional fees	65,785	32,150
Warrant liabilities	100	100
Other accrued expenses	97,314	70,270
Accrued expenses and other current liabilities	<u>\$ 496,992</u>	<u>\$ 763,512</u>

Note 58 – Loans Payable

On December 13, 2023, AME-HK borrowed 1.3 billion Yen or approximately \$9.2 million (USD) under a \$10 million credit facility provided by Morgan Stanley Bank Asia Limited (the “Bank”) in connection with the Company’s \$40 million investment in 12-month certificates of deposit with the Bank. The credit facility includes term loans, bank overdrafts, margin loans and certain other borrowings. The 12-month term loan is non-interest bearing.

On March 8, 2024, the credit facility was increased to \$20 million under which, on March 15, 2024, AME-HK borrowed an additional 948.2 million Yen or approximately \$6.3 million (USD). This 12-month term loan bears interest at a fixed rate of 0.3% per annum, payable at maturity on March 17, 2025.

Note 9 – Commitments and Contingencies

Litigations, Claims, and Assessments

The Company may, from time to time, be periodically involved in various disputes, claims, liens and litigation matters arising out of the normal course of business. The Company is While the outcome of these disputes, claims, liens and litigation matters cannot be predicted with certainty, after consulting with legal counsel, management does not aware believe that the outcome of any pending or threatened litigation that, if resolved against the Company, would these matters will have a material adverse effect on the Company’s consolidated financial position, results of operations or cash flows.

On March 7, 2024, Knighted Pastures, LLC (“Knighted”), an AGAE stockholder, filed a complaint in the Court of Chancery of the State of Delaware against the Company, the members of our Board of Directors, and certain additional defendants (the “Knighted Action”). The complaint alleges, among other things, that the members of our Board of Directors breached their fiduciary duty in connection with (1) the approval of a Share Purchase Agreement that AGAE entered into on or around December 28, 2023, (2) the approval and adoption of certain amendments to AGAE’s Bylaws on or around January 5, 2024, and (3) the approval and adoption of a rights agreement on or around February 8, 2024. The Knighted Action seeks both injunctive reliefs and money damages. The Company believes the claims in the Knighted Action lack merit and intend to defend against them vigorously.

Operating Leases

Allied Esports leases an arena in Las Vegas, Nevada, for the purpose of hosting Esports activities (the “Las Vegas Lease”). The arena opened to the public on March 23, 2018 (the “Commencement Date”). Initial lease terms were for minimum monthly payments of \$125,000 for 60 months from the Commencement Date with an option to extend for an additional 60 months at \$137,500 per month. Additional annual tenant obligations were estimated at \$2 per square foot for Allied’s portion of real estate taxes and \$5 per square foot for common area maintenance costs. The original right-of-use asset and operating lease liability balance included the impact of the five-year renewal option that the Company was reasonably certain to exercise. The Las Vegas Lease expired on May 31, 2023 but was extended until July 31, 2023. Effective August 1, 2023, the Las Vegas Lease was extended until May 31, 2028 for minimum monthly payments of \$137,500 for 58 months in addition to fixed monthly tenant obligations for real estate tax of \$5,000.

On July 17, 2023, the Company leased 5,067 square feet of building space in Las Vegas, Nevada, through an operating lease for the purpose of storage of the mobile esports truck. The lease term is for 36 months and ends on July 31, 2026. The monthly base rent ranges from \$4,560 to \$5,028.

The Through March 31, 2024, the Company also leased office and production space in Germany, Beijing, China pursuant to an operating lease dated August 1, 2020 April 1, 2023, that was scheduled to expire on June 30, 2027. The lease provided for a monthly base rent of 50,000 yuan or approximately \$6,900, payable quarterly. On March 24, 2024, the Company entered into a new lease, effective April 1, 2024, for this office facility with the same expiration date, which provides for a monthly base rent of 63,000 yuan or approximately \$8,800 payable quarterly.

The Company’s aggregate lease expense incurred during the three months ended March 31, 2024 and 2023 amounted to \$447,414 and \$401,208, respectively, of which \$349,605 and \$320,994, respectively, is included within in-person costs and \$97,809 and \$80,214, respectively, is included in general and administrative expenses on July 31, 2023 (the “Germany Lease”). Rent expense under the lease was €4,000 (approximately \$4,280 United States dollars) per month. The Company did not renew the lease after it expired, accompanying condensed consolidated statements of operations.

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES
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 (unaudited)

A summary of the Company's right-of-use assets and liabilities is as follows:

	For the Three Months Ended		
	March 31,	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows used in operating activities	\$ 362,834	\$ 280,615	
Right-of-use assets obtained in exchange for lease obligations			
Operating leases	\$ -	\$ -	
Weighted Average Remaining Lease Term (Years)			
Operating leases	4.10	5.17	
Weighted Average Discount Rate			
Operating leases	5.00% - 5.75 %	5.00 %	

A summary of the Company's remaining operating lease liabilities as of March 31, 2024 is as follows:

For the Year Ending December 31,	Amount
2024	\$ 1,386,962
2025	1,851,699
2026	1,828,239
2027	1,730,761
Thereafter	712,500
Total lease payments	7,510,161
Less: amount representing imputed interest	(834,291)
Present value of lease liability	6,675,870
Less: current portion	(1,484,332)
Lease liability, non-current portion	\$ 5,191,538

Employment Agreement

On March 6, 2024 (the "Effective Date"), the Company entered into an employment agreement with Ms. Ying Hua (Yinghua) Chen, the Chief Executive Officer of the Company (the "Employment Agreement"). Pursuant to the Employment Agreement, Ms. Chen will, among other things, (i) receive a base annual salary of \$300,000, subject to adjustment as the Board deems appropriate; and (ii) be eligible to receive an annual incentive bonus of up to 60% of her annual salary, as determined annually at the discretion of the Board. If Ms. Chen is terminated without cause, she will be entitled to receive severance equal to sixty (60) months of her base salary payable in equal installments over a sixty-month period, as well as any accrued and unused vacation pay, and all equity compensation will be fully accelerated.

Note 10 – Stockholders' Equity

Share Purchase Agreement

On December 28, 2023, the Company entered into a Share Purchase Agreement (the "Purchase Agreement") with Elite Fun Entertainment Co., Ltd. (the "Purchaser"), pursuant to which the Purchaser agreed to purchase 7,330,000 shares of the Company's common stock, par value \$0.0001 per share, at a purchase price of \$0.90 per share (the "Purchased Shares") for a total purchase price of \$6,597,000 (the "Purchase Price").

The Purchase Agreement is subject to customary representations, warranties, covenants and conditions, including an agreement that the Company and Purchaser will each use its best efforts to negotiate and finalize a collaboration or partnership agreement under which the Purchaser will assist the Company with organizing live shows and events in Asia.

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

On March 7, 2024, the Company received an initial payment of the Purchase Price of \$2 million for the Purchased Shares and entered into a side letter agreement (the "Elite Side Letter Agreement") with the Purchaser whereby the Purchaser agreed to pay the remaining consideration of \$4.597 million within 2 months of the closing along with interest thereon at a simple interest rate of 5% per annum. The remaining consideration is collateralized by a pledge and first priority lien and security interest in 5,107,778 shares of Common Stock of the Purchased Shares issued by the Company to the Purchaser. As of May 15, 2024, the Company has not received the remaining consideration that was due on May 7, 2024. The Company is currently negotiating with the Purchaser a resolution of the unpaid amount.

Rights Agreement

On February 9, 2024, the Company entered into a rights agreement with Continental Stock Transfer & Trust, as rights agent (the "Rights Agreement") pursuant to which the Board declared a dividend of one preferred share purchase right (the "Right" or collectively the "Rights") for each outstanding share of the Company's aggregate lease expense incurred during common stock, par value \$0.0001 (each, a "Common Share" and, collectively, the three months ended September 30, 2023 "Common Shares"). The Rights were distributed to the stockholders of record at the start of business on that date (the "Record Date"). Each Right provides the registered holder, under certain circumstances and 2022 amounted if the Rights become exercisable, the right to \$438,874 purchase from the Company one one-thousandth of a share of a newly designated Series A Junior Participating Preferred Stock, par value \$0.0001 per share (the "Series A Preferred Shares") at an exercise price of \$7.00 per one one-thousandth of a Series A Preferred Share. On that date, the Board also authorized the issuance of one Right with respect to each additional Common Share that becomes outstanding after the Record Date, but before the Distribution Date (as defined in the Rights Agreement) and, \$421,870, respectively, of which \$321,522 and \$320,994, respectively, is included within in-person costs and \$117,352 and \$100,876, respectively, is included in general and administrative expenses on certain limited circumstances, after the accompanying condensed consolidated statements of operations. Distribution Date.

The Company's aggregate lease expense incurred during Rights are not exercisable until the nine months ended September 30, 2023 Distribution Date. Until a Right is exercised, the holder thereof will have no rights as a stockholder of the Company, including dividend, voting or liquidation rights.

At any time until the earlier of (a) a person becomes an Acquiring Person (as defined in the Rights Agreement) and 2022 amounted (b) the final expiration date (as defined in the Rights Agreement), the Board may, at its option and in its sole discretion, direct the Company to \$1,281,075 redeem the Rights in whole but not in part, at a price of \$0.0001 per Right (the "Redemption Price"). The Company has determined that the fair value of these rights are de minimis and \$1,279,508, respectively, of which \$964,038 and \$962,982, respectively, is included within in-person costs and \$317,037 and \$316,526, respectively, is included in general and administrative expenses on the accompanying condensed consolidated statements of operations. therefore have no financial statement impact.

Stock Options

A summary of the Company's right-of-use assets and liabilities option activity during the three months ended March 31, 2024 is as follows: presented below:

	For the Nine Months Ended September 30,			
	2023	2022		
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows used in operating activities	\$ 909,426	\$ 808,148		
Right-of-use assets obtained in exchange for lease obligations				
Operating leases	\$ 289,886	\$ -		
Weighted Average Remaining Lease Term (Years)				
Operating leases	4.63	5.67		
Weighted Average Discount Rate				
Operating leases	5.00% - 5.75%	5.00%		
A summary of the Company's remaining operating lease liabilities is as follows:				
For the Year Ending December 31,	Amount			
2023	\$ 441,180			
2024	1,765,860			
2025	1,768,656			
2026	1,745,196			
2027	1,710,000			
Thereafter	712,500			
Total lease payments	8,143,392			
Less: amount representing imputed interest	(1,008,693)			
Present value of lease liability	7,134,699			
Less: current portion	(1,390,533)			
Lease liability, non-current portion	\$ 5,744,166			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Term (Yrs)	Intrinsic Value
Outstanding, January 1, 2024	1,490,000	\$ 3.55		
Granted	-	-		
Exercised	-	-		
Expired	(170,000)	4.09		
Outstanding, March 31, 2024	1,320,000	\$ 3.48	6.04	\$ -
Exercisable, March 31, 2024	1,070,000	\$ 3.77	5.77	\$ -

Note 6 – Related Party Transactions

On September 24, 2023, AME-HK advanced Beijing Lianzhong Co., Ltd, a related party (and a subsidiary of AGAE's largest investor), \$3.5 million (the "Bridge Loan") in connection with a certain Equity Interest Purchase Agreement dated August 16, 2023, under which AME-HK agreed to acquire a 40% equity interest in Beijing Lianzhong Zhihe Technology Co., Ltd ("Z-Tech"), a company engaged in the development and distribution of casual mobile games. The acquisition closed on October 31, 2023 (See Note 10 – Subsequent Event). The Bridge Loan is non-interest bearing and is repayable at the earlier of 90 days from the date of the advance or the closing of the Z-Tech acquisition, at which time the proceeds of the Bridge Loan will be applied to the purchase price of the equity interests.

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 7 – Stockholders’ Equity

Stock Options

A summary of the option activity during the nine months ended September 30, 2023 is presented below:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Term (Yrs)</u>	<u>Intrinsic Value</u>
Outstanding, January 1, 2023	1,675,000	\$ 3.66		
Granted	-	-		
Exercised	-	-		
Expired	(85,000)	4.09		
Forfeited	(50,000)	4.09		
Outstanding, September 30, 2023	<u>1,540,000</u>	<u>\$ 3.62</u>	<u>6.07</u>	<u>\$ -</u>
Exercisable, September 30, 2023	1,275,000	\$ 3.76	6.02	\$ -

Options outstanding and exercisable as of **September 30, 2023** **March 31, 2024** are as follows:

Options Outstanding	Options Outstanding			Options Exercisable			Options Outstanding		Options Exercisable		
	Exercise	Exercise	Number of		Weighted Average	Exercisable	Exercise	Number of		Weighted Average	Exercisable
Price	Price	Options		Remaining Life	Number of	Exercise	Number of		Remaining Life	Number of	
\$ 2.11		40,000		6.75	30,000	2.11	40,000		6.25	30,000	
\$ 2.17		120,000		6.85	120,000	2.17	120,000		6.35	90,000	
\$ 2.21		350,000		7.84	237,500	2.21	350,000		5.70	200,000	
\$ 2.48		120,000		7.60	80,000	2.48	120,000		7.10	60,000	
\$ 4.09		630,000		4.75	527,500	4.09	460,000		5.64	460,000	
\$ 5.66		280,000		5.97	280,000	5.66	230,000		5.47	230,000	
		<u>1,540,000</u>		<u>6.02</u>	<u>1,275,000</u>		<u>1,320,000</u>		<u>5.77</u>	<u>1,070,000</u>	

For the three months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, the Company recorded **\$64,623** **\$13,080** and **\$238,840**, respectively, of stock-based compensation expense related to stock options. During the nine months ended September 30, 2023 and 2022, the Company recorded **\$136,605** and **\$710,884**, **\$5,126**, respectively, of stock-based compensation expense related to stock options. As of **September 30, 2023** **March 31, 2024**, there was **\$132,802** **\$64,919** of unrecognized stock-based compensation expense related to the stock options that will be recognized over the weighted average remaining vesting period of **1.74** **1.42** years.

Restricted Common Stock

On February 22, 2024, the Company awarded, in aggregate, 1.46 million shares of common stock (the “Restricted Shares”) to its directors and certain executive officers which are subject to certain transfer and other restrictions set forth in the grant agreement signed by each recipient under the 2019 Equity Incentive Plan. The Restricted Shares vest in four equal installments as follows: twenty-five (25%) on the date of grant and 25% in three (3) successive installments upon the completion of each six (6) month period of service over an eighteen (18) month period measured from the date of grant. The transfer restrictions include a lock-up agreement under which, among other things, each recipient agreed not to sell, pledge, or otherwise dispose of the shares for a three-year period commencing on the date of the grant. The shares had a grant date value of \$1.04 per share, which represents the Company’s closing stock price on the date of grant.

For the three and nine months ended **September 30, 2022, March 31, 2024** and 2023, the Company recorded **\$0** **\$458,520** and **\$82,345**, **\$0**, respectively, of stock-based compensation expense related to restricted stock. As of September 30, 2022, all restricted common stock was fully vested.

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

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Note 8 – Employee Retention Credit

The employee retention credit (“ERC”), as originally enacted through the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) on March 27, 2020, is a refundable credit against certain employment taxes equal to 50% of the qualified wages an eligible employer paid to employees from March 17, 2020 to December 31, 2020. The Disaster Tax Relief Act, enacted on December 27, 2020, extended the ERC for qualified wages paid from January 1, 2021 to June 30, 2021, and the credit was increased to 70% of qualified wages an eligible employer paid to employees during the extended period. The American Rescue Plan Act of 2021, enacted on March 11, 2021, further extended the ERC through December 31, 2021.

During the three and nine months ended September 30, 2023 and 2022, the Company recognized employee retention credits of approximately \$1.5 million and \$0.0, respectively, within general and administrative expenses on the condensed consolidated statements of operations and comprehensive loss. As of September 30, 2023, the Company has a receivable balance of approximately \$0.2 million for unsettled ERCs within prepaid expenses and other current assets on the condensed consolidated balance sheet. Commissions paid and payable to a professional advisor to process the ERC claims amounted to approximately \$0.3 million and are included within general and administrative expenses on the condensed consolidated statements of operations and comprehensive loss.

Note 9 – Subsequent Event

On October 31, 2023, AME - HK completed its acquisition of a 40% equity interest in Z-Tech for \$7 million in cash. The purchase consideration included the application of the \$3.5 million loan receivable discussed in Note 6 – Related Party Transactions.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Cautionary Statements

The following discussion and analysis of the results of operations and financial condition of Allied Gaming & Entertainment Inc. (the "Company") as of **September 30, 2023** **March 31, 2024** and for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** should be read in conjunction with our financial statements and the notes to those financial statements that are included elsewhere in this Quarterly Report on Form 10-Q 10-Q. This discussion and analysis should be read in conjunction with the Company's audited financial statements and related disclosures as of **December 31, 2022** **December 31, 2023**, which are included in our Annual Report on the Form 10-K (the "Annual Report") filed with the Securities and Exchange Commission ("SEC") on **March 24, 2023** **March 28, 2024**, as amended on April 27, 2023 and May 3, 2023 Form 10-K/A which was filed on April 29, 2024. References in this Management's Discussion and Analysis of Financial Condition and Results of Operations to "us", "we", "our" and similar terms refer to the Company and its subsidiaries. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risk, uncertainties and other factors. These statements are often identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue," and similar expressions or variations. Actual results could differ materially because of the factors discussed in "Risk Factors" in our Annual Report, and other factors that we may not know. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements above, to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q.

The Company

Allied Gaming and Entertainment Inc., and along with its subsidiaries ("AGAE" or the "Company") is a global experiential entertainment company focused on providing a growing audience of gamers with unique experiences through renowned assets, products, and services. Under the Allied Esports International Inc. subsidiary ("Allied AEI") operates we operate global competitive esports properties designed to connect players and fans via a network of connected arenas, arenas and creation of original esports content. Esports Arena Las Vegas, LLC subsidiary, operates a flagship gaming arena located at the Luxor Hotel in Las Vegas, Nevada. Meanwhile, Allied Mobile Entertainment subsidiary ("AME"), is dedicated to exploring opportunities in the massive and growing mobile games markets. AME's ownership of a 40% equity interest in Beijing Lianzhong Zhihe Technology Co. Ltd ("Z-Tech"), a prominent mobile games developer and operator, is engaged in the development and distribution of casual mobile games in Mainland China, solidifies our presence in this lucrative sector. Moreover, our subsidiary Allied Experiential Entertainment ("AEE"), focuses on orchestrating live entertainment events and offers management and consultation service to experiential entertainment venue operation. The Company offers a variety of esports and gaming-related content, including world class tournaments, live and virtual entertainment and gaming events, and original programming to continuously foster an engaged gaming community. Allied Esports operates solely through its wholly owned subsidiaries. In December 2022, the Company completed a strategic review nurture vibrant communities primarily comprising of its business operations Gen Y, Z, and announced plans to restructure the existing esports business and expand its focus to include a broader array of entertainment and gaming products and services. Under this plan, the Company intends to pursue multiple channels of opportunities instead of a single significant corporate transaction such as an acquisition of complementary assets or businesses, and it is currently exploring opportunities to leverage its location-based-entertainment expertise with a focus on gaming lifestyle and experiential entertainment, as well as growing its digital footprint and monetization capabilities through mobile gaming, Alpha consumers.

Allied's in-person experiences include live events hosted at its flagship arena, HyperX Arena Las Vegas, an affiliate arena with one of its global network of esports arena partners, and its mobile arenas. Allied's multiplatform content include includes its partnerships with live streamers, post-produced episodic content, and short-form repackaged content. Allied's interactive services include strategic partnerships casual mobile gaming includes contractual relationships with various content creators, broadcasters, and streaming technology partners to provide interactive streaming experiences with a wide range of influencers, advertising service providers for advertisements within the Company's casual mobile games.

Our growth depends, in part, on our ability to respond adapt to technological evolution, advancements, shifts in gamer trends and demands, introductions of new games, game publisher evolving intellectual property right practices among game publishers, the fusion of gaming and music and industry standards and practices. While change in this industry may be inevitable, we will try are committed to adapt flexibly adjusting our business model as needed necessary to accommodate change such shifts and remain on the forefront of maintain a leading position among our competitors.

Our business plan requires significant capital expenditures, and we expect our operating expenses to increase as we continue to expand our marketing efforts and operations in existing and new geographies as well as new vertical markets (including live influencer events, top artist events and concerts, experiential entertainment, casual mobile gaming, live streaming platforms and channels, interactive content monetization, and online esports tournament and gaming subscription platforms), which we believe will provide attractive returns on investment.

Corporate Developments

Z-Tech AcquisitionElite Fun Entertainment Co., Ltd. Strategic Investment

On August 16, 2023 December 28, 2023, AME-HK the Company entered into an Equity Interest a Share Purchase Agreement (the "Purchase "Elite Purchase Agreement") with among others, Beijing Lianzhong Co., Ltd ("Z-Tech") (the "Seller") and Beijing Lianzhong Zhihe Technology Elite Fun Entertainment Co., Ltd. (the "Target Company" "Purchaser"), pursuant to which AME-HK the Purchaser agreed to acquire 40% equity interest in the Target Company held by the Seller purchase 7,330,000 shares of Common Stock at a purchase price of \$0.90 per share (the "Purchased Shares") for a total purchase price of \$7,000,000 in cash (the "Acquisition"). Pursuant to the terms \$6,597,000. The Purchased Shares represented less than 20% of the Purchase Agreement AME-HK has the right to appoint three out of five members total issued and outstanding shares of the Board of Directors of the Target Company, and AME-HK also will acquire certain rights held by the Seller as the major shareholder of the Target Company prior to the Acquisition. After closing of the Acquisition, which was completed on October 31, 2023, the Company has become Z-Tech's largest shareholder transaction.

Z-Tech On March 7, 2024, the Company received an initial payment of the Purchase Price of \$2 million for the Purchased Shares and entered into a side letter agreement (the "Elite Side Letter Agreement") with the Purchaser whereby the Purchaser agreed to pay the remaining consideration of \$4.597 million within 2 months of the closing along with interest thereon at a simple interest rate of 5% per annum. The remaining consideration is collateralized by a pledge and first priority lien and security interest in 5,107,778 shares of Common Stock of the Purchased Shares issued by the Company to the Purchaser. As of May 15, 2024, the Company has not received the remaining consideration that was founded in Beijing, China in April 2022 and has emerged as due on May 7, 2024. The Company is currently negotiating with the Purchaser a mobile games developer and operator, specializing in resolution of the innovation, research, development and operation of premium card and Mahjong casual games. Leveraging advanced in-game advertising strategies, Z-Tech has generated substantial revenue streams and established a premier leisure entertainment platform and community, which further solidifies its connection with customers, enhancing engagement and fostering enduring relationships.

unpaid amount.

Results of Operations

Our operations consist of our esports gaming operations, which casual mobile games and live entertainment events organizing. Our esports gaming operations take place at global competitive esports properties designed to connect players and fans via a network of connected arenas. Through our subsidiaries, we offer esports fans state-of-the-art facilities to compete against other players in esports competitions, host live events with esports superstars that potentially stream to millions of viewers worldwide, and produce and distribute esports content at our on-site production facilities and studios. At our flagship arena in Las Vegas, Nevada, we provide an attractive facility for hosting a diverse range of events, including corporate events, tournaments, game launches, or other events. Additionally, and brand activation. Furthermore, we have boast a mobile esports arena, which is an 18-wheel semi-trailer, that converts which seamlessly transforms into a first class top-tier esports arena and competition stage or a dynamic live show arena complete with full content production capabilities and an interactive talent studio.

Results of Operations for the Three Months Ended **September 30, 2023** **March 31, 2024** and **2022**
2023

(in thousands)	For the Three Months Ended		Favorable (Unfavorable)
	September 30,	2022	
	2023	2022	
Revenues:			
In-person	\$ 1,120	\$ 1,552	\$ (432)
Multiplatform content	-	14	(14)
Total Revenues	1,120	1,566	(446)
Costs and Expenses:			
In-person (exclusive of depreciation and amortization)	576	1,113	537
Multiplatform content (exclusive of depreciation and amortization)	-	31	31
Selling and marketing expenses	51	54	3
General and administrative expenses	894	2,398	1,504
Depreciation and amortization	239	(329)	(568)
Loss From Operations	(640)	(1,701)	1,061
Other Income (Expense)			
Other (expense) income, net	-	34	(34)
Interest income, net	715	25	690
Net income (loss)	\$ 75	\$ (1,642)	\$ 1,717
(in thousands)	For the Three Months Ended		Favorable (Unfavorable)
	March 31,	2023	
	2024	2023	
Revenues:			
In-person	\$ 1,255	\$ 1,193	\$ 62
Casual mobile gaming	1,124	-	1,124
Total Revenues	2,379	1,193	1,186
Costs and Expenses:			
In-person (exclusive of depreciation and amortization)	636	672	36
Casual mobile gaming (exclusive of depreciation and amortization)	937	-	(937)
Research and development expenses	195	-	(195)
Selling and marketing expenses	54	55	1
General and administrative expenses	2,858	2,543	(315)
Depreciation and amortization	375	579	204
Total Costs and Expenses	5,055	3,849	(1,206)
Loss From Operations	(2,675)	(2,656)	(19)
Other Income (Expense):			
Other (expense) income, net	(13)	27	(40)
Interest income, net	859	735	124
Net Loss	(1,829)	(1,894)	65
Less: net loss attributable to non-controlling interest	(130)	-	(130)
Net Loss Attributable to Common Stockholders	\$ (1,699)	\$ (1,894)	\$ 195

Revenues

In-person experience revenues decreased increased by approximately \$0.4 million, \$62 thousand, or 28% 5%, to approximately \$1.1 million \$1.3 million for the three months ended **September 30, 2023** **March 31, 2024** from approximately \$1.6 million \$1.2 million for the three months ended **September 30, 2022** **March 31, 2023**. The decrease increase of in-person experience revenues was driven by a \$0.5 million decrease in event revenue and a \$0.2 million decrease in merchandising revenue. This was slightly offset by a \$0.3 million \$0.1 million increase in sponsorship revenue related to a new naming rights agreement for our the HyperX Arena that occurred at the end of the first quarter 2023. In addition, there was a \$0.2 million increase in Las Vegas.

Multiplatform HyperX event revenue decreased by approximately \$14 thousand for the three months ended **September 30, 2023** from \$14 thousand **March 31, 2024** which was offset by a \$0.2 million decrease in truck revenue for the same period.

Casual mobile gaming revenue was \$1.1 million for the three months ended **September 30, 2022** **March 31, 2024** and \$0 for the three months ended **September 30, 2023** **March 31, 2023**, respectively. The increase in casual mobile games revenue was due to the casual mobile gaming revenue earned as the result of the business combination with Z-Tech on October 31, 2023.

Costs and expenses

In-person costs (exclusive of depreciation and amortization) decreased by approximately \$0.5 million, \$36 thousand, or 40% 5%, to approximately \$0.6 million \$0.6 million for the three months ended **September 30, 2023** **March 31, 2024** from approximately \$1.1 million \$0.7 million for the three months ended **September 30, 2022** **March 31, 2023**. The decrease corresponds to is the result of the decrease in event revenue described above. costs associated with the truck events for the three months ended March 31, 2024 due to fewer truck events held during the period.

Multiplatform Casual mobile gaming costs (exclusive of depreciation and amortization) decreased by approximately \$31 were \$937 thousand or 100%, to approximately for the three months ended March 31, 2024 and \$0 for the three months ended **September 30, 2023** from approximately \$31 thousand for the three months ended September 30, 2022, March 31, 2023, respectively. Casual mobile gaming costs consist principally of user acquisition, distribution and player incentive costs incurred by Z-Tech.

Selling, Research and Marketing expenses decreased by approximately \$3 thousand or 6%, to approximately \$51 thousand and \$0 for the three months ended September 30, 2023 from approximately \$54 thousand for the three months ended September 30, 2022.

General, March 31, 2024 and administrative 2023, respectively. Research and development expenses decreased by approximately \$1.5 million, or 63%, to approximately \$0.9 million for the three months ended September 30, 2023, from approximately \$2.4 million for the three months ended September 30, 2022. The decrease in general and administrative expenses is primarily attributable to (a) a \$1.8 million reduction in compensation, which includes a \$1.5 million Employee Retention Credit ("ERC") and \$0.3 million in higher payroll and payroll-related costs in 2022 and (b) a \$0.2 million reduction in stock-based compensation due to higher costs that occurred in the third quarter of 2022 to correct the vesting of options of a former employee. This was slightly offset by an increase in legal and professional fees of \$0.5 million related to merger and acquisition activities in the third quarter of 2023.

Depreciation and amortization increased by approximately \$0.5 million, or 173%, to approximately \$0.2 million for the three months ended September 30, 2023, from approximately (\$0.3) million for the three months ended September 30, 2022. The increase was primarily due to a \$1.0 million adjustment for the three months ended September 30, 2022 to correct the amortization of leasehold improvements in prior periods. This was slightly offset by a decrease in depreciation related to production equipment that became fully depreciated on March 31, 2023.

Other income (expense)

We recognized other expense of approximately \$0 during the three months ended September 30, 2023 compared to \$34 thousand of other income recorded for the three months ended September 30, 2022.

Interest income

Interest income was approximately \$716 thousand for the three months ended September 30, 2023 compared to approximately \$25 thousand of interest income for the three months ended September 30, 2022. The increase is a result of the interest earned on short-term investments purchased at various times commencing in the fourth quarter of 2022.

Results of Operations for the Nine Months Ended September 30, 2023 and 2022

(in thousands)	For the Nine Months Ended September 30,			Favorable (Unfavorable)
	2023	2022		
Revenues:				
In-person	\$ 3,581	\$ 3,735	\$ (154)	
Multiplatform content	2,001	1,401	600	
Total Revenues	5,582	5,136	446	
Costs and Expenses:				
In-person (exclusive of depreciation and amortization)	1,891	2,785	894	
Multiplatform content (exclusive of depreciation and amortization)	1,518	1,021	(497)	
Selling and marketing expenses	173	186	13	
General and administrative expenses	5,661	8,762	3,101	
Depreciation and amortization	1,030	1,288	258	
Impairment of digital assets	-	164	164	
Loss From Operations	(4,691)	(9,070)	4,379	
Other Income (Expense)				
Other income (expense), net	16	(46)	62	
Interest income, net	2,165	34	2,131	
Net Loss	\$ (2,510)	\$ (9,082)	\$ 6,572	

Revenues

In-person revenues decreased by approximately \$0.2 million, or 4%, to approximately \$3.6 million for the nine months ended September 30, 2023 from approximately \$3.7 million for the nine months ended September 30, 2022. The decrease of in-person experience revenues was driven by a \$0.5 million decrease in event revenue, \$0.2 million decrease in food and beverage revenue and a \$0.2 million decrease in merchandising revenue all due to a decrease in HyperX Arena events in 2023. This was slightly offset by a \$0.7 million increase in sponsorship revenue related to a new naming rights agreement for our HyperX Arena in Las Vegas.

Multiplatform revenue increased by approximately \$0.6 million, or 43%, to approximately \$2.0 million for the nine months ended September 30, 2023, from approximately \$1.4 million for the nine months ended September 30, 2022. The increase in multiplatform revenues is the result of additional revenue generated from Season 2 of Elevated, a live streaming event which had 10 episodes in 2023 compared to 4 episodes in 2022.

Costs and expenses

In-person costs (exclusive of depreciation and amortization) decreased by approximately \$0.9 million, or 32%, to approximately \$1.9 million for the nine months ended September 30, 2023 from approximately \$2.8 million for the nine months ended September 30, 2022. The decrease is a result of a decrease in HyperX Arena events in 2023.

Multiplatform costs (exclusive of depreciation and amortization) increased by approximately \$0.5 million, or 49%, to approximately \$1.5 million for the nine months ended September 30, 2023 from approximately \$1.0 million for the nine months ended September 30, 2022. The increase in multiplatform costs corresponds to the production costs for 10 episodes of Season Two of Elevated which aired in Q2 2023 versus only four episodes in Season One which aired in Q1 of 2022. In addition, in 2022 there was revenue related to the sale development of NFTs which had minimal direct costs, new casual mobile games for Z-Tech.

Selling and marketing expenses decreased by approximately \$13 \$1 thousand, or 7% 2%, to approximately \$173 \$54 thousand for the nine three months ended September 30, 2023 March 31, 2024 from approximately \$186 \$55 thousand for the nine three months ended September 30, 2022 March 31, 2023.

General and administrative expenses decreased increased by approximately \$3.1 million \$0.3 million, or 35% 12%, to approximately \$5.7 million \$2.9 million for the nine three months ended September 30, 2023 March 31, 2024, from approximately \$8.8 million \$2.5 million for the nine three months ended September 30, 2022 March 31, 2023. The decrease increase in general and administrative expenses resulted primarily from (a) a \$1.5 million ERC credit recognized \$0.5 million increase in 2023, (b) stock-based compensation related to restricted share awards granted on February 22, 2024, along with a 2022 accrual of \$0.7 million for severance costs paid out to the former Chief Executive Officer, (d) \$1.0 million \$0.2 million increase in higher legal and professional fees. These increases were slightly offset by a \$0.3 million decrease in payroll and payroll related costs in 2022, and (e) \$0.7 million of higher stock-based compensation 2024 due to a decrease in 2022 related to the accelerated vesting of options previously granted to the former Chief Executive Officer. These decreases were slightly offset by a \$0.8 million increase in legal and professional fees related to various employment and service provider transition matters headcount, in addition to merger and acquisition a \$0.1 million decrease in insurance costs related professional fees to D&O insurance that was renewed at a lower cost in connection with the acquisition of a 40% equity interest in Z-Tech and other strategic investment opportunities. August 2023.

Depreciation and amortization decreased by approximately \$0.3 million \$0.2 million, or 20% 35%, to approximately \$1.0 million \$0.4 million for the nine three months ended September 30, 2023 March 31, 2024, from approximately \$1.3 million \$0.6 million for the nine three months ended September 30, 2022 March 31, 2023. The decrease was primarily due to the disposal of office equipment and production equipment in 2023 related to the shut-down of approximately \$7.0 million our German operations, in addition to assets that became fully depreciated on March 31, 2023. The decrease also includes the amortization of leasehold improvements that occurred in the second quarter of 2022 that was corrected as an out-of-period adjustment in the third quarter of 2022.

Impairment in digital assets decreased to \$0 for the nine months ended September 30, 2023, compared to \$164 thousand for the nine months ended September 30, 2022. The impairment loss during 2022 was the result of the market price on active exchanges going below the carrying value of the digital assets. The market price has not gone below the carrying value of the digital assets during the nine months ended September 30, 2023.

Other income (expense), net

We recognized other income Other expense, net, of approximately \$16 \$13 thousand during the nine three months ended September 30, 2023 March 31, 2024 compared to \$46 \$27 thousand of other expense income recorded for the nine three months ended September 30, 2022, March 31, 2023 are the result of realized foreign exchange gains/losses.

Interest income, net

Interest income, net, was approximately \$2.2 million \$859 thousand for the nine three months ended September 30, 2023 March 31, 2024 compared to approximately \$34 \$735 thousand of interest income for the nine three months ended September 30, 2022 March 31, 2023. The increase is a result of the interest earned on a short-term investments investment purchased at various times commencing in during the fourth quarter of 2022, 2023.

Liquidity and Capital Resources

The following table summarizes our total current assets, current liabilities and working capital at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively:

(in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Current Assets	\$ 76,426	\$ 82,377	\$ 84,331	\$ 78,341
Current Liabilities	\$ 2,525	\$ 3,298	\$ 17,117	\$ 11,952
Working Capital	\$ 73,901	\$ 79,079		
Working Capital Surplus			\$ 67,214	\$ 66,389

Our primary sources of liquidity and capital resources are cash and short-term investments on the balance sheet and funds that can be raised through debt or equity financing.

As of **September 30, 2023** **March 31, 2024**, we had cash of approximately **\$10.4 million** **\$7.3 million** (not including approximately **\$60.0 million** **\$69.6 million** of short-term investments and **\$5.0 million** of restricted cash) and working capital of approximately **\$73.9 million** **\$67.2 million**. For the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, we incurred a net loss of approximately **\$2.5 million** **\$1.8 million** and **\$9.1 million** **\$1.9 million**, respectively, and used cash in operations of approximately **\$4.6 million** **\$2.2 million** and **\$8.6 million** **\$1.0 million**, respectively. During the quarter, we used the proceeds of a \$6.4 million short-term bank borrowing to partially fund the acquisition of \$14.9 million in equity-linked link notes and other investment products from the same bank.

Cash requirements for our current liabilities include approximately **\$0.8 million** **\$14.9 million** for loans payable, **\$0.7 million** for accounts payable and accrued **expenses**, **expenses**, and **\$1.5 million** for the current portion of an operating lease liability. Cash requirements for **current** and **non-current** liabilities include approximately **\$5.2 million** for the non-current portion of an operating lease **obligations** are approximately **\$8.1 million**, including **\$1.0 million** imputed interest, **liability**. The Company intends to meet these cash requirements from its current cash balance. **As**

Credit Facility

On December 13, 2023, AME-HK borrowed 1.3 billion Yen or approximately \$9.2 million (USD) under a \$10 million credit facility provided by Morgan Stanley Bank Asia Limited (the "Bank") in connection with the Company's \$40 million investment in 12-month certificates of **September 30, 2023** deposit with the Bank. The credit facility includes term loans, bank overdrafts, margin loans and certain other borrowings. The 12-month term loan is non-interest bearing.

On March 8, 2024, the Company had no material commitments for capital expenditures. As part **credit facility** was increased to \$20 million under which, on March 15, 2024, AME-HK borrowed an additional 948.2 million Yen or approximately \$6.3 million (USD). This 12-month term loan bears interest at a fixed rate of **our** previously announced plan to pursue strategic transactions to enhance our financial performance, **we** expect to use a portion of our cash reserve for the acquisition of or investment in complementary businesses and assets, to the extent such opportunities are available. Such cash reserves include \$3.5 million to complete the acquisition of Beijing Lianzhong Zhihe Technology Co., Ltd. We believe our current cash 0.3% per annum, payable at maturity on hand is sufficient to meet our operating and capital requirements for at least the next twelve months from the date these financial statements are issued. Based on our current operating plan, **we** believe we will be able to fund future requirements from positive operating cash flows. **March 17, 2025**.

Cash Flows from Operating, Investing and Financing Activities

The table below summarizes cash flows for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022**: **2023**:

(in thousands)	Nine Months Ended		For the Three Months Ended	
	September 30,	2023	March 31,	2024
Net cash (used in) provided by				
Net cash provided by (used in)				
Operating activities	\$ (4,599)	\$ (8,552)	\$ (2,145)	\$ (1,033)
Investing activities	\$ 5,918	\$ (48)	\$ (14,493)	\$ (5,095)
Financing activities	\$ (2,051)	\$ -	\$ 7,627	\$ (1,459)
Net Cash Used in Operating Activities				

Net cash used in operating activities for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** was approximately **\$4.6 million** **\$2.1 million** and **\$8.6 million** **\$1.0 million**, respectively, representing **decreased** **increased** usage of cash of **\$4.0 million** **\$1.1 million**. During the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, the net cash used in operating activities was primarily attributable to the net loss of approximately **\$2.5 million** **\$1.8 million** and **\$9.1 million** **\$1.9 million**, respectively, adjusted for approximately **\$1.9 million** **\$1.1 million** and **\$2.7 million** **\$0.8 million**, respectively, of net non-cash expenses, and approximately **(\$4.0)** **1.4** million and **(\$2.2)** million, **\$0.1 million**, respectively, of cash used to fund (used in) provided by changes in the levels of operating assets and liabilities.

Net Cash Used in Provided By (Used In) Investing Activities

Net cash provided by investing activities for the nine months ended September 30, 2023 was approximately \$5.9 million, which consisted primarily of proceeds from the maturing of certificate of deposits of \$30.0 million and \$0.1 million in proceeds from the sale of equipment. This was slightly offset by \$20.0 million of certificate of deposit purchases, \$0.1 million of property and equipment purchases, \$0.6 million related to the acquisition of a mobile games license, and \$3.5 million in a loan to an affiliate.

Net cash used in investing activities for the **nine** **three** months ended **September 30, 2022** **March 31, 2024** was approximately **\$48 thousand**, **\$14.5 million**, which consisted of **\$19.6 million** used for the purchase of short-term investments and **\$1.3 million** used for the issuance of a short-term loan, partially offset by **\$6.5 million** in proceeds from the maturing of short-term investments.

Net cash used in investing activities for the three months ended March 31, 2023 was approximately \$5.1 million, which consisted primarily of approximately **\$7 thousand** certificate of cash used for the deposit purchases of property **\$4.5 million** and equipment and approximately **\$41 thousand** **\$0.6 million** related to the acquisition of cash used for the investment in digital assets, casual mobile games license.

Net Cash Used in Provided By (Used In) Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2024 was approximately \$7.6 million compared to approximately (\$1.5) million of net cash used in financing activities for during the **nine** three months ended September 30, 2023 was approximately \$2.1 million compared to \$0 for March 31, 2023. Net cash provided by financing activities during the **nine** three months ended September 30, 2022 which is driven solely by March 31, 2024 represented proceeds from a short-term loan of \$5.6 million and proceeds from the repurchase issuance of common stock in a share purchase agreement of \$2.0 million. Net cash used in financing activities during the three months ended March 31, 2023 represented the purchase of treasury stock.

Off-Balance Sheet Arrangements

The Company does not engage in any off-balance sheet financing activities, nor does the Company have any interest in entities referred to as variable interest entities.

Critical Accounting Policies and Estimates

Refer to We prepare our Annual Report for the year ended December 31, 2022, filed with the SEC on March 24, 2023, as amended on April 27, 2023 and May 3, 2023, on Forms 10-K/A, and Note 2 to the condensed consolidated financial statements in accordance with U.S. generally accepted accounting principles, which require our management to make estimates that affect the reported amounts of this Quarterly Report assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on Form 10-Q, for a discussion our own historical experience and other assumptions that we believe are reasonable after taking account of our circumstances and expectations for the future based on available information. We evaluate these estimates on an ongoing basis.

We consider an accounting estimate to be critical if: (i) the accounting policies estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of estimates, different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. There are items within our financial statements that require estimation but are not deemed critical, as defined above.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Effectiveness of Disclosure Controls and Procedures

Our management, under the direction of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such terms are defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of **September 30, 2023** **March 31, 2024**. Based on this evaluation our management, including the Company's Chief Executive Officer and Chief Financial Officer, has concluded that the Company's disclosure controls and procedures were not effective as of **September 30, 2023** **March 31, 2024** to ensure that the information required to be disclosed in our Exchange Act reports was recorded, processed, summarized and reported on a timely basis, primarily due to basis.

Inherent Limitations on Effectiveness of Controls

Even assuming the material weakness in effectiveness of our controls and procedures, our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls or our internal control over financial reporting as discussed below, will prevent or detect all error or all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. In general, our controls and procedures are designed to provide reasonable assurance that our control system's objective will be met, and our principal executive officer and principal financial officer has concluded that our disclosure controls and procedures are effective at the reasonable assurance level. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls in future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Despite not conducting a formal assessment regarding internal control over financial reporting, management identified the following material weaknesses as of December 31, 2022, which persisted as of September 30, 2023:

- inadequate segregation of duties resulting from limited accounting staff and resources; and
- inadequate information technology general controls as it relates to user access and change management.

Our management, under the oversight of our Audit Committee, and in consultation with outside advisors, continues to evaluate and implement measures designed to ensure that control deficiencies contributing to the material weakness are remediated. These remediation measures include but are not limited to: (i) reorganizing roles and responsibilities to address segregation of duties issues, (ii) evaluating and implementing enhanced process controls around user access and change management; and (iii) monitoring and conducting regular assessment of the effectiveness of internal controls.

We believe the above actions will be effective in remediating the material weakness described above and we will continue to devote time and attention to these remedial efforts. However, as we continue to evaluate and take actions to improve our internal controls over financial reporting, we may take additional actions to address control deficiencies or modify certain of the remediation measures described above. Our remediation efforts will not be considered complete until the applicable controls operate for a sufficient period and our management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control Over Financial Reporting

During the quarter ended **September 30, 2023** **March 31, 2024**, there were no changes in our internal control over financial reporting that have affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None. We may be subject to litigation from stockholders, suppliers and other third parties from time to time. Such litigation may have an adverse impact on our business and results of operations or may cause disruptions to our operations. As discussed in more detail below, Knighted Pastures, LLC ("Knighted") recently filed a complaint against, among other defendants, us and the members of our Board of Directors. We expect to incur additional costs to defend such litigation which may cause our management to divert attention and resources from our business operations. In addition, the complaint states that Knighted seeks to nominate directors to AGAE's Board and effect certain changes with respect to the business and management of AGAE. In the event directors nominated by Knighted are elected to our board of directors, such directors may disagree with the strategic directions of the Company or otherwise take actions that may adversely affect the interest of our shareholders.

Knighted Pastures, LLC

On March 7, 2024, Knighted Pastures, LLC ("Knighted"), an AGAE stockholder, filed a complaint captioned *Knighted Pastures, LLC v. Yangyang Li, et al.*, C.A. No. 2024-0222 in the Court of Chancery of the State of Delaware against us, the members of our Board of Directors, and certain additional defendants (the "Knighted Action"). The complaint alleges, among other things, that the members of our Board of Directors breached their fiduciary duty in connection with (1) the approval of a Share Purchase Agreement that AGAE entered into on or around December 28, 2023, (2) the approval and adoption of certain amendments to AGAE's Bylaws on or around January 5, 2024, and (3) the approval and adoption of a rights agreement on or around February 8, 2024. The Knighted Action seeks both injunctive reliefs and money damages. We believe the claims in the Knighted Action lack merit and intend to defend against them vigorously.

ITEM 1A. RISK FACTORS.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in the "Risk Factors" in the Company's Annual Report Form 10-K for the year ended **December 31, 2022** December 31, 2023 and our other public filings, which could materially affect our business, financial condition or future results. Except as provided below, there have been no material changes from risk factors previously disclosed in "Risk Factors" in such Form 10-K in our Annual Report on Form 10-K for the year ended **December 31, 2022** December 31, 2023, filed with the SEC on **March 24, 2023** March 28, 2024, as amended by the Form 10-K/A filed on April 29, 2024.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES, PROCEEDS.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On November 11, 2022, our Board of Directors (the "Board") authorized a stock repurchase program under which we are authorized to repurchase up to \$10 million of our outstanding shares of common stock through November 17, 2024. The manner, timing and amount of any purchase will be based on an evaluation of market conditions, stock price and other factors. Repurchases under the program will be made in open market transactions in compliance with the SEC Rule 10b-18 and federal securities laws. The stock repurchase program does not obligate the Company to acquire any particular amount of common stock, and it may be extended, suspended or discontinued at any time at the Company's discretion. The stock repurchase will be funded using the Company's working capital.

The following table provides information with respect to repurchases made under the stock repurchase program for the quarter ended September 30, 2023:

Period	Total Number of Shares (or Units) Purchased	Average Price Paid Per Share (Unit)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Program	Approximate Dollar Value of Shares that May be Purchased Under the Plans or Programs (1)
July 1, 2023 to July 31, 2023	21,411	\$ 1.01	21,411	\$ 7,492,726
August 1, 2023 to August 31, 2023	150,110	\$ 0.93	150,110	\$ 7,350,152
September 1, 2023 to September 30, 2023	11,500	\$ 1.00	11,500	\$ 7,338,263
(1) On November 11, 2022, the Board of Directors authorized a stock repurchase program under which the Company was authorized to repurchase up to \$10 million of the Company's common stock through November 17, 2024.				

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

10b5-1 Arrangements

To the best of the Company's knowledge during the fiscal quarter ended **September 30, 2023** **March 31, 2024**, no director or officer (as defined in Rule 16a-1(f) of the Securities Exchange Act) of the Company adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements.

ITEM 6. EXHIBITS.

Exhibit	Description
10.1 3.1	Equity Interest PurchaseBylaws of Allied Gaming & Entertainment Inc., as amended through January 5, 2024 (incorporated by reference to Exhibit 3.1 on Form 8-K filed by the Company on January 9, 2024)
3.2	Certificate of Designation of Series A Junior Participating Preferred Stock of Allied Gaming & Entertainment Inc. (incorporated by reference to Exhibit 3.1 on Form 8-K filed by the Company on February 9, 2024)
4.1	Rights Agreement, dated August 16, 2022 as of February 9, 2024, by and between Beijing Lianzhong Co, Allied Gaming & Entertainment Inc, and Continental Stock Transfer & Trust, as rights agent (incorporated by reference to Exhibit 4.1 on Form 8-K filed by the Company on February 9, 2024)
10.1	Employment Agreement, dated March 6, 2024, Ltd., Allied Mobile Entertainment (Hong Kong) Limited, Beijing Lianzhong Zhihe Technology Co., Ltd, Beijing Shuiyu Zhijiang Technology Center (LLP), between the Company and Beijing Mizar JY Technology Co., Ltd Ying Hua (Yinghua) Chen (incorporated by reference to Exhibit 10.1 on Form 8-K filed by the Company on March 12, 2024).
31.1*	Chief Executive Officer Certification pursuant to Exchange Act Rule 13a-14(a)
31.2*	Chief Financial Officer Certification pursuant to Exchange Act Rule 13a-14(a)
32.1**	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350
32.2**	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

** Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALLIED GAMING & ENTERTAINMENT INC.

Dated: November 9, 2023 May 20, 2024

By: /s/ Yinghua Chen
Yinghua Chen, Chief Executive Officer,
(Principal Executive Officer)

Dated: November 9, 2023 May 20, 2024

By: /s/ Roy Anderson
Roy Anderson, Chief Financial Officer
(Principal Financial Officer)

Exhibit 10.1

EQUITY INTEREST PURCHASE AGREEMENT
股权转让协议
FOR THE SALE AND PURCHASE OF EQUITY
INTERESTS IN
BEIJING LIANZHONG ZHIHE TECHNOLOGY CO.,
LTD.
出售和购买
北京联众智合科技有限公司
之股权转让

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BEWEEN:

(1) **Beijing Lianzhong Co., Ltd.**(北京联众互动网络股份有限公司), a company incorporated under the laws of the People's Republic of China (“**China**”, for the purpose of this Agreement, excluding Hong Kong, Macau and Taiwan) whose registered office is at 5076, 5/F, Building 8, Weibohao Home, No.1, Weigongcun Street, Haidian District, Beijing, China (the “**Seller**”);
北京联众互动网络股份有限公司，一家根据中华人民共和国（“中国”，为本协议之目的，不包含香港、澳门及台湾）法律成立的公司，注册地址为中国北京市海淀区魏公村街1号韦伯豪家园8号楼5层5076（“卖方”）；

(2) **Allied Mobile Entertainment (Hong Kong) Limited**, a company incorporated under the laws of Hong Kong, whose registered office is at Unit C, 20/F, Nathan Commercial Building, 430-436 Nathan Road, Yau Ma Tei, Kln., Hong Kong, China (the “**Buyer**”);
Allied Mobile Entertainment (Hong Kong) Limited，一家根据香港法律成立的公司，注册地址为中国香港九龙油麻地弥敦道430-436号弥敦商务大厦20楼C室（“买方”）；

(3) **Beijing Lianzhong Zhihi Technology Co., Ltd.**(北京联众智合科技有限公司), a company incorporated under the laws of China, whose registered office is at Room 2518, Building 2, China Agricultural University International Pioneer Park, 10 Tianxiu Road, Haidian District, Beijing, China (the “**Company**”);
北京联众智合科技有限公司，一家根据中国法律成立的公司，注册地址为中国北京市海淀区天秀路10号中国农大国际创业园2号楼2518室（“公司”）；

(4) **Beijing Shuimu Zhijiang Technology Center (LLP)**, a limited partnership incorporated under the laws of China, whose registered office is at No.2112, 2/F, Building 2, Yard 2, Yongjie South Road, Baiwang Innovation and Technology Park, Xibeiwang Town, Haidian District, Beijing, China (“**Shuimu Zhijiang**”); and
北京水木之江科技中心（有限合伙），一家根据中国法律成立的有限合伙企业，注册地址为中国北京市海淀区西北旺镇百旺创新科技园永捷南路2号院2号楼2层2112号（“水木之江”）；及

(5) **Beijing Mizar JY Technology Co., Ltd**(北京开阳久盈科技有限公司), a limited liability company incorporated under the laws of China, whose registered office is at 1001, Unit 1, 10/F, Building 4, Shangshuiyuan, Baijitan, Haidian District, Beijing, China (“**Mizar JY**”);
北京开阳久盈科技有限公司，一家根据中国法律成立的有限公司，注册地址为中国北京市海淀区白家疃尚水园4号楼10层1单元1001（“开阳久盈”）。

RECITALS:

前言 :

(A) As of the date of this Agreement, the Seller, Shuimu Zhijiang and Mizar JY hold 50%, 35% and 15% equity interest of the Company respectively, and the corresponding registered capital of the Company held by each of them respectively is RMB1,000,000, RMB700,000 and RMB300,000; and
于本协议签署日，卖方、水木之江及开阳久盈分别持有公司50%、35% 及 15%的股权，对应公司注册资本人民币1,000,000元、人民币700,000元及人民币300,000元；及

(B) The Seller wishes to sell, and the Buyer wishes to buy, certain equity interests of the Company (as defined below) together with all rights accruing or attached thereto (the “**Transaction**”).
卖方拟出售及买方拟购买公司（定义见下文）的部分股权以及其产生及附带的全部权利（“**交易**”）。

THE PARTIES AGREE as follows:

各方同意如下：

1. **INTERPRETATION**

解释

1.1 **Definitions**

定义

In this Agreement:

本协议中：

“**Acquired Equity Interests**” means 40% equity interests of the Company (the corresponding registered capital of the Company is RMB800,000) owned by the Seller;
“被收购股权”是指卖方拥有的公司40%的股权(对应的公司注册资本为人民币800,000元)；

“**Affiliate**” means, in relation to a person, any other person which, directly or indirectly, controls, is controlled by or is under the common control of the first mentioned person, where
“control” means the ownership, directly or indirectly, of more than 50 per cent. of the voting shares, registered capital or other equity interest of the relevant person or the possession, directly
or indirectly, of the power to direct the shareholders’ general meeting, to appoint or elect a majority of the directors, or otherwise to direct the management of the relevant person;

“**关联人士**”是指，就某个自然人，系指直接或间接控制、受上述第一个人控制或受其共同控制的任何其他人，其中“**控制**”系指直接或间接拥有相关人士50%以上的有表决权的股
份、注册资本或其他股权，或直接或间接拥有领导股东大会的权力，任命或者选举过半数的董事，或者以其他方式指导有关人员的管理；

“**Applicable Laws**” means with respect to any person, any laws, rules, regulations, guidelines, directives, treaties, judgments, determination, orders or notices of any Authority or stock exchange that is applicable to such person;

“**适用法律**”是指就任何人而言，任何主管部门或证券交易所适用于该人的任何法律、规则、规章、指引、指令、条约、判决、决定、命令或通知;

“**Authority**” means any national, provincial, municipal or local government, administrative or regulatory body or department, court, tribunal, arbitrator or any body that exercises the function of a regulator;

“**主管部门**”指任何国家、省、市或地方政府、行政或监管机构或部门、法院、法庭、仲裁员或行使监管职能的任何机构;

“**Business Day**” means a day other than a Saturday or Sunday or public holiday in Hong Kong;

“**工作日**”指除香港星期六、星期日或公众假期以外的一天;

“**Buyer Warranty**” means a statement contained in Schedule 2 and “**Buyer Warranties**” means all those statements;

“**买方保证**”指附录2中包含的某项声明，“**买方保证**”指所有声明;

“**Company**” means Beijing Lianzhong Zhihe Technology Co., LTD., a company incorporated in China whose registered office is at Room 2518, Building 2, China Agricultural University International Pioneer Park, Tianxiu Road, Haidian District, Beijing, China;

“**公司**”指北京联众智合科技有限公司，是一家在中国注册成立的公司，注册地址为中国北京市海淀区天秀路10号中国农大国际创业园2号楼2518室;

“**Completion**” means completion of the transfer of the Acquired Equity Interests in accordance with this Agreement;

“**交割**”系指按照本协议完成被收购股权的转让;

“**Completion Date**” means the date set out in Clause 5;

“**交割日**”是指第5条规定的日期；

“**Condition**” means the condition set out in Clause 4;

“**条件**”是指第4条中规定的条件；

“Confidential Information” means all information which relates to the provisions or subject matter of this Agreement or any documents referred to in this Agreement or the negotiations relating to this Agreement;

“保密信息”是指与本协议的条款或内容或本协议中提及的任何文件或与本协议有关的谈判相关的所有信息。

“Consideration” means the amount being USD 7,000,000, shall be settled in RMB equivalent to the central parity rate of USD/RMB published on China Money Network on the date of this Agreement;

“对价”指金额为7,000,000美元，最终按照本协议签署日中国货币网公布的美元/人民币汇率中间价折合的人民币金额进行结算;

“Encumbrance” means a mortgage, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect;

“权利负担”系指具有类似效力的抵押、质押、留置、选择权、限制、优先购买权、优先认购权、第三方权利或权益、其他任何形式的权利负担或担保权益，或其他类型的优先安排(包括但不限于权利转让或保留安排);

“License Agreement” means the license agreement (联合运营协议) dated 8 August 2022 executed by the Seller and the Company and its relevant amendments and supplements, pursuant to which the Seller granted relevant license to the Company to jointly operate relevant online games;

“许可协议”指卖方与公司签署的日期为2022年8月8日的联合运营协议及其相关修订和补充协议，据此，卖方授予公司联合运营相关网络游戏的相关许可;

“Notice” has the meaning specified in Clause 13.1;

“通知”具有第13.1条规定之含义；

“Seller Warranty” means a statement contained in Schedule 1 and **“Seller Warranties”** means all those statements;

“卖方保证”指附录1中包含的某项声明，“**卖方保证**”指所有声明;

“Seller’s Bank Account” means the Seller’s bank account, details of which shall be notified by the Seller to the Buyer prior to the date of this Agreement or the Completion Date (as applicable); and

“卖方银行账户”系指卖方的银行账户，其详细信息应于本协议签署日或交割日(如适用)之前通知买方;

“Tax” means any form of taxation, levy, duty, charge, contribution, or withholding of whatever nature (including any related fine, penalty, surcharge or interest) imposed, collected or assessed by, or payable to, any national, provincial, municipal or local government or other authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function.

“税收”指由世界上任何地方的任何国家、省、市或地方政府或行使财政、税收、海关或消费税职能的其他当局、机构或官员征收、征收或评估或支付的任何形式的税收、征费、关税、费用、分摊或扣缴的任何性质的税款(包括任何相关的罚款、罚款、附加费或利息)。

1.2 References

In this Agreement, a reference to:

在本协议中，提及：

1.2.1 a party being liable to another party, or to liability, includes, but is not limited to, any liability in equity, contract or tort (including negligence);
一方对另一方负有责任或承担责任，包括但不限于衡平法、合同或侵权(包括疏忽)方面的任何责任;

1.2.2 a statutory provision includes a reference to the statutory provision as modified from time to time before the date of this Agreement and any implementing regulations made under the statutory provision (as so modified) before the date of this Agreement;
法律规定包括在本协议签署日之前不时修改的法律规定，以及在本协议签署日之前根据该法律规定(如已修改)制定的任何实施条例;

1.2.3 a "person" includes a reference to any individual, company, enterprise or other economic organisation, government authority or agency, or any joint venture, association or partnership, trade union or employee representative body (whether or not having separate legal personality) and includes a reference to that person's successors and permitted assigns;
"人"包括任何个人、公司、企业或其他经济组织、政府机关或机构，或任何合资企业、协会或合伙企业、工会或雇员代表机构(无论是否具有独立法人资格) , 并包括该人的继承人和允许的受让人;

1.2.4 a "party" or "parties", unless the context otherwise requires, is a reference to a party or parties to this Agreement and includes a reference to that party's successors and permitted assigns;
"一方"或"各方"，除非上下文另有约定，系指本协议的一方或多方，并包括该方的继承人和获准受让人;

1.2.5 a clause, paragraph or schedule, unless the context otherwise requires, is a reference to a clause or paragraph of, or schedule to, this Agreement;
条款、段落或附件，除非上下文另有约定，系指本协议的条款、段落或附件;

1.2.6 the Schedules to this Agreement form part of this Agreement;
本协议的附件构成本协议的一部分;

1.2.7 the singular includes the plural and vice versa unless the context otherwise requires;
除非上下文另有约定,表示单数的词语包括复数,反之亦然;

1.2.8 times of the day is to Beijing time; and
时间为北京时间;和

1.2.9 the words "including", "for example" or "such as" when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.
在引入一个例子时,“包括”、“例如”或“诸如”等词不限制该例子与该例子或类似例子相关的词的含义。

1.3 Headings

标题

The headings in this Agreement do not affect its interpretation.

本协议中的标题不影响对本协议的解释。

2. SALE AND PURCHASE

出售和购买

2.1 The Seller agrees to sell, and the Buyer agrees to buy, the Acquired Equity Interests with effect from Completion with all rights then attaching to them and free of any Encumbrance.
卖方同意自交易交割日起出售、买方同意购买被收购股权及其附带的所有权利,且不存在任何权利负担。

2.2 The Parties mutually agreed to engage CHFT Advisory and Appraisal Ltd. to conduct independent evaluation on the Acquired Equity Interest. With reference to the valuation report dated 4 August 2023 issued by CHFT Advisory and Appraisal Ltd, the Buyer shall pay USD7,000,000 as the Consideration to purchase the Acquired Equity Interests, which shall be settled in RMB equivalent to the central parity rate of USD/RMB published on China Money Network on the date of this Agreement.

卖方和买方共同聘请了华坊咨询评估有限公司对被收购股权进行了独立评估。经参考华坊咨询评估有限公司出具的日期为2023年8月4日的估值报告,买方将支付7,000,000美元作为购买被收购股权的对价,该对价应以本协议签署日中国货币网公布的美元/人民币汇率中间价折合的人民币金额进行结算。

2.3 Both Shuimu Zhijiang and Mizar JY agree to the Transaction and they will not exercise the right of first refusal in connection with the Acquired Equity Interest in accordance with relevant laws of China.

水木之江及开阳久盈均同意本次交易，且他们将不会依据中国相关法律对被收购股权行使优先购买权。

3. EQUITY STRUCTURE OF THE COMPANY

公司的股权结构

3.1 Immediately prior to the Transaction, the Company's equity structure is as follows:

紧接本次交易前，公司的股权结构如下：

Shareholders 股东	Registered capital subscribed 认缴出资额 (RMB/人民币)	Registered capital paid-in 实缴出资额 (RMB/人民币)	Percentages 比例
Beijing Lianzhong Co., Ltd. 北京联众互动网络股份有限公司	1,000,000	1,000,000	50 %
Beijing Shuimu Zhi Jiang Technology Center (LLP) 北京水木之江科技中心（有限合伙）	700,000	700,000	35 %
Beijing Mizar JY Technology Co., Ltd 北京开阳久盈科技有限公司	300,000	300,000	15 %
Total	2,000,000	2,000,000	100 %

3.2 Upon the completion of the Transaction, the Company's equity structure shall be as follows:

Shareholders 股东	Registered capital subscribed 认缴出资额 (RMB/人民币)	Registered capital paid-in 实缴出资额 (RMB/人民币)	Percentages 比例
The Buyer 买方	800,000	800,000	40 %
Beijing Shuimu Zhi Jiang Technology Center (LLP) 北京水木之江科技中心（有限合伙）	700,000	700,000	35 %
Beijing Mizar JY Technology Co., Ltd 北京开阳久盈科技有限公司	300,000	300,000	15 %
The Seller 卖方	200,000	200,000	10 %
Total	2,000,000	2,000,000	100 %

4. CONDITIONS

条件

4.1 The preconditions for the Completion of this Transaction to be satisfied by the Buyer shall be as follows:

买方交割本交易应满足的先决条件如下：

4.1.1 the representations, warranties and undertakings made by the Buyer in this Agreement are true, complete, accurate and valid, and do not violate any terms and conditions of this Agreement as of the Completion Date;

截至交割日，买方在本协议中所作的陈述、保证和承诺是真实、完整、准确和有效的，且不违反本协议的任何条款和条件；

4.1.2 both the Buyer and its shareholder Allied Gaming & Entertainment Inc., have obtained the approval from its board of directors in connection with the Transaction and the execution of the Agreement;

买方及其股东Allied Gaming & Entertainment Inc.已就本次交易和本协议的签署获得其董事会的批准。

4.2 The preconditions for the Completion of this Transaction to be satisfied by the Seller shall be as follows :

卖方交割本交易应满足的先决条件如下：

4.2.1 The Seller has obtained relevant board approval for the execution of this Agreement and the Transaction contemplated therein;

卖方已就本协议的签署及本次交易获得相关董事会批准；

4.2.2 the Seller has caused the board of directors of the Company to approve the execution of this Agreement and the Transaction herein;

卖方已促使公司董事会批准本协议的签署及本次交易；

4.2.3 the Seller has caused the Company to file and complete relevant registration in relation to this Transaction and change of board of directors with competent government authority in accordance with this Agreement ;

卖方已促使公司按照本协议向政府主管部门提交并完成与本次交易和董事会变更相关的登记；

4.2.4 The Seller has filed and completed relevant registration with the competent foreign exchange authority relating to this Transaction; and

卖方已向外汇主管部门申办并完成与本次交易相关的登记；及

4.2.5 The Seller has caused the Company and other shareholders of the Company to consent to the articles of association of the Company or its amendments which has been satisfactory to the Buyer.

卖方已促使公司及公司的其他股东同意公司章程或章程修正案，该公司章程或章程修正案是令买方满意的。

5. COMPLETION

交割

5.1 The Completion shall take place within 1 business days ("Completion Date") following the satisfaction or waiver of the Conditions as set out in Clause 4, at the offices of the Seller, or at such other place as the parties may agree.
交割应在满足或放弃第4条所列条件后的1个工作日内(“交割日”),在卖方办公室或双方可能同意的其他地点完成。

5.2 At Completion:
交割时：
5.2.1 Each of the Seller and the Buyer shall deliver relevant document to evidence the duly performance of its respective obligations under Clause 4;
卖方和买方均应提交相关文件,以证明其已如期履行第4条项下的各自义务;
5.2.2 the Buyer shall pay to the Seller the Consideration in immediately available funds to the Seller's Bank Account; and
买方应将对价以立即可用的资金支付给卖方的银行账户;和
5.2.3 the Seller itself and the Seller shall cause the Company to deliver a register of shareholders and directors/a registered articles of association of the Company to the Buyer evidencing the Completion of Transaction in accordance with this Agreement.
卖方本身和卖方应促使公司向买方交付股东和董事名册或已登记的公司章程,以证明本协议项下的交易已交割。

5.3 Neither the Seller or the Buyer is obliged to complete the sale and purchase of the Acquired Equity Interests in accordance with this Agreement unless both the Seller and the Buyer have performed or waived all their obligations under this Clause 4.
除非卖方和买方均已履行或放弃其在第4条项下的全部义务,否则卖方或买方均无义务按照本协议交割被收购股权的买卖。

5.4 Upon the Completion and from the Completion Date, the Buyer shall enjoy and exercise relevant shareholder rights in proportionate to the equity interest percentage held by the Buyer in the Company.
交割后且自交割日起,买方应按其所持有的公司的股权比例享有并行使相关股东权利。

5.5 Post-Completion Obligation

交割后的义务

5.5.1 Upon the Completion, the License Agreement shall remain in force until the expiration of the validity period as set out therein, and the Seller promises to renew this License Agreement with the Company under the same terms and conditions thereunder or otherwise mutually agreed in writing by the Seller and the Company for another 4 years until 31 July 2028, provided that there is no material breach of the License Agreement by the Company and this License Agreement and its execution would not violate the then effective Applicable laws.

交割后，许可协议将继续有效，直至许可协议规定的有效期届满，且卖方承诺按照许可协议下相同的条款和条件或卖方与公司以书面形式共同同意的其他条款和条件，与公司续签许可协议4年，至2028年7月31日，前提是公司没有实质性违反许可协议，且许可协议及其执行不违反当时有效的适用法律。

5.5.2 Upon the expiration of the renewed period as set out in Clause 5.5.1 above, the Company shall have the priority to further renew the License Agreement with the Seller under the same terms and conditions which were offered by the third parties. In the event that there were no third parties to offer to execute relevant license agreement with the Seller with respect to relevant online games as set out in the License Agreement, to the maximum extent permitted by law, the Seller shall further extend the term of the License Agreement with the Company for an agreed period.

在上述第5.5.1条规定的续期届满后，公司有权按照第三方提供的相同条款和条件与卖方进一步续签许可协议。如果没有第三方提出与卖方就许可协议中所列的相关网络游戏签署相关许可协议，则在法律允许的最大范围内，卖方应将与本公司的许可协议的期限进一步延长至约定的期限。

5.5.3 The Company shall, and the Seller shall cause the Company to, maintain, renew or extend any licenses, permits or approvals issued by the applicable government agencies in People's Republic of China (the "Government Licenses") that are required for the Company to continue to operate its current business activities, and shall inform the Buyer promptly of any expiration, suspension or lapses in such Government Licenses.

公司应，且卖方应促使公司维持、更新或续展公司继续经营其当前商业活动所需的中华人民共和国有关政府机构颁发的任何许可证、许可或批文（“政府许可证”），并应及时通知买方该等政府许可证的任何到期、暂停或失效。

6. BOARD OF DIRECTORS AND MANAGEMENT

董事会和管理层

6.1 The Parties agree that the board of directors ("Board") of the Company shall be composed of five members from the Completion Date hereof:

各方同意，自交割日起，公司董事会("董事会")由五名成员组成：

6.1.1 the Buyer shall have the right to appoint three (3) members to the Board;

买方有权任命三(3)名董事会成员；

6.1.2 Shuimu Zhi Jiang shall have the right to appoint one (1) member to the Board; and

水木之江有权任命一(1)名董事会成员；和

6.1.3 Mizar JY shall have the right to appoint one (1) member to the Board.

开阳久盈有权任命一(1)名董事会成员

6.2 Each Shareholder may remove a director appointed by it and appoint a new director as successor at any time, by notice in writing to the Company and the other Shareholders.

各股东可随时以书面形式通知公司和其他股东，免去其任命的董事，并任命一名新董事作为继任者。

6.3 The Company agrees to take all actions necessary to ensure that the directors appointed by the Buyer are completed immediately from the Completion Date.

公司同意采取一切必要行动，确保买方任命的董事从交割日起立即完成。

6.4 Upon the Completion, Mr. Zhang Zhangfei (张章飞) shall continue to serve as the Chief Executive Officer, chairman and legal representative of the Company, who is responsible for the day-to-day management and operation of the Company, provided that the Board of Director shall have the right to appoint a new legal representative of the Company anytime following the Completion.

交割后，张章飞先生将继续担任公司首席执行官、董事长兼法定代表人，负责公司的日常管理和运营，但董事会有权在交割后的任何时间任命新的公司法定代表人。

6.5 Except for those matters which are required under Applicable Laws to be approved by the shareholders, consent of a majority of the directors of the Board shall be required for any action that approves or relates to any of the following transactions involving the Company unless such transaction is made pursuant to the annual budget duly approved by the Board:

除适用的法律规定须经股东批准的事项外，批准或涉及公司的任何下列交易的任何行动均需获得董事会多数董事的同意，除非该交易是根据董事会正式批准的年度预算进行的：

6.5.1 Approve or make material amendment to, the mid and long-term development plan, business plan or any annual budget;

批准或重大修改中长期发展规划、经营计划或任何年度预算；

6.5.2 change in the nature or scope of the business, including the introduction of any field of activity that is not ancillary to the business or discontinuance of any field of activity or the relocation or expansion of the business ;
业务性质或范围的变化，包括引入与业务无关的任何活动领域，或终止任何活动领域，或变更或扩展业务；

6.5.3 make or dispose of any major business, sell, mortgage, pledge, lease, transfer or otherwise dispose of its tangible or intangible assets or control, except for disposals of assets the net book value of which in any 12 month period do not exceed RMB 2,000,000;
进行或处置重大业务，出售、抵押、质押、租赁、转让或以其他方式处置其有形或无形资产或控制权，但处置任何12个月期间账面净值不超过人民币2,000,000元的资产除外；

6.5.4 acquire through purchase, lease or rental any products (except for the products used in the ordinary course of business), or real estate, whether or not accounted for as a capital expenditure, in excess of RMB 2,000,000 for any single item or in the aggregate, except for real estate leases entered into in the ordinary course of business consistent with past practice;
通过购买、租赁或租用的方式获取任何单项或合计超过人民币2,000,000元的任何产品(日常经营中使用的产品除外)或房产，无论是否计入资本支出，但在符合以往惯例的日常经营中签订的房产租赁除外；

6.5.5 approve the annual final accounts, but which shall not be unreasonably withheld;
批准年度决算，但不得无正当理由的拖延；

6.5.6 appoint or change the Auditor or any auditor of the Company;
任命或变更公司的核数师或任何核数师；

6.5.7 appoint or change the chief executive officer of the Company;
任命或变更公司首席执行官；

6.5.8 engage, enter into or amend any transaction or agreement with Related Parties in excess of RMB1,000,000 for any single item or RMB2,000,000 for any 12-month period;
与关联方进行、签订或修改任何单项金额超过人民币1,000,000元或任何12个月期间的金额超过人民币2,000,000元的交易或协议；

6.5.9 approve any lending or loaning activity, except the advance payment provided to employees in the ordinary course of business not in excess of RMB 2,000,000 at any one time outstanding;

批准任何借贷或贷款活动，但在正常业务过程中向员工提供的预付款除外，该预付款在任何时候都不超过人民币2,000,000元；

6.5.10 any merger or consolidation with any other company or acquisition of or by another company or formation of any non-wholly owned subsidiary which exceeds RMB2,000,000 for any 12 month period; and

在任何12个月内，与任何其他公司的任何合并或联营，或被其他公司收购或成立任何非全资子公司，金额超过人民币2,000,000元；和

6.5.11 other matters which are material or significant to the development of the Company in opinion of the Board.

董事会认为对公司发展具有实质性或重大意义的其他事项。

6.6 Resolutions of the Board shall be made as follows:

董事会的决议应当按照如下方式做出：

6.6.1 all resolutions of the Board shall be made by the approval of a simple majority of the directors attending the meeting of such Board;

董事会的所有决议均应经出席董事会会议的过半数董事通过；

6.6.2 The quorum for a meeting of the Board shall be three Directors. In the absence of a valid quorum at a meeting of the Board, such meeting of the Board shall be adjourned to the same time and place five (5) Business Days thereafter and any three Directors attending such adjourned meeting shall constitute the valid quorum; and

董事会会议的法定人数为三名董事。在董事会会议达不到法定人数的情况下，该等董事会会议应延期至五(5)个工作日后的同一时间和地点，出席该等延期会议的任何三名董事应构成有效法定人数；和

6.6.3 Upon written notification to all directors of the Company, a resolution in writing signed by a simple majority of the directors of the Board shall be valid as if it had been passed by the directors in a duly convened and quorate meeting of the Board.

经书面通知公司全体董事后，经董事会简单多数董事签署的书面决议，与董事会在正式召开的法定人数会议上通过的决议一样有效。

7. SHAREHOLDER RESOLUTION

股东会决议

7.1 Upon Completion, in addition to those matters which are required under Applicable Laws to be approved by the shareholders holding more than 2/3 interests of the Company, consent of the Buyer shall be required for any action that approves or relates to any of the following matters involving the Company:

交割后，除适用法律要求持有本公司三分之二以上股权的股东批准的事项外，批准或涉及本公司的任何下列事项的任何行动均需征得买方同意：

7.1.1 make any alteration or amendment to, or waiver of, any provision of the articles of association of the Company;

对公司章程的任何条款进行变更、修改或废止；

7.1.2 alter or change the rights, preferences or privileges of the equity interest of the Company or create (by reclassification or otherwise) any new class or series of equity interests having rights, preferences or privileges senior to or on a parity with the equity interest held by the Buyer in the Company;

改变或变更本公司股权的权利、优先或特权，或创建(通过重新分类或其他方式)任何新的类别或系列股权，其权利、优先或特权高于或等同于买方在公司持有的股权；

7.1.3 any increase, change, cancel or decrease of the registered capital or the issue of options or other securities convertible or exchangeable for the registered capital of the Company;

公司注册资本的任何增加、变更、取消或减少，或发行期权或其他可转换或可交换的证券；

7.1.4 any redemption or repurchase of any equity interest or equity equivalents by the Company;

本公司对任何股权或股权等价物的任何赎回或回购；

7.1.5 pass any resolution or take any action for the winding up, termination or similar insolvency or bankruptcy proceedings or undertake any merger, separation, spin-off, change of company form, combination with any other economic organization, reconstruction or liquidation exercise or make any composition or arrangement with creditors concerning or apply for the appointment of a receiver, manager or judicial manager or like officer;

就清盘、终止或类似的破产或破产程序通过任何决议或采取任何行动，或进行任何合并、分离、分拆、公司形式变更、与任何其他经济组织合并、重组或清算活动，或与债权人就接管人、管理人或司法管理人或类似官员作出任何和解或安排或申请任命；

7.1.6 unless otherwise provided in Clause 6.1 and 6.2, approve or change the members of the board; or
除非第6.1条和第6.2条另有规定，批准或变更董事会成员;或

7.1.7 any declaration or payment of any dividends or other distributions.
任何股息或其他分配的声明或支付。

7.2 Resolutions of the shareholders of the Company shall be made as follows:

公司的股东会决议应该按照如下方式做出:

7.2.1 Unless otherwise provided in Clause 7.1 or required by the Applicable Laws, all resolutions of the shareholders of the Company shall be made at a shareholder's meeting of the Company by the approval of shareholders holding and representing more than 50% equity interests of the Company; and
除第7.1条另有规定或适用法律另有要求外，公司股东的所有决议均应在公司股东会上通过，并经持有和代表公司50%以上股权的股东批准;和

7.2.2 a resolution in writing signed by all shareholders of the Company shall be valid and there is no need to convene a shareholder's meeting for such purpose.
经公司全体股东签署的书面决议有效，无需为此召开股东大会。

8. SHAREHOLDER RIGHT

股东权利

8.1 Upon Completion, the Company shall, and the shareholders of the Company shall procure that the Company will, prepare and deliver to the Buyer:

交割后，公司应且公司股东应确保公司将准备并向买方交付:

8.1.1 as soon as practicable, but in any event within fifteen (15) days after the end of each month, the monthly accounting records of the Company;
在可行的情况下尽快，但无论如何应在每月结束后十五(15)天内，提供公司的月度会计记录;

8.1.2 as soon as practicable, but in any event within thirty (30) days after the end of each fiscal quarter, the consolidated balance sheet, profit and loss statement and cash flow statement of the Company;
在可行的情况下尽快，但无论如何在每个财政季度结束后三十(30)天内，提供公司的合并资产负债表、损益表和现金流量表;

8.1.3 as soon as practicable, but in any event within forty-five (45) days after the end of each fiscal year, annual balance sheet, profit and loss statement and cash flow statement of the Company; and
在可行的情况下尽快，但无论如何应在公司的每个财政年度结束后的四十五(45)天内，提供年度资产负债表、损益表和现金流量表;和

8.1.4 as soon as practicable, but in any event within forty-five (45) days before the end of each fiscal year, a proposed annual budget and business plan of the Company for the next financial year.
在可行的情况下尽快，但无论如何应在每个财政年度结束前四十五(45)天内，提交公司下一财政年度的拟议年度预算和业务计划。

8.2 Upon Completion, the Seller shall have a pre-emption right with respect to any future increase of registered capital of the Company at the same price and terms with other shareholders (including future shareholders) of the Company in proportionate to the equity interest percentage held by the Seller in the Company.
交割后，卖方对公司未来注册资本的任何增加享有优先购买权，有权在公司其他股东(包括未来股东)同等价格和条件下根据其持有公司的股权比例优先认购公司新增注册资本。

8.3 In the event that any shareholder of the Company intends to transfer its equity interest in the Company to the third parties, other shareholders of the Company shall have the right (but not the obligation) to purchase the transferred equity interests upon terms and conditions no less favourable than that offered to the third parties. In the event that two or more shareholders of the Company intend to purchase the transferred equity interests, failing to make an agreement on the percentages to be purchased by each of them, these two or more shareholders shall exercise this right in proportionate to its equity interest percentage held by them in the Company.
如果公司的任何股东有意将其在公司的股权转让给第三方，则公司的其他股东有权(但无义务)以不低于向第三方提供的条款和条件购买转让的股权。如果公司的两个或两个以上股东有意购买转让的股权，但未就各自购买的比例达成协议，则该两个或两个以上股东应按其持有的公司股权比例行使该权利。

8.4 Without the prior written consent of the Buyer, the Company shall not grant any more favourable rights to other shareholders/subsequent investors/shareholders upon the Completion. In the event that any existing or future registered or beneficial shareholders of the Company enjoy any right superior to those of the Buyer, the Buyer shall automatically and immediately enjoy the same rights, except that the Buyer shall continue to have the right to appoint the majority of the Board of Directors of the Company.
未经买方事先书面同意，公司不得在交割后授予其他股东/后续投资者/股东任何更有利的权利。如果公司的任何现有或未来的注册股东或实益股东享有高于买方的任何权利，则买方应自动并立即享有同样的权利，但买方应继续有权任命公司董事会的多数成员。

8.5 The Parties agree and confirm that in case of any conflict between this Agreement and the relevant agreements for the industrial and commercial registration and the articles of association of the Company, the contents stipulated in this Agreement shall prevail and the Parties shall be bound by such contents.

各方同意并确认，本协议与公司工商登记的相关协议及公司章程有冲突的，以本协议规定的内容为准，各方均受本协议约定的内容约束。

9. **WARRANTIES**

保证

9.1 In consideration of the Buyer entering into this Agreement and agreeing to perform its obligations under this Agreement:

鉴于买方签署本协议并同意履行其在本协议项下的义务：

9.1.1 the Seller warrants to the Buyer that each Seller Warranty is true, accurate and not misleading at the date of this Agreement; and

卖方向买方保证，在本协议签订日，卖方的每项保证都是真实、准确且不具有误导性的；和

9.1.2 immediately before Completion, the Seller is deemed to warrant to the Buyer that each Seller Warranty is true, accurate and not misleading by reference to the facts and circumstances as at Completion.

紧接交割前，卖方应被视为向买方保证，根据交割时的事实和情况，卖方的每项保证都是真实、准确的且不具有误导性的。

9.2 In consideration of the Seller entering into this Agreement and agreeing to perform its obligations under this Agreement:

鉴于卖方签署本协议并同意履行其在本协议项下的义务：

9.2.1 the Buyer warrants to the Seller that each Buyer Warranty is true, accurate and not misleading at the date of this Agreement; and

买方向卖方保证，在本协议签订日，买方的各项保证是真实、准确且不具有误导性的；和

9.2.2 immediately before Completion, the Buyer is deemed to warrant to the Seller that each Buyer Warranty is true, accurate and not misleading by reference to the facts and circumstances as at Completion.

在交割前，买方被视为向卖方保证，根据交割时的事实和情况，买方的各项保证是真实、准确且不具有误导性的。

10. **CONFIDENTIAL INFORMATION**

保密信息

10.1 Each Party hereto agrees to treat information relating to the existence and all material aspects of the transactions contemplated hereby and/or contained herein that is provided to such Party by another Party or its representatives, as confidential information and agrees not to disclose such information to any Person without the prior written consent of the disclosing Party, except that each Party may disclose such confidential information (i) to its attorneys, accountants, advisors and consultants, provided such persons are subject to similar confidentiality obligations, (ii) on a need-to-know basis, to its affiliates, and their employees, officers and directors provided such Persons are subject to similar confidentiality obligations, and (iii) any applicable government authority as required by applicable laws, provided, that the disclosing Party shall seek confidential treatment of such information prior to disclosure. Prior to any disclosure under (iii) above, the disclosing Party shall have notified the other Parties of the disclosing Party's intention to make such disclosure and the contents thereof.

本协议的每一方同意，将另一方或其代表提供给该方的、与本协议拟定的和/或包含在本协议中的交易的存在和所有实质方面有关的信息视为保密信息，并同意未经披露方事先书面同意，不向任何人披露此类信息，下列披露除外，每一方可(i)向其律师、会计师、顾问和咨询师披露此类保密信息，前提是该人受保密义务的约束，(ii)在需知的基础上向其关联方及其雇员、高级职员和董事披露此类保密信息，前提是该人受保密义务的约束，(iii)按照适用法律的要求向任何相关的政府部门披露此类保密信息，前提是披露方在披露前寻求对此等信息的保密处理。在作出上述(iii)的披露前，披露方应通知其他方披露方进行此项披露的意图和披露的内容。

10.2 This Clause 10.1 shall survive for a period of three (3) years following the termination or expiration of this Agreement.

第10.1条在本协议终止或到期后三 (3) 年内应继续有效。

11. **COSTS, STAMP DUTY AND OTHER TAXES**

成本、印花税及其他税费

11.1 Costs

成本

Each of the Buyer and the Seller shall bear and pay all the costs relating to the negotiation, preparation, execution and performance of this Agreement incurred by each of them respectively. 买方和卖方应各自承担并支付与本协议的谈判、准备、签署和履行有关的所有费用。

11.2 Stamp duty and other fees

印花税及其他费用

Each of the Buyer and the Seller shall bear and pay respectively all stamp duties, trading fees, transaction levies or Taxes (if any) payable by each of them in accordance with the Applicable Laws in connection with the Transaction.

买方和卖方应各自承担根据交易有关的适用法律规定应当由其承担并支付的所有印花税、交易费、交易税或税费(如有)。

12. GENERAL

一般条款

12.1 Amendment

修订

An amendment of this Agreement is valid only if it is in writing and signed by or on behalf of each Party.

对本协议所作的任何修订均经各方签署书面文件后方为有效。

12.2 Waiver

豁免

The failure to exercise or delay in exercising a right or remedy provided by this Agreement or by law does not impair or constitute a waiver of the right or remedy or an impairment of or a waiver of other rights or remedies. No single or partial exercise of a right or remedy provided by this Agreement or by law prevents further exercise of the right or remedy or the exercise of another right or remedy.

未能行使或延迟行使使其在本协议或法律规定的权利或救济并不损害或构成对权利或救济的放弃，也不妨碍或放弃其他权利或救济。单独或部分行使本协议或法律规定的权利或救济
不妨碍进一步行使权利或救济或行使另一权利或救济。

12.3 Remedies not exclusive

非排他性救济

Each party's rights and remedies contained in this Agreement are cumulative and not exclusive of rights or remedies provided by law.

本协议中所包含的各方权利和救济是累积的，并不排除法律规定的权利或救济。

12.4 Survival

存续

Except to the extent that they have been performed and except where this Agreement provides otherwise, the obligations contained in this Agreement remain in force after Completion.
除非已履行和本协议另有规定，本协议中的义务在交割后仍将继续有效。

12.5 Severability

可分割性

The invalidity, illegality or unenforceability of a provision of this Agreement does not affect or impair the validity of the remainder of this Agreement.
本协议某一条款的无效、非法或不可执行不影响或损害本协议其余条款的有效性。

12.6 Counterparts

对签本

This Agreement may be executed in any number of counterparts, each of which when executed and delivered is an original and all of which together evidence the same agreement.
本协议可签署任意数量的对签本，每份对签本均应视为原件，但所有对签本应共同构成一份相同的文件。

12.7 Further assurance

Each of the parties agrees to perform (or procure the performance of) all such acts and things and/or to execute and deliver (or procure the execution and delivery of) all such documents, as may be required by law or as may be necessary or reasonably requested by another party for giving full effect to this Agreement. Unless otherwise agreed, each party shall be responsible for its own costs and expenses incurred in connection with the provisions of this Clause 12.7.

各方同意履行(或促使履行)法律可能要求的或另一方为使本协议充分生效而必要或合理要求的所有此类行为和事项和/或签署和交付(或促使签署和交付)所有此类文件。除非另有约定，各方应自行承担与本第12.7条规定有关的费用和开支。

12.8 Entire agreement

完整协议

This Agreement constitutes the entire agreement and supersedes any previous agreement between the parties relating to the subject matter of this Agreement.
本协议构成完整协议，并取代双方之前就本协议相关事宜达成的任何协议。

12.9 Assignment

转让

No party may assign or in any other way alienate any of its rights under this Agreement whether in whole or in part.

任何一方均不得转让或以任何其他方式让渡其在本协议项下的全部或部分权利。

12.10 Conflicts with Articles of Association

与公司章程冲突

If there is a conflict between any provision of this Agreement and the articles of association of the Company, the provisions herein shall prevail as among the Parties, and the Parties shall promptly procure the amendment of the articles of association of the Company so as to be consistent with this Agreement.

如果本协议的任何条款与公司章程存在冲突，则各方应以本协议的条款为准，各方应及时修订公司章程，使其与本协议一致。

13. NOTICES

13.1 Format of notice

通知的格式

A notice or other communication under or in connection with this Agreement (a "Notice") shall be:

本协议项下或与本协议有关的通知或其他沟通("通知")应为:

13.1.1 in writing;

书面形式：

13.1.2 in the English language; and

以英文书写；和

13.1.3 delivered personally or sent by a reputable international courier or by Email to the party due to receive the Notice to the address or Email set out in Clause 11.3 or to another

address, person or Email number specified by that party by not less than 3 Business Days' written notice to the other party.

亲自递送或由信誉良好的国际快递公司或通过邮件发送至第11.3条规定的地址或邮件号码，或该方通过不少于3个工作日的书面通知另一方指定的其他地址、人员或邮件。

13.2 Deemed delivery of notice

视为通知送达

Unless there is evidence that it was received earlier, a Notice is deemed given if:

除非有证据表明早前收到通知，否则在下列情况下，通知将被视为已发出：

13.2.1 delivered personally, when left at the address set out in Clause 13.3;

按第13.3条所列地址亲自交付；

13.2.2 sent domestically by a reputable international courier, 2 Business Days after posting it;

由信誉良好的国际快递公司国内寄送，寄出后2个工作日；

13.2.3 sent overseas by a reputable international courier, 3 Business Days after posting it; and

由信誉良好的国际快递公司境外寄送，寄出后3个工作日；和

13.2.4 Any notice sent by Email shall be deemed to have been delivered to the notified party upon confirmation of successful delivery by the system.

任何以电子邮件的方式发出的通知在系统确认成功发出时即视为已经送达被通知的一方。

13.3 Address and Email address

地址和电子邮箱

The address and Email address referred to in Clause 13.1.3 is:

第13.1.3条所述的地址和电子邮箱为：

Name of party

名称

Seller

卖方

Address and Email address

地址和电子邮箱

D101, Shangyi Wenyuan, Chaoyang North Road, Chaoyang District, Beijing, China/中国北京市朝阳区朝阳北路尚屹文园D101

Attention: Mr. Lu Jingsheng/陆京生

Executive Director&CEO/执行董事兼行政总裁

Buyer
买方

The Company
公司

Shuimu Zhijiang
水木之江

Mizar JY
开阳久盈

745 Fifth Ave, Suite 500, New York, NY 10151

Attention: Yinghua Chen

President&CEO/主席兼行政总裁

Room 2518, Building 2, China Agricultural University International Entrepreneurship Park, No. 10 Tianxiu Road, Haidian District, Beijing, China/中国北京市海淀区天秀路10号中国农大国际创业园2号楼2518室

Attention: Gong Chen/龚辰

Deputy General Manager/副总经理

No. 2112, 2/F, Building 2, Yard 2, Yongjie South Road, Baiwang Innovation Technology Park, Northwest Wang Town, Haidian District, Beijing, China/中国北京市海淀区西北旺镇百旺创新科技园永捷南路2号院2号楼2层2112号

Attention: Zhang Zhangfei/张章飞

GP/执行事务合伙人

1001, Unit 1, 10/F, Building 4, Shangshui Garden, Baijiatuan, Haidian District, Beijing, China/中国北京市海淀区白家疃尚水园4号楼10层1单元1001

Attention: Guo Shimin/郭实敏

CEO

14. GOVERNING LAW

适用法律

This Agreement is governed by the laws of China.

本协议适用中国法律管辖。

15. JURISDICTION

管辖

15.1 Disputes arising from the performance of this Agreement shall be resolved through friendly negotiation between the Parties.
因本协议的履行而发生争议的，应通过各方友好协商加以解决。

15.2 If a dispute is unresolved after 30 Business Days after one Party notifies the other parties of the such dispute in writing, any Party may submit to the China International Economic and Trade Arbitration Commission (CIETAC) for arbitration in Beijing in accordance with the arbitration rules of CIETAC in effect at the time of applying for arbitration. The arbitration award shall be final and binding on the Parties.
若一方向其他方出具要求协商解决争议的书面通知后三十(30)个工作日内仍未能解决争议，则任何一方可将该争议提交中国国际经济贸易仲裁委员会在北京按照该会届时有效的仲裁规则进行仲裁。仲裁裁决是终局的，对各方均有约束力。

15.3 Disputes between the Parties over individual provisions of this Agreement shall not affect the continued performance of other provisions, and during the arbitration process, the Parties shall continue to perform confidentiality obligations, and shall only disclose confidential information to the extent required by the arbitration process, and shall not publicly express views on disputes in the media or disclose any content of this Agreement.
各方对本协议个别条款的争议不应影响其他条款的继续履行，并且，在仲裁过程中，各方仍应继续履行保密义务，只有在仲裁程序所需的范围内披露保密信息，不得公开在媒体上发表对于争议的观点或披露本协议的任何内容。

SCHEDULE 1
SELLER WARRANTIES
附件 1
卖方保证

1. CAPACITY AND AUTHORITY

能力和权利

1.1 Right, power, authority and action

权利、权力、授权和行动

The Seller has the right, power and authority, and has taken all action necessary to execute, deliver, exercise its rights and perform its respective obligations, under this Agreement and each document to be executed at or before Completion, and to carry out the transactions contemplated hereby and thereby.

卖方拥有权利、权力和授权，并已采取一切必要行动，以签署、交付、行使其权利并履行其在本协议项下以及在交割时或交割之前签署的每份文件项下的各自义务，并执行本协议项下的交易。

1.2 Approvals

批准

As at Completion, no consents and approvals were required from the Authorities and any other entities in relation to the transaction contemplated under this Agreement from the perspective of the Seller and the Company.

截至交割时，从卖方和公司的角度来看，本协议项下拟进行的交易不需要主管部门和任何其他实体的同意和批准。

1.3 Binding agreements

约束性协议

The obligations of the Seller under this Agreement and each document to be executed at or before Completion constitutes, or when the relevant document is executed will constitute, valid, legal and binding obligations and are enforceable in accordance with their terms.

卖方在本协议项下的义务以及将在交割时或之前签署的每份文件构成，或在相关文件签署时构成，有效的、合法的、有约束力的义务，并可根据其条款强制执行。

2. Warrants in relation to the Acquired Equity Interest and the Company

2.1 The Seller has duly subscribed and paid-in the Acquired Equity Interest in accordance with the Applicable Laws and has the complete right to transfer the Acquired Equity Interest in accordance with this Agreement.

卖方已按照适用法律的规定认购并实缴了被收购股权，并拥有按照本协议转让被收购股权的完全权利。

2.2 The Acquired Equity Interest is free from any Encumbrance.

被收购股权不存在任何负担。

2.3 The Company is in good standing. To the best knowledge of the Seller, the Company is in compliance with the Applicable Laws in any material aspects.

公司信誉良好。据卖方所知，公司在任何重大方面均遵守适用法律。

SCHEDULE 2
BUYER WARRANTIES
附件 2
买方保证

1.1 Right, power, authority and action

权利、权力、授权和行动

The Buyer has the right, power and authority, and has taken all action necessary to execute, deliver, exercise its rights and perform its respective obligations, under this Agreement and each document to be executed at or before Completion, and to carry out the transactions contemplated hereby and thereby.

买方拥有权利、权力和授权，并已采取一切必要行动，以签署、交付、行使其权利并履行其在本协议项下以及在交割时或交割之前签署的每份文件项下的各自义务，并执行本协议项下的交易。

1.2 Approvals

批准

As at Completion, no consents and approvals were required from the Authorities and any other entities in relation to the transaction contemplated under this Agreement from the perspective of the Buyer.

截至交割时，从买方的角度来看，本协议项下拟进行的交易不需要主管部门和任何其他实体的同意和批准。

1.3 Binding agreements

约束性协议

The obligations of the Buyer under this Agreement and each document to be executed at or before Completion constitutes, or when the relevant document is executed will constitute, valid, legal and binding obligations and are enforceable in accordance with their terms.

买方在本协议项下的义务以及将在交割时或之前签署的每份文件构成，或在相关文件签署时构成，有效的、合法的、有约束力的义务，并可根据其条款强制执行。

1.4 The funds paid by the Buyer for the Consideration are its own funds with legal sources rather than bank loans and other forms of non-own funds.

买方支付对价的资金为其自有资金，来源合法，而非银行贷款及其他形式的非自有资金。

1.5 The Buyer is not any of the connected persons (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Seller or its indirect controlling shareholder (Ourgame International Holdings Limited).

买方并非卖方或其间接控股股东(联众国际控股有限公司)的任何关联人士(根据《香港联合交易所有限公司证券上市规则》的定义)。

EXECUTED by the parties on the date first written above:

各方于文首所载日期签署:

SIGNED by

authorised signatory for and on behalf of
Beijing Lianzhong Co., Ltd.

北京联众互动网络股份有限公司

SIGNED by

authorised signatory for and on behalf of
ALLIED MOBILE ENTERTAINMENT
(HONG KONG) LIMITED

SIGNED by

authorised signatory for and on behalf of
Beijing Lianzhong Co., Ltd.

北京联众智合科技有限公司

SIGNED by

authorised signatory for and on behalf of
Beijing Shuiwu Zhijiang Technology
Center (LLP)

北京水木之江科技中心 (有限合伙)

SIGNED by

authorised signatory for and on behalf of
Beijing Mizar JY Technology Co., Ltd

北京开阳久盈科技有限公司

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Exhibit 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Yinghua Chen, certify that:

- 1) I have reviewed this report on Form 10-Q of Allied Gaming & Entertainment Inc,
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Dated: November 9, 2023

Dated: May 20, 2024

/s/ Yinghua Chen

Yinghua Chen, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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REFINITIV 

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Roy Anderson, certify that:

- 1) I have reviewed this report on Form 10-Q of Allied Gaming & Entertainment Inc.
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Dated: November 9, 2023 May 20, 2024

/s/ Roy Anderson

Roy Anderson, Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Allied Gaming & Entertainment Inc. (the "Company") on Form 10-Q for the period ending September 30, 2023 March 31, 2024 (the "Report"), I, Yinghua Chen, President and Chief Executive Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2023 May 20, 2024

/s/ Yinghua Chen

Yinghua Chen, President and Chief Executive Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Allied Gaming & Entertainment Inc. (the "Company") on Form 10-Q for the period ending September 30, 2023 March 31, 2024 (the "Report"), I, Roy Anderson, Chief Financial Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2023 May 20, 2024

/s/ Roy Anderson
Roy Anderson, Chief Financial Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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