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OURGAME INTERNATIONAL HOLDINGS LIMITED

聯眾國際控股有限公司*

(a company incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 6899)

OVERSEAS REGULATORY ANNOUNCEMENT — FORM 10-K

This announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Please refer to the attached for the document which has been published by Allied Gaming & Entertainment Inc. (formerly known as Allied Esports Entertainment Inc.) (“AGAE”) on the website of the U.S. Securities and Exchange Commission on 24 March 2023 (U.S. time).

By order of the Board

Ourgame International Holdings Limited

Lu Jingsheng

Chief Executive Officer and Executive Director

Beijing, 25 March 2023

As at the date of this announcement, the Board comprises Mr. Lu Jingsheng as executive director; Mr. Liu Xueming, Ms. Gao Liping, Mr. Hua Yumin, Ms. Yu Bing, Ms. Wang Ruyuan, Mr. Wang Runqun and Ms. Xiao Yundan as non-executive directors, and Mr. Ma Shaohua, Mr. Zhang Li, Mr. Guo Yushi and Mr. Dai Bing as independent non-executive directors.

* *For identification purpose only*

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

FORM 10-K

(MARK ONE)

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

For the fiscal year ended December 31, 2022

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) 768-4241
(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See definition 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

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

The aggregate market value of common stock outstanding, other than shares held by affiliates of the registrant as of June 30, 2022 (the last business day of the registrant's most recently completed second fiscal quarter), was approximately \$25,607,206 based on the price of \$1.43, the closing price on June 30, 2022. For purposes of this computation, all officers, directors, and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed to be an admission that such officers, directors or 10% beneficial owners, are or were, in fact, affiliates of the registrant.

As of March 21, 2023, 39,085,470 shares of common stock, par value \$0.0001 per share, were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement relating to its 2023 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year ended December 31, 2022 are incorporated herein by reference in Part III of this Annual Report on Form 10-K.

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS;
RISK FACTOR SUMMARY**

The information in this Report includes “forward-looking statements” under Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements, other than statements of historical fact included in this Report, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Report, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the heading “Risk Factors” included in this Report. These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. Nevertheless, and despite the fact that management’s expectations and estimates are based on assumptions management believes to be reasonable and data management believes to be reliable, our actual results, performance or achievements are subject to future risks and uncertainties, any of which could materially affect our actual performance.

We caution you that these forward-looking statements are subject to numerous risks and uncertainties, most of which are difficult to predict and many of which are beyond our control. Should one or more of the risks or uncertainties described in this Report occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this Report are expressly qualified in their entirety by this cautionary note. This cautionary note should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. 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 in this section, to reflect events or circumstances after the date of this Report.

A summary of the principal risk factors that make investing in our securities risky and might cause our actual results to differ is set forth below. The following is only a summary of the principal risks that may materially adversely affect our business, financial condition, results of operations and cash flows. This summary should be read in conjunction with the more complete discussion of the risk factors we face, which are set forth in the section entitled “Risk Factors” in this Report.

Risk Factor Summary

- We may not be able to successfully execute our new strategic and business plans.
- Allied generates a portion of its revenues from advertising and sponsorship. If it fails to attract more advertisers and sponsors to its live events, tournaments or content, or if advertisers or sponsors are less willing to advertise with or sponsor Allied, its revenues may be adversely affected.
- Allied’s business model may not remain effective, and it cannot guarantee that its future monetization strategies will be successfully implemented or generate sustainable revenues and profit.
- Allied’s growth strategy depends on the availability of suitable locations for its proprietary and licensed esports arenas and its ability to open new locations and operate them profitably
- Allied has not entered into definitive license agreements with all game publishers that it currently has relationships with, and it may never do so.
- Even if Allied is able to license its brand to third party esports operators, there is a risk that those operators could damage its brand by operating esports arenas that are not at Allied’s standards of operation.

- Allied's growth strategy includes deploying additional mobile arenas in the U.S. and Europe to host its tournaments and events and it must operate them profitably.
- The nature of hosting esports events exposes Allied to negative publicity or customer complaints, including in relation to, among other things, accidents, injuries or thefts at the arenas, and health and safety concerns.
- Allied's marketing and advertising efforts may fail to resonate with gamers.
- The esports gaming industry is competitive, and gamers may prefer competitors' arenas, leagues, competitions or tournaments over those offered by Allied.
- If Allied fails to keep its existing gamers engaged, acquire new gamers and expand interest in its live events, leagues, tournaments and competitions, its business, its ability to achieve profitability and its prospects may be adversely affected.
- A decline in the number of gamers may adversely affect the engagement level of gamers with Allied's tournament and entertainment platform under development and may reduce our revenue opportunities and have a material and adverse effect on our business, financial condition and results of operations.
- There is no guarantee that Allied will be able to complete its planned online esports tournament and gaming subscription platform, or that such platform once completed will be or remain popular.
- If Allied fails to maintain and enhance its brands, its business, results of operations and prospects may be materially and adversely affected.
- If Allied fails to anticipate and successfully implement new esports technologies or adopt new business strategies, technologies or methods, its business may suffer.
- Allied uses third-party services in connection with its business, and any disruption to these services could result in a disruption to its business.
- Allied may not be able to procure the necessary permits and licenses to operate its arenas.
- Negotiations with unionized employees could delay opening or operating Allied's arenas.
- Allied's business is subject to regulation, and changes in applicable regulations may negatively impact its business.
- Allied has historically operated at a net loss on a consolidated basis, and there is no guarantee that that it will be able to be profitable.
- Our business depends substantially on the continuing efforts of our executive officers, key employees and qualified personnel, and our business operations may be severely disrupted if we lose the services of such personnel.
- Ourgame International Holdings Limited owns a significant percentage of our outstanding common stock, enabling it to exert significant influence over our operations and activities, which may affect the trading price of our common stock.
- Allied's licenses certain brand names under agreements that will expire and may also be subject to claims of infringement of third-party intellectual property rights.

PART I

Item 1. Business

Overview of Business

Unless otherwise stated or the context otherwise requires, the terms “we,” “us,” “our,” “AGAE,” “Allied” and the “Company” refer to Allied Gaming & Entertainment, Inc. and its subsidiaries.

Allied is a global experiential entertainment company focused on providing a growing audience of gamers with unique experiences through renowned assets, products, and services. Prior to July 2021, the Company owned and operated World Poker Tour (“WPT”) businesses and Allied Esports business. On July 12, 2021, the Company completed its sale of its business comprising the WPT business for gross proceeds of approximately \$106 million. As of December 31 2022, the Company’s operation includes Allied Esports International, which owns and operates HyperX Arena Las Vegas, one of the world’s most recognized esports and entertainment events facilities, two mobile arenas-Allied Esports Trucks, and original content studio which creates and produces proprietary content series to serve brand activation and promotion, fans and community engagement. 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. In December 2022, the Company completed a strategic review of its business operations 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 complimentary 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.

The entertainment industry has witnessed the rapid growth of gaming, which now ranks among the largest and fastest-growing markets. As of 2021, with a staggering 3.1 billion gamers worldwide, the global gaming industry was valued at \$202.64 billion and is projected to grow at a compound annual growth rate (CAGR) of 10.2% between 2022 and 2023. Mobile gaming and esports are the major driver of this exponentially growing market. Esports, an abbreviation of “electronic sports,” encompasses a diverse range of competitive electronic games that are played by gamers against each other. Popular esports games include Fortnite, League of Legends, Dota 2, Counter-Strike, Call of Duty, Overwatch, and FIFA. Unlike the traditional video games where players can play alone against the computer or console, esports has evolved to include a community and spectator aspect. Competitive gameplay against another person, either individually or in teams, viewed by an online and in-person audience, has become a central feature of esports. Additionally, game developers have greatly increased the watchability of games, which has made the spectator aspect of gaming much more prevalent and further drives expansion of the gaming market. Esports has now become so popular that many colleges offer scholarships in esports and the best-known esports teams are receiving mainstream sponsorships and are being bought or invested in by celebrities, athletes and professional sports teams. The highest profile esports gamers have significant online audiences as they stream themselves playing against other players online and potentially can generate millions of dollars in sponsorship money and subscription fees from their online streaming channels. Meanwhile, the industry of watching other people play video games continues to surge in popularity. In 2022, the games live-streaming audience grew by 14.5% year over year to 927.3 million (Newzoo report). It is estimated that this category will reach 1.21 billion by 2025 at a CAGR of +12.7%. For years to come, infrastructure development and the growth of mobile esports will be the key drivers in emerging regions, while the diversification of content is likely to drive viewing behavior in western markets.

Allied will continue to use a three-pillar strategy in its gaming and entertainment services; in-person experiences, multiplatform content, and interactive services both independently and in connection with its strategic partners.

Our Growth Strategies

In-person Experiences

With its world class gaming and live broadcasting equipped facilities, Hyper X Arena Las Vegas, Allied will continue delivering first-in-class live experiences to customers which will allow them to compete against other players in world esports competitions, to host live events with influencers that potentially stream to millions of viewers worldwide with unprecedentedly engaged experience, to produce and distribute incredible entertainment content with its on-site production facilities and studios. Allied’s flagship HyperX Arena Las Vegas serves as a marquee destination for esports fans globally and has become one of the most recognized esports and live entertainment venues in the world. Additionally, Allied has two mobile esports arenas, which are 18-wheel semi-trailers that convert into first class esports arenas and competition stages with full content production capabilities and interactive talent studios. Through our renowned assets, Allied believes it can offer customers an unmatched ability to participate in simultaneous global esports events and offer sponsors and partners a truly scalable global platform and audience to promote their businesses and products.

Flagship Arena. In March 2018, Allied opened its first flagship arena, the HyperX Arena Las Vegas, at the Luxor Hotel & Casino on the Vegas strip, whose pyramid is one of the most visible landmarks in Las Vegas. This arena has over 130 gaming stations, two bars, food service, private rooms, an unmatched full-scale broadcast and production facility, and space for up to 1,000 people for events. The arena is custom-built for esports tournaments and has a broadcast-ready television studio to broadcast live events and produce content. Allied monetizes the arena through hosting or renting the space for live events; merchandise sales; daily usage fees from day-to-day gamers using the gaming stations; tournament entry and player venue fees; food and beverage; and a long-term sponsorship (i.e., our HyperX naming rights relationship).

Affiliate Arenas. One of Allied's strategic advantages is its global network of esports arena partners, which enables it to host events and promote competitions around the world, with those competitions culminating in live events held at the flagship arena in Las Vegas. Allied achieves this through its Affiliate Program, which consists of strategic partnerships with third-party esports operators around the globe. Allied generally charges these affiliates an upfront fee and a minimal annual revenue share of gross revenue, starting in the second year of the operation of the venue. Allied's brand visibility and reputation have already resulted in affiliate arrangements with arenas and gaming centers in China and a multi-year agreement with Fortress Esports Pty Ltd, a new gaming, esports and entertainment venue enterprise in Australia, which opened its first affiliate arena in Melbourne in March 2020 and reopened during the COVID-19 pandemic in December 2021. This network of affiliate arenas allows Allied to scale its brand penetration worldwide on a rapid basis, driving more gamers into the Allied ecosystem, with minimal costs to Allied. Furthermore, the content produced by these affiliate arenas can be sold by Allied, with minimal production costs.

Mobile Arenas. The mobile arenas are 18-wheeler trucks that expand out into fully functional esports arenas with event hosting, broadcasting and production capabilities. The mobility of the trucks makes them ideal for sponsors to reach a large audience in multiple locations at an economical cost. The trucks serve as mobile billboards for potential third-party sponsorship, as well as the Allied brand, providing highly visible brand presence wherever they appear.

Multiplatform Content

Built upon state-of-the-art unique facilities and a growing gamers community, Allied continues to produce successful gamers centric original content programming. Allied's original content series Elevated, designed to help up-and-coming Twitch streamers break through the clutter, get discovered and grow their audiences, has brought in more than 10 million live viewers and 3 million VOD views over 4 episodes during its Season 1 debut in March of 2022. The series was renewed for Season 2 with stronger support from our brand partner Progressive Insurance, by doubling the production and expanded to 10 episodes for Season 2, which will air in Q2 2023. Allied has also signed a multi-year, multi-episode content partnership with the YES Network to produce original series Wannabe, which explores the journeys of professional gamers and professional athletes who have appeared on the YES Network, all of whom have a strong passion for esports and competitive gaming, and the common themes between their different careers. Each episode delves into the early dreams of these individuals and traces their paths to success. This highly entertaining original content series continues to strengthen our brand engagement, expand our fans out-reach, and build up multi-channel monetization through sponsorship, advertisement, and distribution.

We believe Allied's ecosystem of esports branded properties gives it the reach, reputation and experience to produce world-class live events, in partnership with some of the most prominent names in the esports and entertainment industry. These live events provide Allied with the material to produce exciting content that can be distributed via three different formats, each of which has its own revenue generation model: live streaming, post-produced episodic content, and short-form repackaged content.

Live Streaming. According to a report by Streamlabs and Stream Hatchet, in 2022, viewers watched a total of 29.5 billion hours of live gaming content on popular streaming platforms such as Twitch, Youtube Gaming, and Facebook Gaming. This represents a decrease of 13.5% from the previous year's 34.0 billion hours, which may be attributed in part to the easing of COVID-19 restrictions and the subsequent recovery of live events and travel. Twitch is the most popular form of esports content delivery channel today, as it offers the best interactive experiences for the audience. Vast improvements in technology and Internet service and speed have made live streaming with large audiences widely available today. Well-known gamers live stream themselves playing their favorite games on any of the popular streaming services (Twitch, YouTube, Facebook Gaming, etc.) to a worldwide audience. The streamers derive revenue from ad sales, sponsorship, subscription fees and gift payments from spectators. Through Allied's ecosystem of esports arenas, Allied can offer streamers a large platform to put on live events that can be simultaneously streamed on both the streamer's channels and on Allied's channels.

Post-Produced Episodic Content. Allied continues to develop esports entertainment programming around its live experiences and, using its experienced editing and production teams, create serial, episodic content and segments that tell compelling storylines around its gaming talent, in person experiences, and gaming events around the world. Allied draws from its knowledge and experience in developing WPT, which took the slow-paced game of poker and dramatized it and created storylines that made for exciting and compelling viewing. This post-produced content can be valuable real estate for sponsors, as Allied can integrate sponsors seamlessly into the show in a way that feels organic to the viewers. Allied can focus on different storylines, create excitement via editing and music inclusion, and generally elevate the production quality from that achievable in a live stream. Allied can then monetize this episodic content via sponsorship, advertising, selling the content itself to third party distributors, or even use it as a marketing tool to drive customers to come to Allied's branded properties, buy its merchandise or otherwise interact with Allied.

Short-Form Repackaged Content. The library of content Allied will develop from events can be cut into smaller clips that can be used as marketing and promotion of the Allied brand on social media. Allied can also edit content to create new content, such as "best of" shows, focusing on one particular game as played by multiple well-known streamers, regional shows focusing on talent from a particular country, and so on.

Allied's global branded esports properties ecosystem will create opportunities for live events which provide material to develop great content, all of which Allied can monetize in multiple ways. The large customer base Allied develops through these in-person experiences, live streams and content distribution will give it a customer base to launch interactive services.

Interactive services

Newzoo's consumer research reveals that active engagement is becoming increasingly popular across all generations, with consumers spending nearly 15 hours per week engaging with games. Allied is well-positioned to capitalize on this trend by leveraging its unique physical assets, such as the HyperX Arena Las Vegas and Allied Esports Trucks' live events and broadcasting capabilities, as well as its technology partnerships.

The Company aims to become the world's leading live/virtual interactive space for content creators and broadcasters, with a particular emphasis on direct audience monetization through online ticket sales. Allied is working with various streaming technology partners to provide hyper-engaged, real-time interactive streaming experiences to a wide range of influencers, including YouTubers, Twitch streamers, podcasters, and sports stars.

By focusing on delivering highly interactive and engaging experiences to its audiences, Allied can unlock new revenue streams and provide a platform for influencers to monetize their content more effectively. With the potential for significant growth in the coming years, Allied is well-positioned to become a key player in the rapidly evolving world of interactive content monetization.

Corporate Organization

Our principal offices are located at 745 Fifth Avenue, Suite 500, New York, NY 10151, and our telephone number at that office is (646) 768-4241.

Allied Gaming & Entertainment Inc., ("AGAE"), formerly known as Allied Esports Entertainment Inc., or "AESE", and prior to that was known as Black Ridge Acquisition Corp, or "BRAC", was incorporated in Delaware on May 9, 2017 as a blank check company for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities.

Allied Esports Media, Inc. ("AEM"), a Delaware corporation, was formed in November 2018 to act as a holding company for Allied Esports International Inc. ("Allied Esports") and immediately prior to close of the Merger (as defined below) to also include Noble Link Global Limited ("Noble Link"). Allied Esports, together with its subsidiaries described below owns and operates the esports-related businesses of AGAE. Noble Link (prior to the AEM Merger) and its wholly owned subsidiaries Peerless Media Limited, Club Services, Inc. and WPT Enterprises, Inc. operated the poker-related business of AGAE prior to their sale on July 12, 2021, and are collectively referred to herein as "World Poker Tour" or "WPT." Prior to the Merger, as described below, Noble Link and Allied Esports were subsidiaries of Ourgame International Holdings Limited ("Ourgame").

On December 19, 2018, BRAC, Noble Link and AEM executed an Agreement and Plan of Reorganization (as amended from time to time, the “Merger Agreement”). On August 9, 2019 (the “Closing Date”), Noble Link was merged with and into AEM, with AEM being the surviving entity, which was accounted for as a common control merger (the “AEM Merger”). Further, on August 9, 2019, a subsidiary of AGAE merged with AEM pursuant to the Merger Agreement, with AEM being the surviving entity (the “Merger”). The Merger was accounted for as a reverse recapitalization, and AEM is deemed to be the accounting acquirer. Consequently, the assets and liabilities and the historical operations that are reflected in the combined financial statements prior to the Merger are those of Allied Esports and WPT.

The Company operates through its wholly owned subsidiaries Allied Esports International, Inc., (“AEII”), Esports Arena Las Vegas, LLC (“ESALV”) and Allied Esports GmbH (“AEGmbH”). AEII operates global competitive esports properties designed to connect players and fans via a network of connected arenas. ESALV operates a flagship gaming arena located at the Luxor Hotel in Las Vegas, Nevada. AEGmbH operates a mobile esports truck that serves as both a battleground and content generation hub and also operates a studio for recording and streaming gaming events. Due to the increasing uncertainty of macro-economic environment, the Company closed down the AEGmbH office in December 2022 and will manage its operations through Allied’s facilities in the U.S.

Our fiscal year ends December 31. Neither we nor any of our predecessors have been in bankruptcy, receivership, or any similar proceeding.

Government Regulation

Allied intends to offer subscribers the chance to win cash and prizes when playing esports games and tournaments on the esports gaming platform it intends to develop. Allied is subject to the complicated laws and regulations in various states or countries over sweepstakes, promotions and giveaways. Any negative finding of law regarding the characterization of the type of online activity carried out on the esports gaming platform could limit or prevent Allied’s ability to obtain subscribers in those jurisdictions. In addition, Allied is subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the Internet. In addition, laws and regulations relating to user privacy, data collection, retention, electronic commerce, consumer protection, content, advertising, localization, and information security have been adopted or are being considered for adoption by many jurisdictions and countries throughout the world.

Intellectual Property

We believe that to maintain a competitive advantage in the marketplace, we must develop and maintain protection of the proprietary aspects of our technology and our intellectual property. We rely on trademarks and other measures to protect our intellectual property, and vigorously defend such intellectual property as necessary (e.g. cease and desist letters directed to infringing third parties).

Allied has one (1) patent in the U.S. related to systems and methods for latency in networked competitive multiplayer gaming that was issued by the UPSTO in July 2020. In addition to the patent, Allied’s intellectual property portfolio includes the following: (1) approximately sixty (60) registered domain names, (2) an exclusive worldwide (excluding the PRC) casual gaming software license, and (3) approximately twenty-five (25) trademarks, including, but not limited to, “Allied” – which has been filed in the U.S., “Allied” – which bold mark has been filed in China and Europe; the “Allied” logos – which have been filed in the U.S. and Europe; the “Allied Member Property Network” logo – which has been filed in the U.S., China, and Europe; the “Big Betty” logos – which have been registered in Europe; “Esports Superstars” logo – which has been filed in the U.S.; “Legend Series” logo – which has been filed in the U.S. and Europe; the “Allied” emblem – which has been filed in China and Europe, and “Glory Road” – which has been filed in the U.S. Allied updates its intellectual property portfolio from time to time as appropriate.

Competition

The esports gaming industry is competitive. Competitors range from established leagues and championships owned directly, as well as leagues franchised by well-known and capitalized game publishers and developers, interactive entertainment companies, diversified media companies and emerging start-ups. New competitors will likely continue to emerge, and many of these competitors will have greater financial resources than Allied.

The esports and entertainment business is a rapidly growing industry, and there are several competitors that Allied may face. Some of the key potential competitors include:

1. Other esports organizations such as ESL and Faceit, which also host esports tournaments and events.
2. Gaming lifestyle influencers network such as FaZe Clan, 100thieves, which owns gaming influencers that have strong brand partnerships could create competition to Allied on sponsorship and advertising revenue.
3. Gaming companies such as Tencent, Activision Blizzard, and Electronic Arts, which are involved in game development and also host their own esports events in their own selected venues.
4. Live entertainment companies such as Live Nation and AEG, which also host live events and concerts and may expand into the esports space.
5. Traditional media companies such as ESPN and Turner Broadcasting, which have created their own esports leagues and are broadcasting esports events on their networks.

Overall, the esports and entertainment industry is becoming increasingly competitive, with many players vying for a share of the growing market. To succeed in this industry, Allied will need to continue to innovate and differentiate us from our competitors, while also providing compelling and engaging experiences for their audiences.

Territories

We sell products and services worldwide and collaborate with global brands targeting worldwide gaming communities. Our esports tournaments attract participants from North America, Latin America, Europe, the Middle East, and Asia. Our live events and original content are streamed on global platforms such as Twitch and YouTube, making them accessible to audiences around the world. Additionally, we use various social media platforms such as Twitter, Instagram, TikTok and advertising platforms such as Google ad and Facebook to increase awareness.

Employees

As of March 24, 2023, we had 78 employees, including 29 employees that operated under collective-bargaining agreements.

Available Information

Our company's website address is <https://www.alliedesports.gg/>. Through this website, Allied's filings with the Securities and Exchange Commission ("SEC"), including its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and any amendments to those reports, as well as proxy statements and other documents, are accessible (free of charge) as soon as reasonably practicable after materials are electronically filed or furnished to the SEC. The information provided on our website is not part of this or any other report we file or furnish to the SEC. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding issues that file electronically with the SEC. Our filings with the SEC are available to the public on the SEC's website at <http://www.sec.gov>.

Item 1A. Risk Factors

Investing in our securities involves a high degree of risk. You should carefully consider the specific risks described below before making an investment decision. Any of the risks we describe below could cause our business, financial condition, results of operations or future prospects to be materially adversely affected.

The market price of our common stock could decline if one or more of these risks and uncertainties develop into actual events and you could lose all or part of your investment. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition, results of operations or future prospects. Amounts within the “Risk Factors” section are stated in thousands with the exception of share information.

Risks Related to Our Business Operations

We may not be able to execute successfully our recently announced new strategic and business plans.

As a result of our sale of the WPT business in July 2021, we have disposed of substantially all of our operating assets other than cash, investments and our esports business. In December 2022, we announced plans to restructure our existing esports business and expand its focus to include a broader array of entertainment and gaming products and services. Under this plan, we intend to pursue multiple channels of opportunities instead of a single significant corporate transaction such as an acquisition of complimentary assets or businesses, and we 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. However, we may encounter difficulties and challenges in the implementation of our plans, including but are not limited to:

- Lack of experiences and expertise in new markets and offerings;
- Intense competition with other more well-established players;
- Inability to create content and products that attract gamers, consumers and other customers;
- Failure to secure partnership and collaborators to execute our plans;
- Inability to identify and develop viable targets in acquisitions and joint ventures;
- Lack of resources and strategic support in pursuing new opportunities;
- Inability to implement successful sales and marketing efforts and to secure sponsorship;
- Macroeconomic trend and slowdown in gaming and entertainment industries;
- Difficulties in obtaining investment and capital to fund desired projects; and
- Higher costs in regulatory compliance requirements.

If we are not able to execute our strategies and plans successfully and timely, we will not be able to grow our business and generate sufficient revenue to achieve profitability, which may adversely affect your investment in our stock. In addition, if our new strategic plan fails, we will not be able to rely on our existing Allied Esports business to generate positive financial performance and may be required to seek other options and alternatives to continue our business operations, which may be subject to new risks and uncertainties.

Allied is subject to risks associated with operating in a rapidly developing industry and a relatively new market.

Many elements of Allied's business are unique, evolving and relatively unproven. Its business and prospects depend on the continuing development of live streaming of competitive esports gaming. The market for esports gaming competition is relatively new and rapidly developing and is subject to significant challenges. Allied's business relies upon its ability to grow and garner an active gamer community, and successfully monetize this community through tournament fees, live event ticket sales, and advertising and sponsorships. In addition, Allied's continued growth depends, in part, on its ability to respond to constant changes in the esports gaming industry, including technological evolution, shifts in gamer trends and demands, introductions of new games, game publisher intellectual property right practices, and industry standards and practices. While change in this industry may be inevitable, and Allied will try to adapt its business model as needed to accommodate change and remain on the forefront of its competitors, Allied may be unsuccessful in doing so and does not provide any guarantees or assurances of success as the industry continues to evolve.

Allied may not be able to generate sufficient revenue to achieve and sustain profitability.

Allied expects its operating expenses to increase significantly as it continues to expand its marketing efforts and operations in existing and new geographies and vertical markets (including its online esports tournament and gaming subscription platform it intends to develop). In addition, Allied expects to continue to incur significant legal, accounting and other expenses related to being a public company. If its revenue declines or fails to grow at a rate faster than these increases in operating expenses, it will not be able to achieve profitability in future periods. As a result, Allied may generate losses. Allied cannot assure you that it will achieve profitability.

Allied generates a portion of its revenues from advertising and sponsorship. If it fails to attract more advertisers and sponsors to its live events, tournaments or content, or if advertisers or sponsors are less willing to advertise with or sponsor Allied, its revenues may be adversely affected.

Allied generates revenue from advertising and sponsorship, and it expects to further develop and expand its focus on these revenues in the future. These revenues partly depend on the advertisers' willingness to advertise in the esports gaming industry. If the esports gaming advertising and sponsorship market does not continue to grow, or if Allied is unable to capture and retain a sufficient share of that market, Allied's ability to achieve profitability may be materially and adversely affected. Furthermore, with unfavorable economic external factors, sponsors and advertisers may not have enough budget allocations for spending in sponsorship and advertising in esports, which would also lead to an adverse impact on Allied's revenue stream.

Allied's business model may not remain effective and it cannot guarantee that its future monetization strategies will be successfully implemented or generate sustainable revenues and profit.

Allied generates revenues from advertising and sponsorship of its live events, its content, the sale of merchandising, and the operation of its esports arenas. Allied has generated, and expects to continue to generate, a substantial portion of revenues using this revenue model in the near term. Although Allied anticipates growth in Allied's business utilizing this revenue model, there is no guarantee that growth will continue in the future, and the demand for its offerings may change, decrease substantially or dissipate, or it may fail to anticipate and serve esports gamer demands effectively. Public health crises, such as the COVID-19 pandemic may also continue to cause the demand for our in-person events to reduce and shift demand to online gaming. Allied may determine to enter into new opportunities to expand its business, including online gaming platforms, which may or may not be successful. Any such expansions involve additional risks and costs that could materially and adversely affect its business.

Even if Allied is able to license its brand to third party esports operators, there is a risk that those operators could damage its brand by operating esports arenas that are not at Allied's standards of operation.

As Allied licenses the Allied brand to third party esports arena operators around the world, it will depend on those operators to run those arenas at a quality level similar to Allied's owned and operated arenas. Allied's strategy depends on customers associating the third party esports arenas as part of Allied's network of affiliated arenas, which it believes will expand its brand recognition and increase customers, revenue, and growth. If Allied's affiliate arenas are poorly operated, or if those operators fail to use Allied's name and branding in a manner consistent with Allied's corporate messaging and branding, or if there are safety issues or other negative occurrences at affiliate arenas, Allied's name and brand could be significantly damaged, which would make its expansion difficult and materially adversely affect its results of operations and financial condition.

Allied's long-term growth strategy includes deploying additional mobile arenas in the U.S. and Europe to host its tournaments and events and it must operate them profitably.

A key element of Allied's long-term growth strategy is to extend its brand by increasing and adding to its portfolio of mobile arenas in the U.S. and Europe, as we believe doing so will provide attractive returns on investment. Adding these mobile arenas will depend upon a number of factors, many of which are beyond Allied's control, including but not limited to our ability, or the ability of our licensees, to:

- reach acceptable agreements regarding the lease or acquisition of the trucks that are the basis of the mobile arenas;
- comply with applicable zoning, licensing, land use and environmental regulations and orders and obtain required permits and approvals;
- raise or have available an adequate amount of cash or currently available financing for construction of the mobile arenas and the related operational costs;
- timely hire, train and retain the skilled management and other employees necessary to operate the mobile arenas;
- efficiently manage the amount of time and money used to build and operate each new mobile arena; and
- manage the risks of road hazards, accidents, traffic violations, etc. that may impede the operations of the mobile arenas.

The nature of hosting esports events exposes Allied to negative publicity or customer complaints, including in relation to, among other things, accidents, injuries or thefts at the arenas, and health and safety concerns.

Allied's business of hosting esports events inherently exposes it to negative publicity or customer complaints as a result of accidents, injuries or, in extreme cases, deaths arising from incidents occurring at our arenas, including health, safety or security issues, and quality and service standards. Even isolated or sporadic incidents or accidents may have a negative impact on Allied's brand image and reputation, the arenas' popularity with gamers and spectators or the ability to host esports events at all.

Allied's marketing and advertising efforts may fail to resonate with gamers.

Allied's live events, tournaments and competitions are marketed through a diverse spectrum of advertising and promotional programs such as online and mobile advertising, marketing through websites, event sponsorship and direct communications with the esports gaming community including via email, blogs and other electronic means. An increasing portion of Allied's marketing activity is taking place on social media platforms that are either outside, or not totally within, its direct control. Changes to gamer preferences, marketing regulations, privacy and data protection laws, technology changes or service disruptions may negatively impact its ability to reach target gamers. Allied's ability to market its tournaments and competitions is dependent in part upon the success of these programs.

The esports gaming industry is competitive, and gamers may prefer competitors' arenas, leagues, competitions or tournaments over those offered by Allied.

The esports gaming industry is competitive. Competitors range from established leagues and championships owned directly, as well as leagues franchised by well-known and capitalized game publishers and developers, interactive entertainment companies, diversified media companies and emerging start-ups. New competitors will likely continue to emerge. Many of these competitors may have greater financial resources than Allied. If Allied's competitors develop and launch competing arenas, leagues, tournaments or competitions, Allied's revenue and margins could decline.

Allied may not provide events or tournaments with games or titles for which the esports gaming community is interested.

Allied must attract and retain the popular esports gaming titles in order to maintain and increase the popularity of its live events, leagues, tournaments and competitions. Allied must identify and license popular games that resonate with the esports gamer community on an ongoing basis. Allied cannot assure you that it can attract and license popular esports games from their publishers, and failure to do so would have a material and adverse impact on Allied's results of operations and financial conditions.

If Allied fails to keep its existing gamers engaged, acquire new gamers and expand interest in its live events, leagues, tournaments and competitions, its business, its ability to achieve profitability and its prospects may be adversely affected.

Allied's success depends on its ability to maintain and grow the number of gamers attending its live events, tournaments and competitions, and keep its gamers and attendees highly engaged. In order to attract, retain and engage gamers and remain competitive, Allied must continue to develop and expand its live events, leagues, produce engaging tournaments and competitions, and implement new content formats, technologies and strategies to improve its product offerings. There is no assurance it will be able to do so.

A decline in the number of gamers may adversely affect the engagement level of gamers with Allied's tournament and entertainment platform under development may reduce our revenue opportunities and have a material and adverse effect on our business, financial condition and results of operations.

It is vital to Allied's operations that its planned online esports tournament and gaming subscriptions platform be responsive to evolving gamer preferences and offer first-tier esports game content and other services that attracts gamers. Allied must also keep providing gamers new features and functions to enable superior content viewing and interaction, or the number of gamers utilizing the platform will likely decline. Any decline in the number of gamers will likely have a material and adverse effect on our operations.

There is no guarantee that Allied will be able to complete its planned online esports tournament and gaming subscription platform, or that such platform once completed will be or remain popular.

Allied cannot assure you that the online esports tournament and gaming subscription platform it intends to develop will be completed in a timely manner or, if completed, become popular with gamers to offset the costs incurred to operate and expand it. This will require substantial costs and expenses. If such increased costs and expenses do not effectively translate into improved gamer engagement, Allied's results of operations may be materially and adversely affected.

If Allied fails to maintain and enhance its brands, its business, results of operations and prospects may be materially and adversely affected.

Allied believes that maintaining and enhancing its brands is important for its business to succeed by increasing the number of gamers and engagement by the esports community. Since Allied operates in a highly competitive market, brand maintenance and enhancement directly affects its ability to maintain and enhance its market position. As Allied expands, it may conduct various marketing and brand promotion activities using various methods to continue promoting its brands, but it cannot assure you that these activities will be successful. In addition, negative publicity, regardless of its veracity, could harm Allied's brands and reputation, which may materially and adversely affect Allied's business, results of operations and prospects.

If Allied fails to anticipate and successfully implement new esports technologies or adopt new business strategies, technologies or methods, its business may suffer.

Rapid technology changes in the esports gaming market requires Allied to anticipate, sometimes years in advance, which technologies it must develop, implement and take advantage of in order to be and remain competitive in the esports gaming market. Allied has invested, and in the future may invest, in new business strategies including its to-be-developed online esports tournament and entertainment subscription platform, technologies, products, or games to engage a growing number of gamers and deliver the best gaming experiences possible. These endeavors involve significant risks and uncertainties, and no assurance can be given that the technology it adopts and the features it pursues will be successful. If Allied does not successfully implement these new technologies, its reputation may be materially adversely affected and its financial condition and operating results may be impacted.

Allied uses third-party services in connection with its business, and any disruption to these services could result in a disruption to its business, negative publicity and a slowdown in the growth of its users, materially and adversely affecting its business, financial condition and results of operations.

Allied's business depends on services provided by, and relationships with, various third parties, including cloud hosting, server operators, broadband providers, and computing peripheral suppliers, among others. The failure of any of these parties to perform in compliance with our agreements may negatively impact Allied's business.

Additionally, if such third parties increase their prices, fail to provide their services effectively, terminate their service or agreements or discontinue their relationships with Allied, Allied could suffer service interruptions, reduced revenues, or increased costs, any of which may have a material adverse effect on its business, financial condition, and results of operations.

Allied may not be able to procure the necessary permits and licenses to operate its arenas.

Allied must obtain certain permits and licenses, including liquor licenses, to operate its arenas. Often these processes can be expensive and time consuming. There is no guarantee that Allied will be able to obtain such permits and licenses on a timely or cost-effective basis. Any delays could jeopardize the ability of Allied to operate the arenas and host events. As a result, Allied's business could suffer.

Rules and regulations governing sweepstakes, promotions and giveaways vary by state and country and these rules and regulations could restrict or eliminate Allied's ability to generate revenues on its esports gaming platform it intends to develop, which could materially and adversely impact the viability of this business.

As part of its esports gaming platform to be developed, Allied intends to offer subscribers the chance to win cash and prizes when playing esports games and tournaments on the platform. Awarding cash and prizes would require compliance with the laws or regulations in various states or countries over sweepstakes, promotions and giveaways, which are complex and constantly changing. Any negative finding of law regarding the characterization of the type of online activity carried out on the esports gaming platform could limit or prevent Allied's ability to obtain subscribers in those jurisdictions, which in turn could significantly impact Allied's ability to generate revenue. The ability or willingness to work with Allied by payment processors and other service providers necessary to conduct the esports gaming platform business also may be limited due to such changes in laws or any perceived negative consequences of engaging in the business of sweepstakes, promotions and giveaways that will be utilized by the esports gaming platform.

Negotiations with unionized employees could delay opening or operating Allied's arenas.

Certain of Allied's employees are represented by one or more unions. Allied will need to engage such unions to seek to employ the services of the employees on mutually acceptable terms. However, Allied cannot guarantee that such negotiations will be timely concluded to avoid interruption in its tournament schedule, or that such negotiations will ultimately result in an agreement. Any failure to timely conclude the negotiations could cause a delay in Allied's ability to timely open arenas or host events. Either of these events would adversely affect Allied's ability to achieve profitability.

Allied's business is subject to regulation, and changes in applicable regulations may negatively impact its business.

Allied is subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the Internet. In addition, laws and regulations relating to user privacy, data collection, retention, electronic commerce, consumer protection, content, advertising, localization, and information security have been adopted or are being considered for adoption by many jurisdictions and countries throughout the world. These laws could harm Allied's business by limiting the products and services it can offer consumers or the manner in which it offers them. The compliance costs for these laws may increase in the future as a result of changes in interpretation. Furthermore, Allied's failure to comply with these laws or the application of these laws in an unanticipated manner may harm its business and result in penalties or significant legal liability.

Allied has historically operated at a net loss on a consolidated basis, and there is no guarantee that that it will be able to be profitable.

The historical operations of Allied have resulted in net losses from continuing operations of \$11.1 million and \$15.1 million for the years ended December 31, 2022 and 2021, respectively. We do not know with any degree of certainty whether or when the consolidated operations of Allied will become profitable. Even if we are able to achieve profitability in future periods, we may not be able to sustain or increase our profitability in successive periods.

We have formulated our business plans and strategies based on certain assumptions regarding the acceptance of our business model and the marketing of our products and services. Nevertheless, our assessments regarding market size, market share, market acceptance of our products and services and a variety of other factors may prove incorrect. Our future success will depend upon many factors, including factors beyond our control and those that cannot be predicted at this time.

Forecasts of our market and market growth may prove to be inaccurate, and even if the markets in which we compete achieve the forecasted growth, there can be no assurance that our business will grow at similar rates, or at all.

Growth forecasts included in SEC filings relating to our market opportunities and the expected growth in those markets are subject to significant uncertainty and are based on assumptions and estimates which may prove to be inaccurate. We also plan to operate in a number of foreign markets, and a downturn in any of those markets could have a significant adverse effect on our businesses. Even if these markets meet our size estimate and experiences the forecasted growth, we may not grow our business at a similar rate, or at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties. Accordingly, the forecasts of market growth should not be taken as indicative of our future growth.

Any actual or perceived failure by us to comply with our privacy policies or legal or regulatory requirements in one or multiple jurisdictions could result in proceedings, actions or penalties against us.

Allied has implemented various features intended to better comply with applicable privacy and security requirements in the collection and use of customer data, but these features do not ensure compliance and may not be effective against all potential privacy and data security concerns. A wide variety of domestic and foreign laws and regulations apply to the collection, use, retention, protection, disclosure, transfer, disposal and other processing of personal data. These data protection and privacy-related laws and regulations are evolving and may result in regulatory and public scrutiny and escalating levels of enforcement and sanctions. Our failure to comply with applicable laws and regulations, or to protect any personal data, could result in enforcement actions against us, including fines, claims for damages by customers and other affected individuals, damage to our reputation and loss of goodwill (both in relation to existing customers and prospective customers), any of which could adversely affect our business, operating results, financial performance and prospects.

Evolving and changing definitions of personal data and personal information within the European Union ("EU"), the United States and elsewhere may limit or inhibit our ability to operate or expand our business. In jurisdictions outside of the United States, we may face data protection and privacy requirements that are more stringent than those in place in the United States. We are at risk of enforcement actions taken by certain EU data protection authorities until such point in time that we may be able to ensure that all transfers of personal data to us in the United States from the EU are conducted in compliance with all applicable regulatory obligations, the guidance of data protection authorities and evolving best practices. The European General Data Protection Regulation ("GDPR") may impose additional obligations, costs and risks upon our business. The GDPR may increase substantially the penalties to which we could be subject in the event of any non-compliance. In addition, we may incur substantial expense in complying with the obligations imposed by the GDPR and we may be required to make significant changes in our business operations, all of which may adversely affect our revenues and our business overall.

Loss, retention or misuse of certain information and alleged violations of laws and regulations relating to privacy and data security, and any relevant claims, may expose us to potential liability and may require us to expend significant resources on data security and in responding to and defending such allegations and claims. In addition, future laws, regulations, standards and other obligations, and changes in the interpretation of existing laws, regulations, standards and other obligations could impair our ability to collect, use or disclose data relating to individuals, which could increase our costs and impair our ability to maintain and grow our customer base and increase our revenue.

Allied publicly posts its privacy policies and practices concerning processing, use and disclosure of the personally identifiable information provided to it by website visitors. Publication of such privacy policies and other statements published that provide promises and assurances about privacy and security can subject us to potential state and federal action if they are found to be deceptive or misrepresentative of actual policies and practices or if actual practices are found to be unfair. Evolving and changing definitions of what constitutes “Personal Information” and “Personal Data” within the EU, the United States and elsewhere, especially relating to classification of IP addresses, machine or device identification numbers, location data and other information, may limit or inhibit our ability to operate or expand our business, including limiting technology alliance relationships that may involve the sharing of data.

Our failure to raise additional capital or generate cash flows necessary to expand our operations and invest in new business initiatives in the future could reduce our ability to compete successfully and harm our operating results.

In the future we may need to raise additional funds, and we may not be able to obtain additional debt or equity financing on favorable terms, if at all. If we raise additional equity financing, our security holders may experience significant dilution of their ownership interests. If we engage in debt financing, we may be required to accept terms that restrict our ability to incur additional indebtedness, force us to maintain specified liquidity or other ratios or restrict our ability to pay dividends or make acquisitions. If we cannot raise capital on acceptable terms, or at all, we will not be able to execute successfully our business plans, including the inability to:

- develop and enhance our products and services;
- continue to expand our network of arenas;
- hire, train and retain employees;
- respond to competitive pressures or unanticipated working capital requirements; or
- pursue acquisition opportunities.

Although we have been able to fund our current working capital requirements through operations, debt and equity financing, there is no assurance that we will be able to do so in the future.

We may experience security breaches and cyber threats.

We face cyber risks and threats that could damage, disrupt or allow third parties to gain improper access to our networks and platforms, supporting infrastructure, intellectual property and other assets. In addition, we rely on technological infrastructure, including third party cloud hosting and broadband, provided by third party business partners to support the functionality of our platforms and content distribution. These business partners are also subject to cyber risks and threats. Such cyber risks and threats may be difficult to detect. The techniques that may be used to obtain unauthorized access or disable, degrade, exploit or sabotage these networks and gaming platforms change frequently and often are not detected. Our systems and processes and those of our third-party business partners may not be adequate. Any failure to prevent or mitigate security breaches or cyber risks, or respond adequately to a security breach or cyber risk, could result in interruptions to our platforms, degrade the gamer/user experiences, cause gamers/users to lose confidence in our platforms and cease utilizing them, as well as significant legal and financial exposure. This could harm our business and reputation, disrupt our relationships with partners and diminish our competitive position.

Global health threats, such as the current COVID-19 pandemic, could have a material adverse effect on our business.

Our business could be adversely affected by the effects of a widespread outbreak of contagious disease or global or regional epidemic or pandemic. A significant outbreak of contagious diseases in the human population, such as the COVID-19 pandemic could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for our products and services. As a global entertainment company that hosts numerous live events with spectators and participants in destination cities, such outbreak may cause people to avoid traveling to and attending our events, which will adversely affect our business operations and financial results.

Risks Related to Intellectual Property

Allied licensed certain brand names under agreements that have expired and may also be subject to claims of infringement of third-party intellectual property rights.

Allied's license with a third party to use the names "Esports Arena Las Vegas" and "Esports Arena Drive", which are part of the branding for its Las Vegas flagship esports arena location and its US-based mobile arena, respectively, ended in July 2021. Although Allied intends to market and promote its esports arenas using intellectual property it owns and controls, and is discontinuing use of such branding, there are no assurances that those efforts will be fruitful and that it will be able to maintain brand awareness once the license expires.

Furthermore, third parties may claim that Allied has infringed their intellectual property rights. Although Allied takes steps to avoid violating the intellectual property rights of others, it is possible that third parties still may claim infringement. Infringement claims against us, whether valid or not, may be expensive to defend and divert the attention of Allied's management and employees from business operations. Such claims or litigation could require Allied to pay damages, royalties, legal fees and other costs. Allied also could be required to stop offering, distributing or supporting esports games, its to-be-developed gaming platform or other features or services which incorporate the affected intellectual property rights, redesign products, features or services to avoid infringement, or obtain a license, all of which could be costly and harm its business.

Allied's technology, content and brands are subject to the threat of piracy, unauthorized copying and other forms of intellectual property infringement.

Allied regards its technology, content and brands as proprietary and takes measures to protect it from infringement. Piracy and other forms of unauthorized copying and use of technology, content and brands are persistent, and policing is difficult. Further, the laws of some countries do not protect intellectual property rights to the same extent as the laws of the United States, or are poorly enforced. Legal protection of Allied's rights may be ineffective in such countries, which could have a material adverse effect on its business, financial condition and results of operations.

Allied may not be able to prevent others from unauthorized use of its intellectual property, which could harm our business and competitive position.

Allied regards its registered trademark and pending trademarks, service marks, pending patents, domain names, trade secrets, proprietary technologies and similar intellectual property as critical to its success. Allied relies on trademark and patent law, trade secret protection and confidentiality and license agreements with its employees and others to protect its proprietary rights.

Allied has invested significant resources to develop its own intellectual property and acquire licenses to use and distribute the intellectual property of others. Failure to maintain or protect these rights could harm its business. In addition, any unauthorized use of our intellectual property by third parties may adversely affect its current and future revenues.

Allied may not be able to develop compelling intellectual property content or secure media content distributors to promote, sell, and distribute such content, which could harm its business and competitive position.

Allied intends to produce licensable content from the various live events, tournaments, and its own initiatives and brands to sell to viewers worldwide. There is no guarantee that it will be able to develop content that is compelling to its targeted customers. Media and gaming company competitors, many of which are better funded, are also creating content from esports events, and it will be difficult to create content that stands out and attracts customers. Furthermore, to carry out Allied's worldwide distribution plans, film and media distribution partners will be needed and, in the event, Allied is not able to secure content distributors on terms acceptable to Allied, this will have a significant adverse impact on revenue streams from the sale or licensing of intellectual property.

Allied has not entered into definitive license agreements with all game publishers that it currently has relationships with, and it may never do so.

Although Allied has relationships with many game publishers for tournament event and content experiences involving their respective intellectual properties and enters into definitive license agreements with such game publishers from time to time, Allied does not have definitive license agreements in place with all of its game publishers. No assurances can be given as to when or if it will be able to come to agreeable terms with game publishers for any future license agreements. If Allied is unable to come to mutually agreeable terms and enter into definitive license agreements with game publishers, game publishers may unilaterally choose to discontinue its relationship with Allied, thereby preventing Allied from offering tournament event and content experiences using their game intellectual property. Should game publishers choose not to allow Allied to offer tournament event and content experiences involving their intellectual property to Allied's customers, the popularity of Allied's tournaments and content may decline, which could materially and adversely affect its results of operations and financial condition.

General Risk Factors

The market price of shares of our common stock may be volatile, which could cause the value of your investment to decline.

The market price of our common stock may be highly volatile and could be subject to wide fluctuations. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of shares of our common stock regardless of our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors due to a number of potential factors, including variations in our quarterly operating results or dividends, if any, to stockholders, additions or departures of key management personnel, failure to meet analysts' earnings estimates, publication of research reports about our industry, litigation and government investigations, changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business, adverse market reaction to any indebtedness we may incur or securities we may issue in the future, changes in market valuations of similar companies or speculation in the press or investment community, announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments, adverse publicity about the industries we participate in or individual scandals, and, in response, the market price of shares of our common stock could decrease significantly. You may be unable to resell your shares of common stock at or above a price you feel is appropriate.

In the past few years, stock markets have experienced extreme price and volume fluctuations. In the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against these companies. Such litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

If our operating and financial performance in any given period does not meet the guidance that we provide to the public, the market price of our common stock may decline.

We may, but are not obligated to, provide public guidance on our expected operating and financial results for future periods. Any such guidance will be comprised of forward-looking statements subject to the risks and uncertainties described in our public filings and public statements. Our actual results may not always be in line with or exceed any guidance we have provided, especially in times of economic uncertainty. If, in the future, our operating or financial results for a particular period do not meet any guidance we provide or the expectations of investment analysts, or if we reduce our guidance for future periods, the market price of our common stock may decline as well. Even if we do issue public guidance, there can be no assurance that we will continue to do so in the future.

We incur increased costs and are subject to additional regulations and requirements as a result of being a public company, which could lower our profits or make it more difficult to run our business.

As a public company, we incur significant legal, accounting and other expenses that are not incurred by private companies, including costs associated with public company reporting requirements. We also have incurred and will continue to incur costs associated with the Sarbanes-Oxley Act, and related rules implemented by the SEC and the Nasdaq Capital Market. The expenses generally incurred by public companies for reporting and corporate governance purposes have been increasing. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. These laws and regulations also may make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our Board of Directors, on our board committees or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock on the Nasdaq market, fines, sanctions and other regulatory action and potentially civil litigation.

Our business depends substantially on the continuing efforts of our executive officers, key employees and qualified personnel, and our business operations may be severely disrupted if we lose the services of such personnel.

Our future success depends substantially on the continued efforts of our executive officers and key employees. If one or more of our executive officers or key employees are unable or unwilling to continue their services with us, we might not be able to replace them easily, in a timely manner, or at all. Since the esports gaming industry is characterized by high demand and intense competition for talent, we cannot assure you that we will be able to attract or retain qualified staff or other highly skilled employees. If any of our executive officers or key employees terminate their services with us, our business may be severely disrupted, our financial condition and results of operations may be materially and adversely affected and we may incur additional expenses to recruit, train and retain qualified personnel.

Through its wholly-owned subsidiary Primo Vital Limited, Ourgame International Holdings Limited (“Ourgame”) owns a significant percentage of our outstanding common stock, enabling it to exert significant influence over our operations and activities, which may affect the trading price of our common stock.

According to its SEC filings, Ourgame, through Primo Vital Limited, beneficially owns and controls approximately 35.8% of our outstanding common stock. Primo Vital Limited is entitled to full voting rights with respect to the shares of common stock that it owns. This concentrated ownership enables Ourgame to exert significant influence over all matters requiring stockholder votes, including: the election of directors; mergers, consolidations, acquisitions and other strategic transactions; the sale of all or substantially all of our assets and other decisions affecting our capital structure; amendments to our Certificate of Incorporation or our bylaws; and our winding up and dissolution. The interests of Ourgame may not always coincide with our interests or the interests of our other stockholders, and Ourgame’s influence may delay, deter or prevent acts that would be favored by us or our other stockholders. This concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of the Company. Also, Ourgame may seek to cause us to take courses of action that, in its judgment, could enhance its investments in us, but which might involve risks to our other stockholders or adversely affect us or our other stockholders. As a result, the market price of our shares could decline. In addition, this concentration of share ownership may adversely affect the trading price of our shares because prospective investors may perceive disadvantages in owning shares in a company such as our company with such a significant stockholder.

Our failure to achieve and maintain an effective system of disclosure controls and internal control over financial reporting could adversely affect our financial position and lower our stock price.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, and the rules and regulations of the applicable listing standards of Nasdaq. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. Effective internal controls are necessary for us to provide reliable financial reports. Nevertheless, all internal control systems, no matter how well designed, have inherent limitations. Even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management identified the following material weaknesses indicative of smaller reporting companies as of December 31, 2022:

- 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.

As a company with limited accounting resources, a significant amount of management's time and attention has been and will be diverted from our business to work toward compliance with these regulatory requirements. This diversion of management's time and attention may have a material adverse effect on our business, financial condition and results of operations.

These material weaknesses and any significant deficiencies could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and any annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we may be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to maintain our common stock listing on Nasdaq.

Increases in interest rates may cause the market price of our common stock to decline.

While interest rates have in recent years been at record low levels, the likely return to increases in interest rates may cause a corresponding decline in demand for equity investments. Any such increase in interest rates or reduction in demand for our common stock resulting from other relatively more attractive investment opportunities may cause the market price of our common stock to decline.

We have no current plans to pay cash dividends on our common stock; as a result, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.

We have no current plans to pay dividends on our common stock with the proceeds of the WPT sale transaction. Any future determination to pay dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual, legal, tax and regulatory restrictions, general business conditions and other factors that our board of directors may deem relevant. As a result, you may not receive any return on an investment in our common stock unless you sell your common stock for a price greater than that which you paid for it.

If securities or industry analysts do not publish research or reports about our business or publish negative reports, the market price of our common stock could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one of more of these analysts ceases coverage of us or fails to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume of our common stock to decline. Moreover, if one or more of the analysts who cover us downgrades our common stock or if our reporting results do not meet their expectations, the market price of our common stock could decline.

You will be diluted by the future issuance of common stock, preferred stock, or securities convertible into common or preferred stock, in connection with our incentive plans, acquisitions, capital raises or otherwise.

Our amended and restated certificate of incorporation authorizes us to issue these shares of common stock and options, rights, warrants and appreciation rights relating to common stock for the consideration and on the terms and conditions established by our Board of Directors in its sole discretion, whether in connection with acquisitions or otherwise.

In the future, we expect to obtain financing or to further increase our capital resources by issuing additional shares of our capital stock or offering debt or other equity securities, including senior or subordinated notes, debt securities convertible into equity or shares of preferred stock. Issuing additional shares of our capital stock or other equity securities or securities convertible into equity may dilute the economic and voting rights of our existing stockholders or reduce the market price of our common stock or both. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred shares, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may adversely affect the amount, timing or nature of our future offerings. As a result, holders of our common stock bear the risk that our future offerings may reduce the market price of our common stock and dilute their stockholdings in us.

Additionally, we have reserved an aggregate of 7,800,000 shares of common stock for issuance under our 2019 Equity Incentive Plan (as amended, the “2019 Plan”). Any common stock that we issue, including under our 2019 Plan or other equity incentive plans that we may adopt in the future, would dilute the percentage ownership held by our common stockholders. We have filed an effective registration statement on Form S-8 under the Securities Act to register shares of our common stock or securities convertible into or exchangeable for shares of our common stock issued pursuant to our 2019 Plan. Accordingly, shares registered under such registration statement will be available for sale in the open market upon issuance.

The Company’s amended and restated certificate of incorporation provides that, to the fullest extent permitted by law, the Court of Chancery of the State of Delaware will be the exclusive forum for certain legal actions between the Company and its stockholders, which could limit the Company’s stockholders’ ability to obtain a judicial forum viewed by the stockholders as more favorable for disputes with the Company or the Company’s directors, officers or employees.

The Company’s Certificate of Incorporation, as amended, provides that unless the Company consents in writing to the selection of an alternative forum, the sole and exclusive forum for any stockholder (including a beneficial owner) to bring (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company to the Company or the Company’s stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or the Certificate of Incorporation, as amended, or the Company’s Bylaws, or (iv) any action asserting a claim governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or if the Court of Chancery does not have jurisdiction, another state court located within the State of Delaware, or if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) in all cases subject to the court’s having personal jurisdiction over the indispensable parties named as defendants. This exclusive forum provision does not apply to suits brought to enforce a duty or liability created by the Exchange Act. It could apply, however, to a suit that falls within one or more of the categories enumerated in the exclusive forum provision and asserts claims under the Securities Act, inasmuch as Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rule and regulations thereunder. There is uncertainty as to whether a court would enforce such provision with respect to claims under the Securities Act, and our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to these provisions. These exclusive-forum provisions may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees.

If a court were to find the choice of forum provision contained in our Certificate of Incorporation, as amended, to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations, and financial condition. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to the Company's management.

Our Board of Directors' ability to issue undesignated preferred stock and the existence of anti-takeover provisions may depress the value of our common stock.

The Company's authorized capital includes 1,000,000 shares of undesignated preferred stock. Our Board has the power to issue any or all of the shares of preferred stock, including the authority to establish one or more series and to fix the powers, preferences, rights and limitations of such class or series, without seeking stockholder approval, subject to certain limitations on this power under Nasdaq listing requirements. Further, as a Delaware corporation, we are subject to provisions of the Delaware General Corporation Law regarding "business combinations." We may, in the future, consider adopting additional anti-takeover measures. The authority of our Board to issue undesignated stock and the anti-takeover provisions of Delaware law, as well as any future anti-takeover measures adopted by us, may, in certain circumstances, delay, deter or prevent takeover attempts and other changes in control of our company that are not approved by our Board. As a result, our stockholders may lose opportunities to dispose of their shares at favorable prices generally available in takeover attempts or that may be available under a merger proposal and the market price, voting and other rights of the holders of common stock may also be affected.

The failure of financial institutions or transactional counterparties could adversely affect our current and projected business operations and our financial condition and results of operations.

On March 10, 2023, Silicon Valley Bank ("SVB") was closed by the California Department of Financial Protection and Innovation, and the Federal Deposit Insurance Corporation ("FDIC") was appointed as receiver. Similarly, on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each entered into receivership. A statement by the Department of the Treasury, the Federal Reserve and the FDIC stated that all depositors of SVB would have access to all of their money after only one business day of closure, including funds held in uninsured deposit accounts. The standard deposit insurance amount is up to \$250,000 per depositor, per insured bank, for each account ownership category. Although we do not have any funds deposited with SVB and Signature Bank, we regularly maintain cash balances with other financial institutions in excess of the FDIC insurance limit. A failure of a depository institution to return deposits could impact access to our invested cash or cash equivalents and could adversely impact our operating liquidity and financial performance.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company's main offices are licensed and are located at 745 Fifth Avenue, Suite 500, New York, NY 10151. The Company considers this office space adequate for its current office operations. The initial term expired on July 31, 2022, and the Company has been on a month-to-month basis thereafter.

Allied operates its flagship arena, the HyperX Esports Arena Las Vegas, at the Luxor Casino on the Vegas strip, whose pyramid is one of the most visible landmarks in Las Vegas. This arena has 80 to 100 gaming stations, two bars, food service, private rooms, a production facility, and space for up to 1,000 people for events. The arena is custom-built for esports tournaments and has a broadcast-ready television studio to broadcast live events and produce content. The lease term expires on May 23, 2023 and the Company pays base rent of \$125,000 per month. The Company has the option to extend for an additional 60 months at \$137,500 per month.

Item 3. Legal Proceedings

For information regarding legal proceedings, see Note 12 "Commitments and Contingencies", to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

The Company is involved in various disputes, claims, liens and litigation matters arising out of the normal course of business. While the outcome of these disputes, claims, liens and litigation matters cannot be predicted with certainty, after consulting with legal counsel, management does not believe that, except as set forth above, the outcome of these matters, either individually or collectively, will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on the NASDAQ Capital Market under the symbol “AGAE.”

Holdings

On March 21, 2023, there were 23 holders of record of our common stock, one of which was Cede & Co., a nominee for The Depository Trust Company, or DTC. Shares of common stock that are held by financial institutions as nominees for beneficial owners are deposited into participant accounts at DTC, and are considered to be held of record by Cede & Co. as one stockholder.

Dividends

We anticipate that we will retain all available funds and any future earnings, if any, for use in the operation of our business and do not anticipate paying cash dividends in the foreseeable future. In addition, our future credit facilities and future debt instruments may materially restrict our ability to pay dividends on our common stock. Payment of future cash dividends, if any, will be at the discretion of our Board of Directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, the requirements of our current or then-existing debt instruments and other factors our Board of Directors deems relevant.

Recent Sales of Unregistered Securities

None.

Securities Authorized for Issuance Under Equity Compensation Plans

Information about our equity compensation plan in Item 12 of Part III of this Annual Report on Form 10-K is incorporated herein by reference.

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 Securities and Exchange Commission 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 since inception:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Program</u>	<u>Approximate Dollar Value of Shares Available to be Purchased Under the Program</u>
October 1, 2022 to October 31, 2022	-	\$ -	-	\$ -
November 1, 2022 to November 30, 2022	-	\$ -	-	\$ -
December 1, 2022 to December 31, 2022	581,746	\$ 1.02	581,746	\$ 9,389,438

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the financial statements and related for the years ended December 31, 2022 and 2021, which are included elsewhere in this Annual Report on Form 10-K. 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" elsewhere in this Annual Report on Form 10-K, and other factors that we have not identified.

The Company

Allied is a global experiential entertainment company focused on providing a growing audience of gamers with unique experiences through renowned assets, products, and services. Allied Esports International, Inc. operates global competitive esports properties designed to connect players and fans via a network of connected arenas. Esports Arena Las Vegas, LLC operates a flagship gaming arena located at the Luxor Hotel in Las Vegas, Nevada. Allied Esports GmbH operates a mobile esports trucks that serves as both a battleground and content generation hub and also operates a studio for recording and streaming gaming events. 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 of its business operations 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 complimentary 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.

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 its partnerships with live streamers, post-produced episodic content, and short-form repackaged content. Allied's interactive services include strategic partnerships with various content creators, broadcasters, and streaming technology partners to provide interactive streaming experiences with a wide range of influencers.

Allied Esports

Gaming is one of the largest and fastest growing markets in the entertainment sector, with an estimated 2.56 billion gamers playing esports globally, and esports is the major driver of this growth. Esports, short for "electronic sports," is a general label that comprises a diverse offering of competitive electronic games that gamers play against each other. It is projected that by 2023, 646 million people will be watching esports globally, and that global esports revenue will grow to approximately \$1.5 billion.

The esports gaming industry is relatively new and is challenging. Competition is rapidly developing. Allied's business relies upon its ability to grow and garner an active gamer community, and successfully monetize this community through tournament fees, live event ticket sales, and advertising and sponsorships utilizing a three-pillar approach, which includes:

- in-person experiences;
- developing multiplatform content; and
- providing interactive services.

Its growth also depends, in part, on its ability to respond to technological evolution, shifts in gamer trends and demands, introductions of new games, game publisher intellectual property right practices, and industry standards and practices. While change in this industry may be inevitable, Allied Esports will try to adapt its business model as needed to accommodate change and remain on the forefront of its competitors.

Allied's business plan requires significant capital expenditures, and it expects its operating expenses to increase significantly as it continues to expand its marketing efforts and operations in existing and new geographies and vertical markets (including its online esports tournament and gaming subscription platform it intends to develop). A key element of Allied's growth strategy is to extend its brand by opening additional flagship arenas throughout the world and by licensing the Allied brand to third party esports arena operators, which it believes will provide attractive returns on investment.

COVID-19 Pandemic. The COVID-19 pandemic had an adverse effect on the Company. As a global entertainment company, our business revenue is generated through live, in person events with participants and spectators in multiple destination cities. The pandemic resulted in government regulation and restrictions on travel, resulting in significantly decreased attendance for our events. Allied was forced to cancel or postponed live events, and until Allied's flagship gaming arena located at the Luxor Hotel in Las Vegas, Nevada reopened on June 25, 2020, operate online only. The arena is currently running at full capacity for daily play and weekly tournaments. During the course of 2022, the risks of the COVID-19 pandemic largely subsided and restrictions on live, in-person events were lifted. While the COVID-19 pandemic adversely affected our financial performance during fiscal year 2022, we do not anticipate such an adverse effect in 2023.

Results of Operations

Continuing Operations

Our continuing operations consist of our esports gaming operations, which take place at global competitive esports properties designed to connect players and fans via a network of connected arenas. Through our subsidiary Allied Esports, 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, produce and distribute esports content with at our on-site production facilities and studios. At our flagship arena in Las Vegas, Nevada, we provide an attractive facility for hosting corporate events, tournaments, game launches or other events. Additionally, Allied Esports has two mobile esports arenas, which are 18-wheel semi-trailers that convert into first class esports arenas and competition stages with full content production capabilities and interactive talent studios.

Discontinued Operations

The World Poker Tour is an internationally televised gaming and entertainment with brand presence in land-based poker tournaments, television, online and mobile. Leading innovation in the sport of poker since 2002, WPT helped ignite the global poker boom with the creation of a unique television show based on a series of high-stakes poker tournaments.

Sale of WPT Business. On January 19, 2021, the Company and its direct and indirect wholly-owned subsidiaries, Allied Esports Media, Inc. (“Esports Media,” and together with the Company, the “Selling Parties”) and Club Services, Inc. (“CSI”), entered into a Stock Purchase Agreement (the “Original Agreement”) with Element Partners, LLC (“Buyer”), pursuant to which the Selling Parties sold 100% of the outstanding capital stock of CSI to the Buyer. Prior to the sale of CSI capital stock, CSI was the Company’s indirect wholly-owned subsidiary that owned 100% of the outstanding capital stock of each of the legal entities that collectively operate or engage in the Company’s poker-related business and assets (the “WPT Business”). The sale of CSI is referred to herein as the “Sale Transaction”. The Selling Parties, CSI and Buyer entered into an Amended and Restated Stock Purchase Agreement on March 19, 2021, and thereafter amended such agreement on March 29, 2021 (as amended, the “Stock Purchase Agreement”).

Under the Stock Purchase Agreement, the Buyer agreed to pay Esports Media a total purchase price of \$105 million for the stock of CSI (the “base purchase price”) at the closing of the Sale Transaction, as further described below. The base purchase price was adjusted to reflect the amount of CSI’s cash, indebtedness and accrued and unpaid transaction expenses as of the closing of the Sale Transaction. Buyer remitted a \$10.0 million advance payment of the base purchase price in connection with the execution of the Stock Purchase Agreement and paid the balance of the base purchase price at the closing of the Sale Transaction.

The sale of the WPT business was closed on July 12, 2021 for \$106.0 million. The Company recorded a gain on the sale of WPT as follows:

Cash consideration for sale of WPT⁽¹⁾	\$ 106,049,884
Less: book value of assets sold	
Cash	3,579,988
Accounts receivable	2,999,352
Restricted cash	100,000
Prepaid expenses and other assets	264,385
Property and equipment, net	1,429,706
Goodwill	4,083,621
Intangible assets, net	10,986,463
Deposits	79,500
Deferred production costs	12,684,054
Net book value of assets sold	<u>36,207,069</u>
Add: liabilities assumed by buyer	
Accounts payable	487,579
Accrued expenses and other liabilities	5,567,072
Deferred revenue	1,807,176
Deferred rent	2,619,967
Total liabilities assumed	<u>10,481,794</u>
Less: transaction expenses⁽²⁾	<u>2,465,774</u>
Gain on sale of WPT⁽³⁾	<u>\$ 77,858,835</u>

(1) Includes \$105,120 of post-closing adjustments.

(2) Includes \$1,165,774 of legal and professional fees and \$1,300,000 of amounts reimbursed to the Company’s principal stockholder. See Note 7 - Accrued Expense and Other Current Liabilities for additional details.

(3) Management has determined that there are no current federal or state income taxes payable in connection with the sale of WPT, after considering the Company’s tax basis in the stock of WPT, as well as the Company’s projected tax losses for the 2021 tax year.

Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

(in thousands)	For the Years Ended December 31,		Favorable (Unfavorable)
	2022	2021	
Revenues:			
In-person	\$ 6,101	\$ 4,201	\$ 1,900
Multiplatform content	251	755	(504)
Total Revenues	6,352	4,956	1,396
Costs and Expenses:			
In-person (exclusive of depreciation and amortization)	4,994	3,689	(1,305)
Multiplatform content (exclusive of depreciation and amortization)	110	387	277
Selling and marketing expenses	235	294	59
General and administrative expenses	10,482	13,053	2,571
Depreciation and amortization	2,065	3,306	1,241
Impairment of property and equipment	68	-	(68)
Impairment of digital assets	164	-	(164)
Loss From Operations	(11,766)	(15,773)	4,007
Gain on forgiveness of PPP loans and interest	-	912	(912)
Other income, net	153	69	84
Interest income (expense), net	789	(268)	1,057
Loss from continuing operations	(10,824)	(15,060)	4,236
Income from discontinued operations	-	67	(67)
Gain on sale of WPT	-	77,859	(77,859)
Income from discontinued operations, net of tax	-	77,926	(77,926)
Net income (loss)	\$ (10,824)	\$ 62,866	\$ (73,690)

Revenues

In-person experience revenues increased by approximately \$1.9 million, or 45%, to approximately \$6.1 million for the year ended December 31, 2022 from approximately \$4.2 million for the year ended December 31, 2021. The increase of in-person experience revenues was driven by (a) a \$1.1 million increase in sponsorship revenue from a new contract entered into in the first quarter of 2022, (b) a \$0.4 million increase in food and beverage, ticket and gaming and merchandising revenue primarily attributable to the removal of COVID-19 pandemic-related capacity restrictions at the Company's HyperX Esports Arena in Las Vegas on June 1, 2021, and (c) a \$0.4 million increase in event revenue. The \$0.4 million increase in event revenue included a \$1.1 million increase in studio and truck rental revenue, \$0.3 million increase in HyperX Esports Arena event revenue primarily attributable to larger events occurring in 2022 compared to 2021 and a \$1.0 million decrease in rental revenue that was driven by a new contract entered into in 2021 that did not renew in 2022.

Multiplatform content revenues decreased by approximately \$504 thousand, or 67%, to approximately \$251 thousand for the year ended December 31, 2022 from approximately \$755 thousand for the year ended December 31, 2021. The decrease of multiplatform content revenues was driven by a contract entered into in the second quarter of 2021 that did not renew in 2022.

Costs and expenses

In-person costs (exclusive of depreciation and amortization) increased by approximately \$1.3 million, or 35%, to approximately \$5.0 million for the year ended December 31, 2022 from approximately \$3.7 million for the year ended December 31, 2021. The increase of in-person costs was driven by (a) a \$1.8 million increase in event costs resulting from larger events and additional tournaments with higher payouts primarily attributable to the removal of COVID-19 pandemic-related capacity restrictions at the Company's HyperX Esports Arena in Las Vegas on June 1, 2021, and (b) \$0.4 million of higher truck costs resulting from the additional truck stops for our NASCAR events. This was offset by a decrease of \$0.9 million in production costs driven by the new contract entered into in 2021 which did not renew in 2022.

Multiplatform content costs (exclusive of depreciation and amortization) decreased by approximately \$277 thousand, or 72%, to approximately \$110 thousand for the year ended December 31, 2022 from approximately \$387 thousand for the year ended December 31, 2021. The decrease in multiplatform content costs corresponds to higher costs in the second quarter of 2021 resulting from a new contract that did not renew in 2022. This was partially offset by an increase in costs associated with the sale of NFT for the year ended December 31, 2022.

Selling and marketing expenses decreased by approximately \$59 thousand, or 20%, to approximately \$235 thousand for the year ended December 31, 2022 from approximately \$294 thousand for the year ended December 31, 2021. The decrease in selling and marketing expenses was driven by higher expenses in 2021 as the Company increased marketing efforts to increase awareness of the HyperX Esports Arena in Las Vegas reopening to full capacity.

General and administrative expenses decreased by approximately \$2.6 million, or 20%, to approximately \$10.5 million for the year ended December 31, 2022 from approximately \$13.1 million for the year ended December 31, 2021. The decrease in general and administrative expenses resulted from higher expenses during the twelve months ended December 31, 2021 as follows: (i) \$1.1 million in stock-based compensation from the issuance of director grants and restricted stock units issued to the Company's former CEO during 2021; (ii) \$0.7 million in legal and professional fees related to the sale of WPT; and (iii) \$1.1 million in corporate payroll and bonus; and (iv) \$0.1 million in other general and administrative expenses. The decrease in corporate payroll expense from 2021 was offset by a \$0.4 million increase in 2022 severance benefit expenses incurred in connection with the termination of our former CEO.

Depreciation and amortization decreased by approximately \$1.2 million, or 38%, to approximately \$2.1 million for the year ended December 31, 2022, from approximately \$3.3 million for the year ended December 31, 2021. The decrease was primarily due to an out-of-period adjustment of \$0.6 million to correct the amortization of leasehold improvements in prior periods.

Impairment of property and equipment was approximately \$68 thousand for the year ended December 31, 2022 compared to \$0 for the year ended December 31, 2021. The impairment resulted from management's determination that the projected cash flows from certain equipment will not be sufficient to recover the carrying value of those assets.

We recognized an impairment of digital assets of approximately \$164 thousand for the year ended December 31, 2022. The impairment loss is a result of the market price on active exchanges falling below the carrying value of the digital assets. The Company did not have any Ether or other digital assets on the books during the year ended December 31, 2021.

Gain on forgiveness of PPP loans and interest

We recognized a gain on the full forgiveness of the PPP loans and related interest of approximately \$912 thousand during the year ended December 31, 2021.

Other income, net

We recognized other income, net, of approximately \$153 thousand during the year ended December 31, 2022, compared to \$69 thousand recorded for the year ended December 31, 2021. The increase was due to the reversal of an income tax payable that was no longer due. This was slightly offset by changes in the fair value of the warrant liability in 2022.

Interest income (expense), net

Interest income (expense), net was approximately \$0.8 million and approximately \$(0.3) million for the years ended December 31, 2022 and 2021, respectively, representing an increase of interest income of approximately \$1.1 million, or 394%. The decrease in interest expense was a result of the use of the proceeds of the sale of WPT to offset the principal balance of notes payable and convertible notes outstanding during the period. Interest income for the year ended December 31, 2022 was a result of interest earned on the cash received from the sale of WPT.

Results of Discontinued Operations

We recognized income from discontinued operations, net of tax, of \$77.9 million during the year ended December 31, 2021, primarily as a result of the sale of the WPT business on July 12, 2021.

Liquidity and Capital Resources

The following table summarizes our total current assets, liabilities and working capital surplus from continuing operations at December 31, 2022 and December 31, 2021, respectively.

(in thousands)	December 31,	
	2022	2021
Current Assets	\$ 82,377	\$ 94,261
Current Liabilities	\$ 3,298	\$ 5,249
Working Capital Surplus	\$ 79,079	\$ 89,012

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

As of December 31, 2022, we had cash of \$11.2 million (not including approximately \$70.0 million of short-term investments and \$5.0 million of restricted cash) and working capital from continuing operations of approximately \$79.1 million. For the years ended December 31, 2022 and 2021, we incurred net losses from continuing operations of approximately \$10.8 million and \$15.1 million, respectively, and used cash in continuing operations of approximately \$11.0 million and \$10.1 million, respectively. Cash requirements for our current liabilities include approximately \$2.0 million for accounts payable and accrued expenses and \$1.2 million for the current portion of an operating lease liability. Cash requirements for non-current liabilities include approximately \$6.5 million for the non-current portion of an operating lease liability. The Company intends to meet these cash requirements from its current cash balance.

On July 12, 2021, we completed the sale of the WPT business for an aggregate purchase price of \$106.0 million. With the sale of the WPT business, we believe our current cash on hand is sufficient to meet our operating and capital requirements for at least the next twelve months from the date of this Report.

Cash Flows from Operating, Investing and Financing Activities

The tables below summarize cash flows from continuing operations for the years ended December 31, 2022 and 2021, respectively.

(in thousands)	For the Years Ended December 31,	
	2022	2021
Net cash provided by (used in)		
Operating activities	\$ (10,934)	\$ (10,079)
Investing activities	\$ (70,135)	\$ 105,858
Financing activities	\$ (611)	\$ (3,421)

Net Cash Used in Operating Activities

Net cash used in operating activities primarily represents the results of operations exclusive of non-cash expenses plus the impact of changes in operating assets and liabilities.

Net cash used in operating activities for the years ended December 31, 2022 and 2021 was approximately \$11.0 million and \$10.1 million, respectively, representing an increase of \$0.9 million. During the years ended December 31, 2022 and 2021, the net cash used in operating activities was primarily attributable to the net loss from continuing operations of approximately \$10.8 million and \$15.1 million, respectively, \$4.0 million and \$3.8 million, respectively, of net non-cash expenses, and approximately (\$4.1) million and \$1.2 million, respectively, of cash (used in) provided by changes in the levels of operating assets and liabilities.

Net Cash (Used In) Provided By Investing Activities

Net cash (used in) provided by investing activities primarily relates to cash used for the purchase of property and equipment and other investment activity.

Net cash used in investing activities during the year ended December 31, 2022 was approximately \$70.1 million, which consisted primarily of approximately \$70.0 million for the purchase of certificates of deposit.

Net cash provided by investing activities during the year ended December 31, 2021 was approximately \$105.9 million, which consisted primarily of approximately \$106.0 million cash consideration for the sale of WPT, partially offset by approximately \$192 thousand of cash used for the purchase of property and equipment.

Net Cash Used in Financing Activities

Net cash used in financing activities for the year ended December 31, 2022 was approximately \$0.6 million compared to approximately \$3.4 million for the year ended December 31, 2021. Net cash used in financing activities during the year ended December 31, 2022 represented the purchase of treasury stock. Net cash used in financing activities during the year ended December 31, 2021 represented the repayments of bridge loans during the period.

Cash Flows from Discontinued Operations

Cash held by the WPT business of approximately \$3.6 million was sold in connection with the 2021 sale of the WPT business. No cash was provided by, or (used in), discontinued operations in 2022.

Capital Expenditures

As of December 31, 2022, the Company had no material commitments for capital expenditures.

Stock Repurchase Program

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 Securities and Exchange Commission 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 total number of shares purchased by the Company between December 1, 2022, and December 31, 2022, was 581,746. The average price per share for the shares purchased was \$1.02. The approximate dollar value of the shares available to be purchased under the program is \$9,389,438 as of December 31, 2022.

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 Estimates and Policies

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities, each as of the date of the financial statements, and revenues and expenses during the periods presented. On an ongoing basis, management evaluates their estimates and assumptions, and the effects of any such revisions are reflected in the financial statements in the period in which they are determined to be necessary. Management bases their estimates on historical experience and on various other factors that they believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual outcomes could differ materially from those estimates in a manner that could have a material effect on our consolidated financial statements.

While our significant accounting policies are more fully described in Note 2 – Summary of Significant Accounting Policies to our consolidated financial statements, we believe that there were no critical accounting policies and estimates that affect the preparation of financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

See Index to Consolidated Financial Statements on Page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no changes in or disagreements with accountants on accounting and financial disclosure.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) (the "Exchange Act"). Based on the foregoing evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 2022, our disclosure controls and procedures were not effective at the reasonable assurance level because of the material weaknesses discussed below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Management identified the following material weaknesses indicative of many smaller reporting companies as of December 31, 2022:

- 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.

The Company experienced some key personnel turnover in its accounting and information technology areas during 2022. This placed a significant impact on the Company's internal controls leading to the material weakness described above. Our management, under the oversight of our Audit Committee, and in consultation with outside advisors, has begun evaluating and implementing 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.

Nevertheless, notwithstanding the material weaknesses in internal control over financial reporting described above, our management has concluded that our consolidated financial statements included in the Annual Report on Form 10-K are fairly stated in all material respects in accordance with accounting principles generally accepted in the United States of America.

Management's Annual Report on Internal Control over Financial Reporting

Our management, including our principal executive officer and principal financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2022, based on the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our principal executive officer and principal financial officer have concluded that our internal control over financial reporting was not effective as of December 31, 2022, as a result of the material weaknesses described above.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting through the date of this Report or during the quarter ended December 31, 2022, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations of the Effectiveness of Controls

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. A control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, 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.

Attestation Report of Registered Public Accounting Firm

This Annual Report does not contain an attestation report of our independent registered public accounting firm related to internal control over financial reporting. Our internal control over financial reporting was not subject to attestation by our independent registered public accounting firm as we are not an accelerated filer, nor a large accelerated filer.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information called for by this item is incorporated herein by reference to the definitive Proxy Statement for our 2023 Annual Meeting of Stockholders, which will be filed with the SEC pursuant to Regulation 14A under the Exchange Act.

Item 11. Executive Compensation

The information called for by this item is incorporated herein by reference to the definitive Proxy Statement for our 2023 Annual Meeting of Stockholders, which will be filed with the SEC pursuant to Regulation 14A under the Exchange Act.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information called for by this item is incorporated herein by reference to the definitive Proxy Statement for our 2023 Annual Meeting of Stockholders, which will be filed with the SEC pursuant to Regulation 14A under the Exchange Act.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information called for by this item is incorporated herein by reference to the definitive Proxy Statement for our 2023 Annual Meeting of Stockholders, which will be filed with the SEC pursuant to Regulation 14A under the Exchange Act.

Item 14. Principal Accountant Fees and Services

The information called for by this item is incorporated herein by reference to the definitive Proxy Statement for our 2023 Annual Meeting of Stockholders, which will be filed with the SEC pursuant to Regulation 14A under the Exchange Act.

PART IV

Item 15. Exhibits, Financial Statement Schedules

- (a) See “Index to Consolidated Financial Statements” on page F-1 and “Exhibit Index” on page 30.
- (b) See “Exhibit Index” on page 30.
- (c) Not applicable.

Item 16. Form 10-K Summary

Not applicable.

EXHIBIT INDEX

Exhibit No.	Description
2.1	Agreement and Plan of Reorganization, dated December 19, 2018, by and among Black Ridge Acquisition Corp., Black Ridge Merger Sub, Corp., Allied Esports Entertainment, Inc., Noble Link Global Limited, Ourgame International Holdings Ltd., and Primo Vital Ltd. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on December 19, 2018)
2.2	Amendment to Agreement and Plan of Reorganization, dated August 5, 2019 (incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed August 15, 2019)
2.3	Agreement of Merger, dated August 9, 2019, between Noble Link Global Limited and Allied Esports Media, Inc. (incorporated by reference to Exhibit 2.3 to the Company's Current Report on Form 8-K filed August 15, 2019)
2.4	Plan of Merger, dated August 9, 2019, between Noble Link Global Limited and Allied Esports Media, Inc. (incorporated by reference to Exhibit 2.4 to the Company's Current Report on Form 8-K filed August 15, 2019)
2.5	Stock Purchase Agreement, dated January 19, 2021, by and among Allied Esports Entertainment, Inc., Allied Esports Media, Inc., Club Services, Inc., and Element Partners, LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed January 19, 2021)
2.6	Amended and Restated Stock Purchase Agreement, dated March 19, 2021, by and among Allied Esports Entertainment, Inc., Allied Esports Media, Inc., Club Services, Inc., and Element Partners, LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed March 22, 2021)
2.7	Amendment No. 1 to Amended and Restated Stock Purchase Agreement, dated March 29, 2021, by and among Allied Esports Entertainment, Inc., Allied Esports Media, Inc., Club Services, Inc., and Element Partners, LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed March 30, 2021)
3.1	Second Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed August 15, 2019)
3.2	Amendment to the Second Amended and Restated Certificate of Incorporation of Allied Esports Entertainment, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed July 27, 2020)
3.3	Second Amendment to the Second Amended and Restated Certificate of Incorporation of Allied Esports Entertainment, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed November 9, 2020)
3.4	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Allied Esports Entertainment, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 1, 2022)
3.5	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on December 1, 2022)
4.1	Specimen common stock Certificate (incorporated by reference to Exhibit 4.2 to the Company's Form S-1/A filed September 22, 2017)
4.2	Specimen warrant Certificate (incorporated by reference to Exhibit 4.3 to the Company's Form S-1/A filed September 22, 2017)
4.3	Specimen Rights Certificate (incorporated by reference to Exhibit 4.4 to the Company's Form S-1/A filed September 22, 2017)
4.4	Form of warrant Agreement between Continental Stock Transfer & Trust Company and the Company (incorporated by reference to Exhibit 4.5 to the Company's Form S-1/A filed September 22, 2017)
4.5*	Description of Registrant's Securities
4.6	Form of Common Stock Purchase Warrant issued June 8, 2020 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed June 8, 2020)
4.7	Allied Esports Entertainment, Inc. 2019 Stock Incentive Plan (incorporated by reference to Annex A to the Company's Definitive Proxy Statement on Schedule 14A filed August 24, 2021)
4.8	Allied Esports Entertainment, Inc. 2019 Stock Incentive plan Amendment dated December 30, 2021 (incorporated by reference to the Company's Current Report on Form 8-K filed December 30, 2021)

Exhibit No.	Description
10.1†	Pliska Employment Agreement dated January 24, 2018 (incorporated by reference to Exhibit 10.49 to the Company's Current Report on Form 8-K filed August 15, 2019)
10.2†	Pliska Employment Agreement Amendment dated June 1, 2018 (incorporated by reference to Exhibit 10.50 to the Company's Current Report on Form 8-K filed August 15, 2019)
10.3†	Pliska Employment Agreement Second Amendment dated December 19, 2018 (incorporated by reference to Exhibit 10.51 to the Company's Current Report on Form 8-K filed August 15, 2019)
10.4†	Change in Control Agreement dated December 31, 2020 by and between Allied Esports Entertainment, Inc. and Adam Pliska (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed January 19, 2021)
10.5†	Restricted Stock Unit Agreement dated January 19, 2021 by and between Allied Esports Entertainment, Inc. and Frank Ng (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 19, 2021)
10.6	Assignment and Assumption Agreement dated April 24, 2020 among Ourgame International Holdings Limited, Trisara Ventures, LLC, Adam Pliska and the Company (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 30, 2020)
10.7	Separation Agreement and Release dated February 16, 2022 by and between Libing (Claire) Wu and the Company (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 18, 2022)
10.8	Release and Non-disparagement Agreement dated March 7, 2022 by and between Jerry Lewin and the Company (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K filed May 25, 2022)
10.9	Settlement Agreement, dated April 15, 2022, by and between Ourgame International Holdings Limited and the Company (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K filed May 25, 2022)
21.1*	Subsidiaries of Company
23.1*	Consent of ZH CPA, LLC
23.2*	Consent of Marcum LLP
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*
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase*
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase*
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase*
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase*
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Furnished herewith.

† Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K pursuant to Item 15(a)(3) and Item 15(b) of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 24, 2023

ALLIED GAMING & ENTERTAINMENT, INC.

By: /s/ Yinghau Chen
Name: Yinghau Chen
Title: Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Yinghau Chen</u> Yinghau Chen	Chief Executive Officer (principal executive officer) and Director	March 24, 2023
<u>/s/ Roy Anderson</u> Roy Anderson	Chief Financial Officer (principal financial and accounting officer)	March 24, 2023
<u>/s/ Lyle Berman</u> Lyle Berman	Director	March 24, 2023
<u>/s/ Bradley Berman</u> Bradley Berman	Director	March 24, 2023
<u>/s/ Yushi Guo</u> Yushi Guo	Director	March 24, 2023
<u>/s/ Joseph Lahti</u> Joseph Lahti	Director	March 24, 2023
<u>/s/ Yangyang Li</u> Yangyang Li	Director	March 24, 2023
<u>/s/ Jingsheng (Jason) Lu</u> Jingsheng (Jason) Lu	Director	March 24, 2023
<u>/s/ Benjamin Oehler</u> Benjamin Oehler	Director	March 24, 2023
<u>/s/ Adam Pliska</u> Adam Pliska	Director	March 24, 2023
<u>/s/ Guanzhou (Jerry) Qin</u> Guanzhou (Jerry) Qin	Director	March 24, 2023
<u>/s/ Yuanfei Qu</u> Yuanfei Qu	Director	March 24, 2023

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Allied Gaming & Entertainment Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Allied Gaming & Entertainment Inc. and its subsidiaries (the “Company”) as of December 31, 2022, and the related consolidated statement of operations, comprehensive income (loss), changes in shareholders’ equity, and cash flows for the year ended December 31, 2022, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there were no critical audit matters.

/s/ ZH CPA, LLC

We have served as the Company’s auditor since 2022.

Denver, Colorado

March 24, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Allied Esports Entertainment, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Allied Esports Entertainment, Inc. and Subsidiaries (the "Company") as of December 31, 2021, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for the year ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and the results of its operations and its cash flows for the year ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Marcum LLP

We have served as the Company's auditor from 2018 to November 2022.

Melville, NY
May 26, 2022

Allied Gaming & Entertainment Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31,	
	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 11,167,442	\$ 92,887,030
Short-term investments	70,000,000	-
Interest receivable	677,397	-
Accounts receivable	72,739	389,040
Prepaid expenses and other current assets	459,274	984,777
Total Current Assets	82,376,852	94,260,847
Restricted cash	5,000,000	5,000,000
Property and equipment, net	4,005,622	6,136,893
Digital assets	49,761	-
Intangible assets, net	22,836	26,827
Deposits	379,105	379,105
Operating lease right-of-use asset	5,845,549	-
Other assets	49,950	-
Total Assets	\$ 97,729,675	\$ 105,803,672
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 317,561	\$ 341,161
Accrued expenses and other current liabilities	1,645,379	2,966,245
Accrued expenses - related party	-	1,800,000
Deferred revenue	108,428	141,825
Operating lease liability, current portion	1,227,164	-
Total Current Liabilities	3,298,532	5,249,231
Deferred rent	-	1,907,634
Operating lease liability, non-current portion	6,527,075	-
Total Liabilities	9,825,607	7,156,865
Commitments and Contingencies (Note 12)		
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 and 39,116,907 shares issued at December 31, 2022 and 2021, respectively, and 38,503,724 and 39,116,907 shares outstanding at December 31, 2022 and 2021, respectively	3,909	3,912
Additional paid in capital	198,526,614	197,784,972
Accumulated deficit	(110,235,568)	(99,411,683)
Accumulated other comprehensive income	219,675	269,606
Treasury stock, at cost, 581,746 and 0 shares at December 31, 2022 and 2021, respectively	(610,562)	-
Total Stockholders' Equity	87,904,068	98,646,807
Total Liabilities and Stockholders' Equity	\$ 97,729,675	\$ 105,803,672

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

Allied Gaming & Entertainment Inc. and Subsidiaries
Consolidated Statements of Operations

	For the Years Ended	
	December 31,	
	2022	2021
Revenues:		
In-person	\$ 6,100,912	\$ 4,201,259
Multiplatform content	251,558	754,781
Total Revenues	6,352,470	4,956,040
Costs and Expenses:		
In-person (exclusive of depreciation and amortization)	4,994,610	3,688,527
Multiplatform content (exclusive of depreciation and amortization)	109,563	386,723
Selling and marketing expenses	234,813	294,417
General and administrative expenses	10,482,421	13,052,963
Depreciation and amortization	2,065,348	3,305,895
Impairment of property and equipment	67,500	-
Impairment of digital assets	164,411	-
Total Costs and Expenses	18,118,666	20,728,525
Loss From Operations	(11,766,196)	(15,772,485)
Other Income (Expense):		
Gain on forgiveness of PPP loans and interest	-	912,475
Other income, net	153,009	68,917
Interest income (expense), net	789,302	(268,752)
Total Other Expense	942,311	712,640
Loss from continuing operations	(10,823,885)	(15,059,845)
Income from discontinued operations	-	66,741
Gain on sale of WPT	-	77,858,835
Income from discontinued operations, net of tax	-	77,925,576
Net (loss) income	\$ (10,823,885)	\$ 62,865,731
Basic and Diluted Net Loss (Income) per Common Share		
Continuing operations	\$ (0.28)	\$ (0.39)
Discontinued operations, net of tax	\$ -	\$ 2.00
Weighted Average Number of Common Shares Outstanding:		
Basic and Diluted	39,071,501	39,004,317

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

Allied Gaming & Entertainment Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)

	For the Years Ended	
	December 31,	
	<u>2022</u>	<u>2021</u>
Comprehensive (Loss) Income		
Net (Loss) Income	\$ (10,823,885)	\$ 62,865,731
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(49,931)	78,640
Total Comprehensive (Loss) Income	<u>\$ (10,873,816)</u>	<u>\$ 62,944,371</u>

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

Allied Gaming & Entertainment Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
For The Years Ended December 31, 2022 and 2021

	<u>Common Stock</u>		<u>Treasury Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
Balance - January 1, 2021	38,506,844	\$ 3,851	-	\$ -	\$ 195,488,181	\$ 190,966	\$ (162,277,414)	\$ 33,405,584
Stock-based compensation:								
Common stock issued	126,584	13	-	-	199,987	-	-	200,000
Restricted shares issued	80,000	8	-	-	(8)	-	-	-
Amortization of stock options	-	-	-	-	1,224,699	-	-	1,224,699
Amortization of restricted common stock	-	-	-	-	260,433	-	-	260,433
Shares issued for redemption of debt and accrued interest	529,383	53	-	-	821,814	-	-	821,867
Shares withheld for employee payroll tax	(100,904)	(10)	-	-	(210,137)	-	-	(210,147)
Restricted stock awards forfeited upon resignation of employee	(25,000)	(3)	-	-	3	-	-	-
Net income	-	-	-	-	-	-	62,865,731	62,865,731
Other comprehensive income	-	-	-	-	-	78,640	-	78,640
Balance - December 31, 2021	39,116,907	3,912	-	-	197,784,972	269,606	(99,411,683)	98,646,807
Stock-based compensation:								
Restricted common stock	-	-	-	-	82,345	-	-	82,345
Stock options	-	-	-	-	708,964	-	-	708,964
Shares withheld for employee payroll tax	(31,437)	(3)	-	-	(49,667)	-	-	(49,670)
Repurchases of common stock	-	-	581,746	(610,562)	-	-	-	(610,562)
Net loss	-	-	-	-	-	-	(10,823,885)	(10,823,885)
Foreign currency translation adjustments	-	-	-	-	-	(49,931)	-	(49,931)
Balance - December 31, 2022	39,085,470	3,909	581,746	(610,562)	198,526,614	219,675	(110,235,568)	87,904,068

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

Allied Gaming & Entertainment Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	For the Years Ended	
	December 31,	
	2022	2021
Cash Flows From Operating Activities		
Net (loss) income	\$ (10,823,885)	\$ 62,865,731
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Income from discontinued operations, net of tax provision	-	(77,925,576)
Stock-based compensation	791,309	1,323,872
Shares withheld for employee payroll tax expense	-	(210,147)
Non-cash rent expense	868,210	-
Gain on forgiveness of PPP loans and interest	-	(912,475)
Digital currency received as revenue	(250,252)	-
Impairment of digital assets	164,411	-
Impairment of property and equipment	67,500	-
Loss on equipment disposal	33,583	-
Expenses paid using digital assets	77,106	-
Change in fair value of warrant liabilities	(3,100)	200
Amortization of debt discount	-	3,646
Non-cash interest expense	-	45,451
Depreciation and amortization	2,065,348	3,305,895
Deferred rent	216,024	214,568
Changes in operating assets and liabilities:		
Accounts receivable	315,708	(118,710)
Interest receivable	(677,397)	-
Prepaid expenses and other current assets	519,463	(83,875)
Deposits	-	245,895
Accounts payable	(22,356)	(556,783)
Accrued expenses and other current liabilities	(3,159,571)	1,087,802
Accrued interest	-	(146,894)
Operating lease liability	(1,083,178)	-
Due to affiliates	-	697,548
Deferred revenue	(33,397)	84,807
Total Adjustments	<u>(110,589)</u>	<u>(72,944,776)</u>
Net Cash Used In Operating Activities	<u>(10,934,474)</u>	<u>(10,079,045)</u>
Cash Flows From Investing Activities		
Cash consideration for sale of WPT	-	106,049,886
Expenditures on software development costs	(49,950)	-
Purchases of short-term investments	(70,000,000)	-
Investment in digital assets	(41,026)	-
Purchases of property and equipment	(44,386)	(191,668)
Net Cash (Used In) Provided By Investing Activities	<u>(70,135,362)</u>	<u>105,858,218</u>
Cash Flows From Financing Activities		
Repayments of bridge loans	-	(3,421,096)
Purchase of treasury stock	(610,562)	-
Net Cash Used In Financing Activities	<u>(610,562)</u>	<u>(3,421,096)</u>
Cash Flows From Discontinued Operations		
Operating activities	-	63,956
Investing activities	-	(17,259)
Change in cash balance of discontinued operations	-	3,633,291
Cash sold in connection with sale of WPT	-	(3,679,988)
Net Cash Provided By Discontinued Operations	<u>-</u>	<u>-</u>

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

Allied Gaming & Entertainment Inc. and Subsidiaries
Consolidated Statements of Cash Flows, continued

	For the Years Ended	
	December 31,	
	2022	2021
Effect of Exchange Rate Changes on Cash	(39,190)	104,730
Net (Decrease) Increase In Cash, Cash Equivalents, And Restricted Cash	(81,719,588)	92,462,807
Cash, cash equivalents, and restricted cash - Beginning of Year	97,887,030	5,424,223
Cash, cash equivalents, and restricted cash - End of Year	\$ 16,167,442	\$ 97,887,030
Cash and restricted cash consisted of the following:		
Cash	\$ 11,167,442	\$ 92,887,030
Restricted cash	5,000,000	5,000,000
	\$ 16,167,442	\$ 97,887,030
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	\$ -	\$ 350,471
Non-Cash Investing and Financing Activities:		
Shares withheld for accrued employee payroll tax liability	\$ 49,670	\$ -
ROU asset and lease liability, net of deferred rent, recognized upon adoption of ASC 842	\$ 6,713,759	\$ -
Shares issued for redemption of debt and accrued interest	\$ -	\$ 821,867
Forgiveness of amounts due to affiliate	\$ -	\$ 9,370,261

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

Allied Gaming & Entertainment Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1 – Background and Basis of Presentation

Allied Gaming & Entertainment Inc. (“AGAE” and together with its subsidiaries, “the Company”) operates a public esports and entertainment company, consisting of the Allied Esports business and, until the sale of WPT on July 12, 2021, the World Poker Tour business. Allied Esports operates through its wholly owned subsidiaries Allied Esports International, Inc., (“AEII”), Esports Arena Las Vegas, LLC (“ESALV”) and Allied Esports GmbH (“AEG”). AEII operates global competitive esports properties designed to connect players and fans via a network of connected arenas. ESALV operates a flagship gaming arena located at the Luxor Hotel in Las Vegas, Nevada. AEG operates a mobile esports truck that serves as both a battleground and content generation hub and also operates a studio for recording and streaming gaming events.

AGAE’s formerly wholly owned subsidiaries, Peerless Media Limited, Club Services, Inc. (“CSI”) and WPT Enterprises, Inc., operated the poker-related business of AESE and are collectively referred to herein as “World Poker Tour” or “WPT”. World Poker Tour is an internationally televised gaming and entertainment company that has been involved in the sport of poker since 2002 and created a television show based on a series of high-stakes poker tournaments.

On January 19, 2021, the Company entered into a stock purchase agreement (as amended and restated, the “SPA”) for the sale of 100% of the capital stock of CSI. CSI owns 100% of each of the legal entities which comprise World Poker Tour. On July 12, 2021, the Company consummated the sale of the World Poker Tour business. As a result of the Company’s sale of WPT, the consolidated statements of operations and comprehensive loss for the year ended December 31, 2021, and the consolidated statements of cash flows for the year ended December 31, 2021, present the results and accounts of World Poker Tour as discontinued operations. See Note 3 – Sale of WPT.

Note 2 – Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been derived from the accounting records of AGAE and its consolidated subsidiaries. All significant intercompany balances have been eliminated in the consolidated financial statements. The consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (“U.S. GAAP”) and pursuant to the accounting rules and regulations of the United States Securities and Exchange Commission (“SEC”).

Use of Estimates

Preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, together with amounts disclosed in the related notes to the financial statements. The Company’s significant estimates used in these financial statements include, but are not limited to, the valuation and carrying amount of deferred tax assets, stock-based compensation, and accounts receivable reserves, as well as the recoverability and useful lives of long-lived assets, including intangible assets and property and equipment. Certain of the Company’s estimates could be affected by external conditions, including those unique to the Company and general economic conditions. It is reasonably possible that these external factors could have an effect on the Company’s estimates and could cause actual results to differ from those estimates.

Cash and Cash Equivalents

All short-term investments of the Company that have a maturity of three months or less when purchased are considered to be cash equivalents. As of December 31, 2022 and 2021, the Company’s cash equivalents consist of Certificate of Deposits of \$10 million and \$0, respectively. Accrued interest receivable on cash equivalents totaled \$80,137 and \$0 at December 31, 2022 and 2021, respectively and is included in current assets in the accompanying consolidated balance sheets.

Restricted Cash

Restricted cash consists of \$5.0 million of cash held in an escrow account to be utilized for various approved strategic initiatives and esports event programs pursuant to an agreement with Brookfield Property Partners (See Note 12 – Commitments and Contingencies, Investment Agreements).

Short-term Investments

Short-term investments consist of certificates of deposit with original maturities of greater than three months but less than or equal to twelve months when purchased. Accrued interest receivable on short-term investments totaled \$597,260 and \$0 at December 31, 2022 and 2021, respectively and is included in current assets in the accompanying consolidated balance sheets.

Accounts Receivable

Accounts receivable are carried at their contractual amounts less allowance for doubtful accounts. Management establishes an allowance for doubtful accounts based on its historic loss experience and current economic conditions. Losses are charged to the allowance when management deems further collection efforts will not produce additional recoveries. As of December 31, 2022 and 2021, there was no allowance for doubtful accounts.

Allied Gaming & Entertainment Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation using the straight-line method over their estimated useful lives once the asset is placed in service. Leasehold improvements are amortized over the lesser of (a) the useful life of the asset; or (b) the remaining lease term (including renewal periods that are reasonably assured). Expenditures for maintenance and repairs which do not extend the economic useful life of the related assets are charged to operations as incurred, and expenditures which extend the economic life are capitalized. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation or amortization are removed from the accounts and any gain or loss on disposal is recognized in the statement of operations for the respective period.

The estimated useful lives of property and equipment are as follows:

Office equipment	3 - 5 years
Computer equipment	3 - 5 years
Production equipment	5 years
Furniture and fixtures	3 - 5 years
Esports gaming truck	5 years
Leasehold improvements	Lessor of 10 years or remaining lease term

Internal Use Software Development Costs

The costs incurred in the preliminary stages of software development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental, are capitalized and included within other assets on the accompanying balance sheet. Once they are ready for intended use they are amortized on a straight-line basis over their estimated useful lives. As of December 31, 2022 and 2021, no internal use software has been placed into service (see Note 12 – Commitments and Contingencies – System Development Agreement for additional details).

Intangible Assets

The Company's intangible assets consist of the Allied Esports trademarks, which are being amortized over a useful life of 10 years. Intangible assets with indefinite lives are not amortized but are evaluated at least annually for impairment and more often whenever changes in facts and circumstances may indicate that the carrying value may not be recoverable.

Impairment of Long-Lived Assets

The Company reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized for the amount by which the carrying value of the asset exceeds its fair value. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts.

During the year ended December 31, 2022, the Company recognized an impairment of \$164,411 related to digital assets, and an impairment of \$67,500 related to property and equipment, due to management's determination that the future cash flows from these assets are not expected to be sufficient to recover their carrying value. No impairment costs on long-lived assets were recognized during the year ended December 31, 2021.

Allied Gaming & Entertainment Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Warrant Liabilities

Entities must consider whether to classify contracts that may be settled in its own stock, such as warrants, as equity of the entity or as an asset or liability. If an event that is not within the entity's control could require net cash settlement, then the contract should be classified as an asset or a liability rather than as equity.

With regard to the warrants currently outstanding:

- Management has determined that its publicly traded warrants (the "public warrants") are of a form that qualify for equity classification.
- Management has determined that the common stock purchase warrants issued by the Company on June 8, 2020 in connection with the issuance of convertible notes (the "convertible note warrants") are of a form that qualify for equity classification.
- Management has determined that the warrants previously issued to the Company's sponsor (the "Sponsor Warrants") contain provisions that change depending on who holds the sponsor warrant. If the Sponsor Warrants are held by someone other than the initial purchasers or their permitted transferees, the Sponsor Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the public warrants. This feature precludes the Sponsor Warrants from being indexed to the Company's common stock, and thus the Sponsor Warrants are classified as a liability measured at fair value, with changes in fair value each period reported in earnings.

As of December 31, 2022 and 2021, the fair value of warrant liabilities related to our Sponsor Warrants totaled \$100 and \$3,200, respectively, which is included in accrued expenses and other current liabilities in the accompanying consolidated balance sheet. See Note 7 – Accrued Expenses and Other Current Liabilities.

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).

The following table provides information about the Company's financial assets 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 December 31, 2022	Level 1	Level 2	Level 3	Total
Digital assets	\$ 49,761	\$ -	\$ -	\$ 49,761
Sponsor warrants	-	-	100	100
Short-term investments	-	70,000,000	-	70,000,000
Total	\$ 49,761	\$ 70,000,000	\$ 100	\$ 70,049,861
As of December 31, 2021	Level 1	Level 2	Level 3	Total
Digital assets	\$ -	\$ -	\$ -	\$ -
Sponsor warrants	-	-	3,200	3,200
Short-term investments	-	-	-	-
Total	\$ -	\$ -	\$ 3,200	\$ 3,200

Allied Gaming & Entertainment Inc. and Subsidiaries
Notes to Consolidated Financial Statements

The carrying amounts of the Company's financial instruments, such as cash equivalents, accounts receivable, interest receivable, accounts payable, operating lease liabilities, and accrued liabilities approximate fair value due to the short-term nature of these instruments.

The Sponsor Warrants are carried at fair value as of December 31, 2022 and 2021. 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:

Balance, January 1, 2021	\$ 3,000
Change in fair value of sponsor warrants	200
Balance, December 31, 2021	3,200
Change in fair value of sponsor warrants	(3,100)
Balance, December 31, 2022	\$ 100

The key inputs into the Black-Scholes model at the relevant measurement dates were as follows:

Input	December 31, 2022	December 31, 2021
Risk-free rate	4.57%	0.97%
Remaining term in years	1.61	2.61
Expected volatility	56.0%	46.0%
Exercise price	\$ 11.50	\$ 11.50
Fair value of common stock	\$ 1.05	\$ 1.81

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of items that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statements of operations in the period that includes the enactment date.

The Company recognizes the tax benefit from an uncertain income tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement by examining taxing authorities.

The Company's policy is to recognize interest and penalties accrued on uncertain income tax positions in interest expense in the Company's statements of operations. As of December 31, 2022 and 2021, the Company had no liability for unrecognized tax benefits. The Company does not expect the unrecognized tax benefits to change significantly over the next 12 months.

Leases

See Note 2 Significant Accounting Policies – Recently Adopted Accounting Pronouncements for further details on the adoption of ASC 842.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

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 (a) exercise of outstanding stock options and warrants; (b) the conversion of convertible instruments; and (c) vesting of restricted stock awards.

Allied Gaming & Entertainment Inc. and Subsidiaries
Notes to Consolidated Financial Statements

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

	As of December 31,	
	2022	2021
Restricted common shares	-	80,000
Options	1,675,000	2,415,000
Warrants	20,091,549	20,091,549
Equity purchase options	-	600,000
Contingent consideration shares ⁽¹⁾	192,308	192,308
	<u>21,958,857</u>	<u>23,378,857</u>

(1) Holders who elected to convert 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 August 9, 2019, 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.

The Company recognizes revenue from continuing operations primarily from the following sources:

In-person revenue

The Company's in-person revenue is comprised of event revenue, sponsorship revenue, merchandising revenue and other revenue. 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 also generates sponsorship revenue from the naming rights of its esports arena and from the production and distribution of programming over interactive live-streaming services.

Sponsorship revenues from naming rights of the Company's esports arena are recognized on a straight-line basis over the contractual term of the agreement. Subscription revenues from program distribution are recognized over the term of the contract under the "output method" as the programs are distributed. The Company has determined that this method provides a faithful depiction of the transfer of goods or services to the customer.

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

In-person revenue was comprised of the following for the years ended December 31, 2022 and 2021:

	For the Years Ended	
	December 31,	
	2022	2021
Event revenue	\$ 2,803,396	\$ 2,459,613
Sponsorship revenue	1,838,908	779,487
Food and beverage revenue	832,282	446,202
Ticket and gaming revenue	529,201	480,519
Merchandising revenue	97,125	35,338
Other revenue	-	100
Total in-person revenue	<u>\$ 6,100,912</u>	<u>\$ 4,201,259</u>

Allied Gaming & Entertainment Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Multiplatform revenue

Multiplatform revenue was comprised of the following for the years ended December 31, 2022 and 2021:

	For the Years Ended December 31,	
	2022	2021
NFT revenue	\$ 250,252	\$ -
Distribution revenue	1,306	754,781
Total multiplatform revenue	\$ 251,558	\$ 754,781

The Company's NFT revenue was 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.

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'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.

Revenue recognition

The following table summarizes our revenue recognized under ASC 606 in our consolidated statements of operations:

	For the Years Ended December 31,	
	2022	2021
Revenues Recognized at a Point in Time:		
NFT revenue	\$ 250,252	\$ -
Distribution revenue	1,306	754,781
Food and beverage revenue	832,282	446,202
Ticket and gaming revenue	529,201	480,519
Merchandising revenue	97,125	35,338
Other revenue	-	100
Total Revenues Recognized at a Point in Time	1,710,166	1,716,940
Revenues Recognized Over a Period of Time:		
Event revenue	2,803,396	2,459,613
Sponsorship revenue	1,838,908	779,487
Total Revenues Recognized Over a Period of Time	4,642,304	3,239,100
Total Revenues	\$ 6,352,470	\$ 4,956,040

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 December 31, 2022 and 2021, the Company had contract liabilities of \$108,428 and \$141,825, respectively, which are included in deferred revenue on the balance sheet.

As of December 31, 2022, \$129,236 of performance obligations in connection with contract liabilities included within deferred revenue on the prior year consolidated balance sheet have been satisfied. The Company expects to satisfy the remaining performance obligations of \$12,589 related to its December 31, 2021 deferred revenue balance and \$108,428 related to its December 31, 2022 balance within the next twelve months. During the years ended December 31, 2022 and 2021, there was no revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods.

Allied Gaming & Entertainment Inc. and Subsidiaries
Notes to Consolidated Financial Statements

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.

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 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 consolidated statements of operations and comprehensive loss. The Company recorded an impairment loss of \$164,411 for the year ended December 31, 2022.

Stock-Based Compensation

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award on the date of grant. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. The estimation of stock-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from original estimates, such amounts are recorded as a cumulative adjustment in the period that the estimates are revised. The Company accounts for forfeitures as they occur.

Advertising Costs

Advertising costs from continuing operations are charged to operations in the year incurred and totaled \$69,232 and \$127,612 for the years ended December 31, 2022 and 2021, respectively.

Concentration Risks

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents, short-term investments, 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 maintains cash deposits and short-term investments with major U.S. financial institutions that at various times may exceed Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Company has not experienced any losses in such accounts, periodically evaluates the creditworthiness of the financial institutions and has determined the credit exposure to be negligible.

Allied Gaming & Entertainment Inc. and Subsidiaries
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During the years ended December 31, 2022 and 2021, 3% and 4%, respectively, of the Company's revenues from continuing operations were from customers in foreign countries.

During the year ended December 31, 2022, the Company's three largest customers accounted for 17%, 16%, and 10% of the Company's consolidated revenues from continuing operations. During the year ended December 31, 2021, the Company's three largest customers accounted for 20%, 15%, and 13% of the Company's consolidated revenues from continuing operations.

As of December 31, 2022, the Company's two largest customers represented 74% and 19%, respectively, of the Company's accounts receivable. As of December 31, 2021, the Company's four largest customers represented 31%, 29%, 15% and 10%, respectively, of the Company's accounts receivable.

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 and Euro). Euro-denominated assets and liabilities are translated into the United States Dollar using the exchange rate at the balance sheet date (1.0699 and 1.1342 at December 31, 2022 and 2021, respectively), and revenue and expense accounts are translated using the weighted average exchange rate in effect for the period (1.0536 and 1.1830 for the years ended December 31, 2022 and 2021, respectively). Resulting translation adjustments are made directly to accumulated other comprehensive income (loss).

The Company engages in foreign currency denominated transactions with customers and suppliers, as well as between subsidiaries with different functional currencies. Realized losses of \$17,641 and \$53,538 arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency for the years ended December 31, 2022 and 2021, respectively, are recognized in operating results in the consolidated statements of operations.

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 consolidated financial statements, except as disclosed.

Discontinued Operations

The results of operations of WPT for the period from January 1 through July 12, 2021 are included in "(Loss) income from discontinued operations, net of tax provision" in the accompanying Consolidated Statements of Operations.

Reclassifications

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

Allied Gaming & Entertainment Inc. and Subsidiaries
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Recently Issued Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging— Contracts 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 eliminates the need to assess whether a beneficial conversion feature needs to be recognized upon the issuance of new convertible instruments. The adoption of ASU 2020-06 is not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

Recently Adopted Accounting Pronouncements

On May 3, 2021, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2021-04, Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options. This new standard provides clarification and reduces diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options (such as warrants) that remain equity classified after modification or exchange. This standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Issuers should apply the new standard prospectively to modifications or exchanges occurring after the effective date of the new standard. Early adoption is permitted, including adoption in an interim period. If an issuer elects to early adopt the new standard in an interim period, the guidance should be applied as of the beginning of the fiscal year that includes that interim period. This standard was adopted on January 1, 2022 and did not have a material impact on the Company’s consolidated financial statements.

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In November 2021, the FASB issued ASU 2021-10, Government Assistance (Topic 832), which increases the transparency of government assistance including the disclosure of (1) the type of assistance, (2) an entity's accounting for the assistance, and (3) the effect of the assistance on an entity's financial statements. The amendments in this update are effective for the Company in the financial statements issued for annual periods beginning after December 15, 2021. The Company adopted this standard on January 1, 2022 and it did not have a material effect on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)." ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. This amendment will be effective for private companies and emerging growth companies for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The FASB issued ASU No. 2018-10 "Codification Improvements to Topic 842, Leases" and ASU No. 2018-11 "Leases (Topic 842) Targeted Improvements" in July 2018, and ASU No. 2018-20 "Leases (Topic 842) - Narrow Scope Improvements for Lessors" in December 2018. ASU 2018-10 and ASU 2018-20 provide certain amendments that affect narrow aspects of the guidance issued in ASU 2016-02. ASU 2018-11 allows all entities adopting ASU 2016-02 to choose an additional (and optional) transition method of adoption, under which an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company adopted ASU 2016-02 on December 31, 2022, effective January 1, 2022 under the modified retrospective transition approach using effective date as the date of initial application. Upon transition, the Company applied the package of practical expedients permitted under ASC 842 transition guidance to its entire lease portfolio on January 1, 2022. As a result, the Company was not required to reassess (i) whether any expired or existing contracts are or contain leases, (ii) the classification of any expired or existing leases, and (iii) initial direct costs for any existing leases. Furthermore, the Company made an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less, as permitted by ASC 842. The Company determines lease existence and classification at inception when an agreement conveys the right to control identified property for a period of time in exchange for consideration. The adoption of this ASU had a material impact on the Company's financial statements, primarily as a result of recording right-of-use assets and lease liabilities for its operating leases in the approximate amounts of \$6.7 million and \$8.8 million and derecognizing deferred rent in the approximate amount of \$2.1 million.

Note 3 – Sale of WPT

Transaction

During the first quarter of 2021, AGAE entered into the SPA to sell the equity interests of its subsidiaries that own and operate its WPT business (the "Sale Transaction"), subject to shareholder and regulatory approvals, for a total base purchase price of \$105 million. This base purchase price was adjusted to reflect the amount of CSI's cash (less cash required to satisfy employee payment obligations), indebtedness and accrued and unpaid transaction expenses as of the closing of the Sale Transaction. The WPT business has been recast as discontinued operations, and the assets and liabilities of WPT are classified as assets and liabilities of discontinued operations. See Note 1 – Background and Nature of Operations.

In reaching its decision to enter into the SPA, the Company's Board of Directors, in consultation with management as well as its financial and legal advisors, considered a number of factors, including the risks and challenges facing the WPT business in the future as compared to the opportunities available to the WPT business in the future, and the availability of strategic alternatives. After careful consideration, the Board of Directors unanimously approved the SPA.

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On July 12, 2021, the Company consummated the sale of the WPT business. Immediately prior to the Sale Transaction, WPT forgave \$9,370,261 of amounts due from affiliates, which was recorded as an equity transaction on the stand-alone books of WPT and its affiliates and did not have an effect on the consolidated financial statements. The Company recorded a gain on the sale of the WPT business in the amount of \$77,858,835, as follows:

Cash consideration for sale of WPT⁽¹⁾	\$ 106,049,884
Less: book value of assets sold	
Cash	3,579,988
Accounts receivable	2,999,352
Restricted cash	100,000
Prepaid expenses and other assets	264,385
Property and equipment, net	1,429,706
Goodwill	4,083,621
Intangible assets, net	10,986,463
Deposits	79,500
Deferred production costs	12,684,054
Net book value of assets sold	<u>36,207,069</u>
Add: liabilities assumed by buyer	
Accounts payable	487,579
Accrued expenses and other liabilities	5,567,072
Deferred revenue	1,807,176
Deferred rent	2,619,967
Total liabilities assumed	<u>10,481,794</u>
Less: transaction expenses⁽²⁾	<u>2,465,774</u>
Gain on sale of WPT	<u>\$ 77,858,835</u>

(1) Includes \$105,120 of post-closing adjustments

(2) Includes \$1,165,774 of legal and professional fees and \$1,300,000 of amounts reimbursed to the Company's principal stockholder. See Note 7 - Accrued Expense and Other Current Liabilities for additional details

(3) Management has determined that there are no current federal or state income taxes payable in connection with the sale of WPT, after considering the Company's tax basis in the stock of WPT, as well as the Company's projected tax losses for the 2021 tax year.

Allied Gaming & Entertainment Inc. and Subsidiaries
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About WPT

WPT is an internationally televised gaming and entertainment company with brand presence in land-based tournaments, television, online and mobile applications. WPT has been involved in the sport of poker since 2002 and created a television show based on a series of high-stakes poker tournaments. WPT has broadcasted globally in more than 150 countries and territories and its shows are sponsored by established brands in many areas, including watches, crystal, playing cards and online social poker operators. WPT also operates ClubWPT.com, a subscription-based site that offers its members inside access to the WPT content database, as well as sweepstakes-based poker product that allows members to play for real cash and prizes in 36 states and territories across the United States and 4 foreign countries. WPT also participates in strategic brand licensing, partnership, and sponsorship opportunities.

Results of Discontinued Operations

Results and net income (loss) from discontinued operations are as follows, reflecting the results and net income (loss) of the WPT business through the date of the Sale Transaction:

	For the period from January 1, 2021 through July 12, 2021
	2021
Revenues	\$ 13,017,362
Operating costs and expenses	13,640,146
(Loss) income from operations	(622,784)
Other income, net	689,525
(Loss) income from discontinued operations before the sale of WPT	66,741
Gain on sale of WPT	77,858,835
Net income from discontinued operations, before tax	77,925,576
Income tax	-
Income from discontinued operations, net of tax provision	\$ 77,925,576

Note 4 – Investments

The Company owns a 25% non-voting membership interest in Esports Arena, LLC (“ESA”) and ESA’s wholly owned subsidiary. Because the Company does not have the ability to exercise significant influence over the operating and financial policies of ESA and because the investment doesn’t have a readily determinable market value, the Company elected to account for it using the adjusted cost method. During the second quarter of 2020, the Company recorded an additional impairment charge in the amount of \$1,138,631, related to its investment in ESA, in order to reduce the carrying value of the Company’s investment in ESA to \$0. Accordingly, there is \$0 related to the Company’s investment in ESA on the Company’s balance sheet as of December 31, 2022 and 2021.

Allied Gaming & Entertainment Inc. and Subsidiaries
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Note 5 – Property and Equipment, net

Property and equipment consist of the following:

	As of December 31,	
	2022	2021
Office equipment ⁽¹⁾	\$ 793,395	\$ 870,394
Computer equipment	563,042	546,945
Esports gaming truck	1,222,406	1,222,406
Furniture and fixtures	680,795	654,058
Production equipment	7,948,555	7,919,208
Leasehold improvements	4,578,081	4,678,038
	<u>15,786,274</u>	<u>15,891,049</u>
Less: accumulated depreciation and amortization	(11,780,652)	(9,754,156)
Property and equipment, net	<u>\$ 4,005,622</u>	<u>\$ 6,136,893</u>

(1) The decrease in office equipment is a result of a decrease in the FX rate year over year.

During the years ended December 31, 2022 and 2021, depreciation and amortization expense amounted to \$2,061,357 and \$3,305,698, respectively. During the years ended December 31, 2022 and 2021, the Company recorded impairment expense of \$67,500 and \$0 related to its property and equipment.

Note 6 – Intangible Assets, net

Intangible assets consist of the following:

	Intellectual Property	Accumulated Amortization	Total
Balance as of January 1, 2022	\$ 37,165	\$ (10,338)	\$ 26,827
Amortization expense	-	(3,991)	(3,991)
Balance as of December 31, 2022	<u>\$ 37,165</u>	<u>\$ (14,329)</u>	<u>\$ 22,836</u>
Weighted average remaining amortization period at December 31, 2022 (in years)	<u>5.7</u>		

Intangible assets consist of the Allied Esports trademarks, which are being amortized over a useful life of 10 years. During the years ended December 31, 2022 and 2021, amortization expense amounted to \$3,991 and \$3,991, respectively.

Estimated future amortization expense is as follows:

Years Ended December 31,	Amount
2023	\$ 3,991
2024	3,991
2025	3,991
2026	3,991
2027	3,991
Thereafter	2,881
	<u>\$ 22,836</u>

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Note 7 – Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	As of December 31,	
	2022	2021
Compensation expense	\$ 1,546,805	\$ 2,202,621
Current portion of deferred rent	-	198,504
Event costs	8,411	8,874
Legal and professional fees	43,676	368,691
Warrant liabilities	100	3,200
Other accrued expenses	46,387	172,858
Accrued expenses and other current liabilities	<u>\$ 1,645,379</u>	<u>\$ 2,966,245</u>
Accrued expenses, related party ⁽¹⁾	<u>\$ -</u>	<u>\$ 1,800,000</u>

(1) Represents amounts accrued to reimburse a principal shareholder for costs incurred in connection with specified Company transactions, including \$1,300,000 incurred in connection with the sale of WPT. See Note 12 - Commitments and Contingencies, Principal Shareholder Matter for additional details.

Note 8 – Convertible Debt and Convertible Debt, Related Party

Senior Secured Convertible Notes

During January 2021, the Company issued 529,383 shares of its common stock in full satisfaction of principal and interest in the aggregate amount of \$821,867 owed in connection with its Senior Secured Convertible Notes (the “Senior Notes”). During years ended December 31, 2022 and 2021, the Company recorded amortization of debt discount of \$0 and \$3,646, respectively, and recorded non-cash interest expense in the amount \$0 and \$46,110, respectively, related to the Senior Notes. No balance remains outstanding in connection with the Senior Secured Convertible Notes as of December 31, 2022 or December 31, 2021.

Convertible Bridge Notes and Convertible Bridge Notes, Related Party

Upon the sale of WPT, the Company repaid \$2,000,000 in full satisfaction of all remaining balances owed on its convertible bridge notes payable (the “Convertible Bridge Notes”) (see Note 3 – Sale of WPT), of which \$1,000,000 was paid in connection with a Convertible Bridge Note owed to the spouse of the Company’s then CEO and director. There was no balance outstanding on the Convertible Bridge Notes and all related debt discount was fully amortized as of December 31, 2021.

During the year ended December 31, 2021, the Company recorded interest expense of \$124,848 related to the Convertible Bridge Notes (of which \$62,424 was in connection with the Convertible Bridge Note owed to the spouse of the Company’s then CEO and Director).

Note 9 – Bridge Note Payable

Upon the sale of WPT, the Company repaid \$1,421,096 in full satisfaction of a Bridge Note Payable, such that the balance outstanding on the Bridge Note was \$0 as of December 31, 2021 (see Note 8 – Convertible Debt and Convertible Debt, Related Party). The Company recorded interest expense of \$0 and \$89,643 during the years ended December 31, 2022 and 2021, respectively, in connection with the Bridge Note. See Note 3 - Sale of WPT.

Note 10 – Loans Payable

In August 2021, the Company was awarded full forgiveness of loans provided in connection with the Paycheck Protection Program (“PPP”) under the Cares Act and accrued interest thereon. During the year ended December 31, 2021, the Company recognized a gain on forgiveness of the PPP Loans and accrued interest in the amount of \$912,475.

Allied Gaming & Entertainment Inc. and Subsidiaries
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Note 11 – Income Taxes

The Company and its subsidiaries file income tax returns in the United States (federal and California) and Germany.

The U.S. and foreign components of loss before income taxes from continuing operations were as follows:

	For the Years Ended December 31,	
	2022	2021
United States	\$ (10,233,357)	\$ (14,568,373)
Foreign	(590,528)	(491,472)
Loss before income taxes	<u>\$ (10,823,885)</u>	<u>\$ (15,059,845)</u>

The income tax provision (benefit) from continuing operations for the years ended December 31, 2022 and 2021 consists of the following:

	For the Years Ended December 31,	
	2022	2021
Federal		
Current	\$ -	\$ -
Deferred	(1,911,425)	(2,857,515)
State and local:		
Current	-	-
Deferred	(182,041)	(272,144)
Foreign		
Current	-	-
Deferred	(79,577)	(66,229)
	<u>(2,173,043)</u>	<u>(3,195,888)</u>
Change in valuation allowance	2,173,043	3,195,888
Income tax provision (benefit)	<u>\$ -</u>	<u>\$ -</u>

The reconciliation of the expected tax expense (benefit) based on the U.S. federal statutory rates for 2022 and 2021, respectively, with the actual expense is as follows:

	For the Years Ended December 31,	
	2022	2021
U.S. Federal statutory rate	21.0%	21.0%
State taxes, net of federal benefit	5.6%	6.1%
Permanent differences	(0.4)%	1.5%
Untaxed foreign jurisdictions	0.0%	0.0%
Lower taxed foreign jurisdictions	(0.7)%	(0.4)%
Change in deferred taxes	(4.4)%	(6.9)%
Rate change impact	0.0%	0.0%
Change in valuation allowance	(20.1)%	(21.3)%
Other	(1.0)%	0.0%
Total	<u>0.0%</u>	<u>0.0%</u>

Allied Gaming & Entertainment Inc. and Subsidiaries
Notes to Consolidated Financial Statements

The tax effects of temporary differences that give rise to deferred tax assets are presented below:

	As of December 31,	
	2022	2021
Deferred Tax Assets:		
Net operating loss carryforwards	\$ 15,989,995	\$ 13,561,888
Production costs	267,152	272,810
Investment	5,506,829	5,800,616
Stock-based compensation	862,216	730,832
Capitalized start-up costs	125,727	224,682
Accruals and other	1,316,607	1,674,367
Gross deferred tax assets	24,068,526	22,265,195
Valuation Allowance	(23,431,688)	(21,258,645)
Deferred tax assets, net of valuation allowance	636,838	1,006,550
Deferred Tax Liabilities:		
Property and equipment	(636,838)	(1,006,550)
Deferred Tax Liabilities	(636,838)	(1,006,550)
Deferred tax assets, net of valuation allowance	\$ -	\$ -

As of December 31, 2022, the Company had \$66,807,857, \$22,313,829 and \$5,316,581 of federal, state and foreign net operating loss (“NOL”) carryforwards available to offset against future taxable income. The federal NOL may be carried forward indefinitely. For state tax purposes, these NOLs will begin to expire in 2038. For the foreign NOLs, these NOLs can be carried forward indefinitely. The federal and state NOL carryovers are subject to annual limitations under Section 382 of the U.S. Internal Revenue Code when there is a greater than 50% ownership change, as determined under the regulations. The Company is not aware that any annual limitations have been triggered. The Company remains subject to the possibility that a future greater than 50% ownership change could trigger annual limitations on the usage of NOLs. For federal income tax purposes, the Company’s future utilization of its NOLs may be limited to 80% of taxable income as provided under Tax Cuts and Jobs Act of 2017.

The Company assesses the likelihood that deferred tax assets will be realized. ASC 740, “Income Taxes” requires that a valuation allowance be established when it is “more likely than not” that all, or a portion of, deferred tax assets will not be realized. A review of all available positive and negative evidence needs to be considered, including the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. After consideration of all the information available, management believes that uncertainty exists with respect to future realization of its deferred tax assets and has, therefore, established a full valuation allowance as of December 31, 2022 and 2021.

The Company is subject to taxation in the U.S. and various state jurisdictions. In general, the Company’s tax returns remain subject to examination by various taxing authorities beginning with the tax year ended December 31, 2018. However, to the extent the Company has tax attribute carryforwards, the tax years in which the attribute was generated may still be adjusted upon examination by the Internal Revenue Service or state tax authorities. No tax audits were commenced or were in process during the years ended December 31, 2022 and 2021.

The Company reviews its filing positions for all open tax years in all U.S. federal and state jurisdictions where the Company is required to file. The Company recognizes liabilities for uncertain tax positions based on a two-step process. To the extent a tax position does not meet a more-likely-than-not level of certainty, no benefit is recognized in the financial statements. If a position meets the more-likely-than-not level of certainty, it is recognized in the consolidated financial statements at the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company has not recognized any liability related to uncertain tax provisions as of December 31, 2022 and 2021.

The Company’s practice is to recognize interest and/or penalties related to income tax matters in interest expense. The Company had no accrual for interest or penalties at December 31, 2022 and December 31, 2021, respectively, and has not recognized interest and/or penalties during the years then ended as there are no material unrecognized tax benefits. Management does not anticipate any material changes to the amount of unrecognized tax benefits within in the next 12 months.

Note 12 – Commitments and Contingencies

Litigations, Claims, and Assessments

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

Principal Shareholder Matter

During August 2021, the Company received a \$2.3 million expense reimbursement request from a principal shareholder. The principal shareholder alleged that former officers of the Company verbally agreed to reimburse certain costs of the principal shareholder that were incurred in connection with specified Company transactions. On April 6, 2022, the Company reached a settlement agreement with the principal shareholder in which the Company agreed to reimburse the principal shareholder an aggregate of \$1.8 million for the full and final settlement of any and all claims by the principal shareholder.

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Operating Leases

Effective on March 23, 2017, Allied Esports entered into a non-cancellable operating lease for 30,000 square feet of event space 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 are 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 are 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 Las Vegas Lease expires on May 31, 2023. However, the Company plans on extending the lease an additional five years representing an additional commitment of \$8,250,000.

The Company also leases office and production space in Germany, pursuant to a lease dated August 1, 2020 which expires on July 31, 2023 (the “Germany Lease”). Rent expense under the lease is €4,000 (approximately \$4,280 United States dollars) per month. The lease includes an option to extend for an additional three-year term.

The Company’s aggregate rent expense incurred during the years ended December 31, 2022 and 2021 amounted to \$1,722,801 and \$1,714,895, respectively, of which \$1,283,976 and \$1,216,415, respectively, is included within in-person costs and \$438,825 and \$498,480, respectively, is included in general and administrative expenses on the accompanying consolidated statements of operations.

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

	For the Year Ended December 31, 2022
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows used in operating activities	\$ 1,083,178
Right-of-use assets obtained in exchange for lease obligations	
Operating leases	\$ -
Weighted Average Remaining Lease Term	
Operating leases	5.42
Weighted Average Discount Rate	
Operating leases	5.0%

The scheduled future minimum lease payments under the Company’s continuing non-cancellable operating leases are as follows:

For the Year Ending December 31,	Amount
2023	\$ 1,587,500
2024	1,650,000
2025	1,650,000
2026	1,650,000
2027	1,650,000
Thereafter	687,500
Total lease payments	8,875,000
Less: amount representing imputed interest	(1,120,761)
Present value of lease liability	7,754,239
Less: current portion	(1,227,164)
Lease liability, non-current portion	\$ 6,527,075

The right-of-use asset and operating lease liability balance includes the impact of the five-year renewal option that the Company is reasonably certain to exercise. However, the renewal option has not yet been executed.

Brookfield Partnership

On January 14, 2020, the Company issued 758,725 shares of its common stock to BPR Cumulus LLC, an affiliate of Brookfield Property Partners (“Brookfield”) in exchange for \$5,000,000 (the “Purchase Price”) pursuant to a Share Purchase Agreement (the “Brookfield Agreement”). The Purchase Price was placed into escrow and is to be used by the Company or its subsidiaries to develop integrated esports experience venues at mutually agreed upon shopping malls owned and/or operated by Brookfield or any of its affiliates (each, an “Investor Mall”), that will include a dedicated gaming space and production capabilities to attract and to activate esports and other emerging live events (each, an “Esports Venue”). To that end, half of the Purchase Price will be released from escrow to the Company upon the execution of a written lease agreement between Brookfield and the Company for the first Esports Venue, and the other half will be released to the Company upon the execution of a written lease agreement between Brookfield and the Company for the second Esports Venue. The balance held in escrow as of December 31, 2022 is \$5,000,000 and is reflected in restricted cash on the accompanying consolidated balance sheet. As of the date of this document, no additional documents have been drafted or executed between the Company and Brookfield as the parties have not had further discussions on moving forward with any leases since they were delayed during the pandemic.

Allied Gaming & Entertainment Inc. and Subsidiaries
Notes to Consolidated Financial Statements

System Development Agreement

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 made its first payment of \$49,950 on November 23, 2022 which was capitalized and included within other assets on the accompanying balance sheet as of December 31, 2022. See Note 2 – Significant Accounting Policies – Internal Use Software Development Costs for additional details.

Former Chief Executive Officer Agreements

On July 13, 2021, Frank Ng resigned as chief executive officer of the Company, effective immediately. In connection with his resignation, the Company entered into a Release and Separation Agreement with Mr. Ng (the “Separation Agreement”) pursuant to which, among other things, Mr. Ng agreed to provide reasonable assistance to the Company (when, as and if requested) in connection with the Company’s Esports division, Mr. Ng released any and all claims he may have against the Company and its subsidiaries (subject to certain exclusions), and the Company agreed to provide Mr. Ng with certain separation benefits, including \$400,000 (gross) in severance pay payable over a twelve-month period, accelerated vesting of 225,000 unvested stock options previously granted to Mr. Ng pursuant to an Option Agreement dated effective November 21, 2019, and accelerated vesting of all unvested shares of restricted stock previously granted to Mr. Ng pursuant to an Executive Restricted Stock Agreement dated August 7, 2020.

Appointment and Resignation of Chief Executive Officer, President and General Counsel

On July 13, 2021, the Company appointed Libing (Claire) Wu as its Chief Executive Officer, President and General Counsel. The Company entered into an employment agreement (the “CEO Agreement”) with Ms. Wu that provided for, among other things, payment to Ms. Wu of an annual base salary equal to \$500,000, subject to certain cost-of-living adjustments.

Upon commencement of her employment, Ms. Wu received a \$200,000 bonus and was granted 80,000 shares of restricted common stock, subject to transfer and forfeiture restrictions until the shares’ scheduled vesting on August 16, 2022, and ten-year stock options to purchase up to 200,000 shares of the Company’s common stock at an exercise price of \$2.21 per share that were scheduled to vest in four equal annual installments commencing on the one-year anniversary of the grant date.

On February 18, 2022, Ms. Wu resigned as Chief Executive Officer and General Counsel of the Company. In connection with her resignation, the Company entered into a Separation Agreement and Release with Ms. Wu (the “Release”) pursuant to which, among other things, Ms. Wu released the Company from any and all claims she may have against the Company (subject to certain exclusions), and the Company agreed to provide Ms. Wu with certain separation benefits, including \$750,000 in severance payable over an 18-month period which was expensed immediately, and accelerated vesting of 200,000 unvested stock options and 80,000 shares of restricted stock that were granted at the commencement of Ms. Wu’s employment. As no future substantive services will be performed by Ms. Wu, the Company recognized stock-based compensation expense of \$0 and \$258,979, respectively, related to the modification of these equity awards during the year ended December 31, 2022. At December 31, 2022, \$333,333 of accrued expenses is included on the balance sheet, related to Ms. Wu’s severance benefit. The Release also contains a customary non-disparagement provision.

Board of Directors

Ho Min Kim and Maya Rogers resigned from the Company’s Board of Directors (“Board”) on May 5, 2021. In connection with Ms. Rogers’ and Mr. Kim’s resignations, the Board permitted the accelerated vesting of 10,000 outstanding options previously issued to each person for their director services scheduled to vest on September 19, 2021 and extended the exercise period to exercise 20,000 vested outstanding options issued to each person to September 19, 2029.

On May 3, 2021, Frank Ng resigned from the Board of Directors (the “Board”). In connection with Mr. Ng’s resignation, the Board permitted the accelerated vesting of 10,000 outstanding options previously issued to Mr. Ng for his director services scheduled to vest on September 19, 2021 and extended the exercise period to exercise 20,000 vested outstanding options issued to Mr. Ng to September 19, 2029.

On July 6, 2021, the Board approved the following compensation for non-executive directors: (i) annual \$30,000 fee for director services; (ii) annual \$10,000 fee for non-chair committee services (capped at \$10,000 per director); and (iii) annual \$15,000 fee for committee chairs (capped at \$15,000 per director). The Company has the option to pay such amounts in cash or stock from the Company’s incentive plan (valued at the closing price of AGAE common stock on the trading day immediately prior to issuance), with the current fees payable in cash. The fees are payable monthly by the Company.

On February 18, 2022, Jerry Lewin resigned as a Class C Director of the Company. In appreciation of Mr. Lewin’s services to the Company as a director, Chair of the Compensation Committee and a member of the Audit Committee, the Company paid to Mr. Lewin \$25,000, accelerated the vesting of 40,000 unvested stock options previously granted to Mr. Lewin pursuant to an option agreement dated effective May 6, 2021, and extended the exercise period of such options to May 6, 2031. The Company recognized stock-based compensation expense of \$32,909 related to the modification of these awards during the year ended December 31, 2022.

Allied Gaming & Entertainment Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 13 – Stockholders’ Equity

Equity Incentive Plan

On December 30, 2021, the stockholders approved an amendment to the 2019 Equity Incentive Plan (the “Plan”) to increase the number of shares of common stock authorized under the Plan from 3,463,305 shares to 3,763,305 shares. As of December 31, 2022 there were 1,344,904 shares available under the plan.

Equity Purchase Option

On August 19, 2019, the Company sold an option to purchase up to 600,000 units, exercisable at \$11.50 per Unit, in connection with AGAE’s initial public offering (the “Equity Purchase Option”). Each Unit consisted of one and one-tenth shares of common stock and a warrant to purchase one share of common stock at \$11.50 per share. Effective upon the closing of the Merger, the units converted by their terms into the shares and warrants, and the option represented the ability to buy such securities directly (and not units). The Equity Purchase Option expired on October 4, 2022.

Common Stock

In January 2021, the Company issued 529,383 shares of its common stock valued at \$821,867 for the redemption of \$674,909 of debt and accrued interest (See Note 8 - Convertible Debt and Convertible Debt, Related Party, Senior Secured Convertible Notes).

During the year ended December 31, 2021, the Company issued to its non-executive directors an aggregate of 126,584 shares of common stock from its 2019 Equity Incentive Plan for their director services to the Company. The Company recognized stock-based compensation of \$200,000 in connection with the issuance of these shares during the year ended December 31, 2021.

Treasury Stock

On November 21, 2022, the Company’s Board of Directors authorized a stock repurchase program of up to \$10 million of its outstanding shares of common stock. For the year ended December 31, 2022, the Company repurchased 581,746 shares at a cost of \$610,562. As of December 31, 2022, approximately \$9.4 million of authorization remained available to repurchase common stock under this program.

Stock Options

A summary of the option activity during the year ended December 31, 2022 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, 2022	2,415,000	\$ 3.73		
Granted	-	-		
Exercised	-	-		
Expired	(615,000)	3.97		
Forfeited	(125,000)	3.55		
Outstanding, December 31, 2022	<u>1,675,000</u>	<u>\$ 2.54</u>	<u>4.73</u>	<u>\$ -</u>
Exercisable, December 31, 2022	<u>1,280,000</u>	<u>\$ 3.74</u>	<u>6.74</u>	<u>\$ -</u>

Allied Gaming & Entertainment Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Options outstanding and exercisable as of December 31, 2022 are as follows:

Options Outstanding		Options Exercisable	
Exercise Price	Outstanding Number of Options	Weighted Average Remaining Life In Years	Exercisable Number of Options
\$ 2.11	40,000	7.50	20,000
\$ 2.17	120,000	7.60	120,000
\$ 2.21	350,000	7.19	237,500
\$ 2.48	120,000	8.35	60,000
\$ 4.09	765,000	5.69	612,500
\$ 5.66	280,000	6.72	230,000
	1,675,000	6.74	1,280,000

The option grants described below were issued from the Company's 2019 Stock Incentive Plan ("Incentive Plan").

On May 6, 2021, the Company granted ten-year stock options to purchase an aggregate of 160,000 shares of common stock to its directors. The shares vest in equal annual installments over four years and have an exercise price of \$2.48 per share, which represents the Company's closing stock price on the day prior to the date of grant. The options had an aggregate grant date fair value of \$145,777 and are being amortized into expense over the vesting period.

On July 13, 2021, the Company granted ten-year stock options to purchase an aggregate of 200,000 shares of common stock to Ms. Wu. The shares vest in equal annual installments over four years and have an exercise price of \$2.21 per share, which represents the Company's closing stock price on the day prior to the date of grant. The options had an aggregate grant date fair value of \$202,910 and are being amortized over the vesting period.

On November 11, 2021, the Company granted ten-year stock options to purchase an aggregate of 150,000 shares of common stock to several of its directors. The shares vest in equal annual installments over four years and have an exercise price of \$2.21 per share, which represents the Company's closing stock price on the day prior to the date of grant. The options had an aggregate grant date fair value of \$159,756 and are being amortized into expense over the vesting period.

On February 18, 2022, Jerry Lewin resigned as a Class C Director of the Company. In appreciation of Mr. Lewin's services to the Company as a director, Chair of the Compensation Committee and a member of the Audit Committee, the Company paid to Mr. Lewin \$25,000, accelerated vesting of 40,000 unvested stock options previously granted to Mr. Lewin pursuant to an Option Agreement dated effective May 6, 2021, and extended the exercise period of such options to May 6, 2031.

There were no options granted during the year ended December 31, 2022. The grant date value of options granted during the year ended December 31, 2021 was calculated using the Black-Scholes option pricing model, with the following assumptions used:

Risk free interest rate	0.94% - 1.58%
Expected term (years)	6.25
Expected volatility	40% - 46%
Expected dividends	0.00%

The weighted average grant date fair value of the stock options granted during the year ended December 31, 2021 was \$1.00 per share.

The expected term used for options is the estimated period of time that options granted are expected to be outstanding. The Company utilizes the "simplified" method to develop an estimate of the expected term of "plain vanilla" option grants. The Company is utilizing an expected volatility figure based on a review of the historical volatilities, over a period of time, equivalent to the expected life of the instrument being valued, of similarly positioned public companies within its industry. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

For the years ended December 31, 2022 and 2021, the Company recorded \$708,964 and \$1,224,699, respectively, of stock-based compensation expense related to stock options, of which \$0 and \$767,942, respectively, was included in (loss) income from discontinued operations before the sale of WPT on the accompanying consolidated statements of operations. As of December 31, 2022, there was \$347,858 of unrecognized stock-based compensation expense related to the stock options that will be recognized over the weighted average remaining vesting period of 1.7 years.

Allied Gaming & Entertainment Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Restricted Common Stock

A summary of the non-vested restricted common stock activity during the year ended December 31, 2022 is presented below:

	Number of Restricted Stock	Weighted Average Grant Date Fair Value
Non-vested balance, January 1, 2022	80,000	\$ 2.00
Vested	(80,000)	2.00
Non-vested balance, December 31, 2022	-	\$ -

For the years ended December 31, 2022 and 2021, the Company recorded \$82,345 and \$260,433, respectively, of stock-based compensation expense related to restricted stock of which \$0 and \$14,848, respectively, was included in (loss) income from discontinued operations before the sale of WPT on the accompanying statements of operations. As of December 31, 2022, all stock-based compensation expense related to restricted stock has been recognized.

During the year ended December 31, 2021, 100,904 shares of common stock valued at \$210,147 were withheld by the Company to cover employee payroll tax liabilities in connection with the vesting of restricted stock, including 23,411 shares valued at \$50,802 for employee payroll tax liabilities related to restricted stock vested during the year ended December 31, 2020 and 77,493 shares valued at \$159,345 for restricted stock vested during the year ended December 31, 2021.

During the year ended December 31, 2022, 31,437 shares of common stock valued at \$49,670 were withheld by the Company to cover employee payroll tax liabilities in connection with the vesting of restricted stock vested during the year ended December 31, 2022.

Restricted Stock Units

On January 19, 2021, the Company entered into a Restricted Stock Unit Agreement with a Former CEO, pursuant to which the Former CEO received restricted stock units having a stated value equal to \$1,000,000. The restricted stock units represent the right to receive \$1,000,000, contingent upon the closing of the Sale Transaction, which is payable upon the earlier of (i) the sale of substantially all of the assets or equity interests comprising the Company's esports business, or (ii) the two-year anniversary of the Sale Transaction (provided that the Former CEO provides consulting services (when, as and if requested) to the Company through such date). At the time of payment, the Company may elect to pay the \$1,000,000 award in cash or in shares of common stock valued at the fair market value of our common stock on the Vesting Date, or any combination thereof. The Company recorded a charge to stock-based compensation and a corresponding credit to accrued compensation expense in the amount of \$1,000,000 for the year ended December 31, 2021, representing the full amortization of this award because the Company doesn't expect the Former CEO to provide substantive services. All issuances of common stock will be issued from the 2019 Equity Incentive Plan. If payments or benefits provided or to be provided by the Company or its affiliates to the Former CEO pursuant to the agreement or otherwise ("Covered Payments") constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986 (the "Code") that would be subject to the excise tax imposed under Section 4999 of the Code (collectively, the "Excise Tax"), payments to be made under the agreement will be reduced to the minimum extent necessary to ensure that no portion of the Covered Payments is subject to the Excise Tax.

Warrants

Prior to the August 9, 2019 Closing Date of the Merger (see Note 1 – Background and Basis of Presentation), Black Ridge Acquisition Corp. ("BRAC") issued 14,305,000 five-year warrants (the "BRAC Warrants") for the purchase of the Company's common stock at \$11.50 per share in connection with BRAC's initial public offering. These previously issued BRAC Warrants are deemed to be issued in connection with the Merger, as a result of the reverse recapitalization.

As of result of the August 9, 2019 Merger, the Company issued to the former owners of Allied Gaming and WPT five-year warrants to purchase an aggregate of 3,800,003 shares of common stock at a price of \$11.50 per share and issued five-year warrants for the purchase of an aggregate of 532,000 shares of common stock to the Noteholders with an exercise price of \$11.50 per share.

On June 8, 2020, the Company issued warrants for the purchase of 1,454,546 shares of common stock at \$4.13 per share in connection with the issuance of Senior Secured Convertible Notes (See Note 8 – Convertible Debt and Convertible Debt, Related Party, Senior Secured Convertible Notes).

Allied Gaming & Entertainment Inc. and Subsidiaries
Notes to Consolidated Financial Statements

A summary of warrants outstanding and exercisable as of December 31, 2022 is presented below:

Warrants Outstanding			Warrants Exercisable		
Exercise Price	Exercisable Into	Outstanding Number of Warrants	Weighted Average Remaining Life in Years	Exercisable Number of Warrants	
\$ 11.50	Common Stock	18,637,003	1.6	18,637,003	
\$ 4.13	Common Stock	1,454,546	2.4	1,454,546	
		<u>20,091,549</u>		<u>20,091,549</u>	

Note 14 – Subsequent Events

License Agreement

On February 27, 2023, Allied Mobile Entertainment, Inc (“AME”), a newly incorporated and wholly owned subsidiary of AGAE, entered into an agreement with a global internet technology company under which AME was granted a five-year exclusive worldwide (excluding the PRC) software license to operate four mobile casual games for a \$500,000 up-front fee and a one-time technical upgrade service fee of \$65,000. The license agreement provides AME with an option to renew the agreement for an additional five years under identical terms and conditions and a priority to negotiate a perpetual license following the five-year renewal period.

Description of Registrant's Securities

As March 24, 2023, Allied Gaming & Entertainment, Inc. has two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (1) our Common Stock; and (2) Warrants.

The following is a description of our common stock, warrants, and certain material provisions of Delaware law, our Certificate of Incorporation, as amended, and our Bylaws, as amended. The following is only a summary and is qualified by applicable law, our Certificate of Incorporation, as amended, and our Bylaws. Copies of our Certificate of Incorporation, as amended, and our Bylaws, as amended are included as exhibits to the Report of which this Exhibit is a part.

Common Stock

Voting. The holders of our common stock are entitled to one vote for each outstanding share of common stock owned by that shareholder on every matter properly submitted to the shareholders for their vote. Shareholders are not entitled to vote cumulatively for the election of directors.

Dividend Rights. Subject to the dividend rights of the holders of any outstanding series of preferred stock, holders of our common stock are entitled to receive ratably such dividends and other distributions of cash or any other right or property as may be declared by our Board of Directors out of our assets or funds legally available for such dividends or distributions.

Liquidation Rights. In the event of any voluntary or involuntary liquidation, dissolution or winding up of our affairs, holders of our common stock would be entitled to share ratably in our assets that are legally available for distribution to shareholders after payment of liabilities and after the satisfaction of any liquidation preference owed to the holders of any preferred stock.

Conversion, Redemption and Preemptive Rights. Holders of our common stock have no conversion, redemption, preemptive, subscription or similar rights.

Warrants

Each warrant entitles the registered holder to purchase one share of common stock at a price of \$11.50 per share, subject to adjustment as discussed below, at any time after September 9, 2019 until expiration. However, no warrants will be exercisable for cash unless we have an effective and current registration statement covering the shares of common stock issuable upon exercise of the warrants and a current prospectus relating to such shares of common stock. Notwithstanding the foregoing, if a registration statement covering the shares of common stock issuable upon exercise of the public warrants is not effective within a specified period following the consummation of our merger on August 9, 2019, warrant holders may, until such time as there is an effective registration statement and during any period when we shall have failed to maintain an effective registration statement, exercise warrants on a cashless basis pursuant to the exemption provided by Section 3(a)(9) of the Securities Act, provided that such exemption is available. If that exemption, or another exemption, is not available, holders will not be able to exercise their warrants on a cashless basis. In such event, each holder would pay the exercise price by surrendering the warrants for that number of shares of common stock equal to the quotient obtained by dividing (x) the product of the number of shares of common stock underlying the warrants, multiplied by the difference between the exercise price of the warrants and the "fair market value" (defined below) by (y) the fair market value. The "fair market value" for this purpose will mean the average reported last sale price of the shares of common stock for the 5 trading days ending on the trading day prior to the date of exercise. The warrants will expire on the fifth anniversary of our completion of an initial business combination, at 5:00 p.m., New York City time, or earlier upon redemption or liquidation.

We may call the warrants for redemption (excluding certain warrants), in whole and not in part, at a price of \$0.01 per warrant.

- at any time after the warrants become exercisable,
- upon not less than 30 days' prior written notice of redemption to each warrant holder,
- if, and only if, the reported last sale price of the shares of common stock equals or exceeds \$18.00 per share (as adjusted for stock splits, stock dividends, reorganizations and recapitalizations), for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to warrant holders; and
- if, and only if, there is a current registration statement in effect with respect to the shares of common stock underlying such warrants.

The right to exercise will be forfeited unless the warrants are exercised prior to the date specified in the notice of redemption. On and after the redemption date, a record holder of a warrant will have no further rights except to receive the redemption price for such holder's warrant upon surrender of such warrant.

The redemption criteria for our warrants have been established at a price which is intended to provide warrant holders a reasonable premium to the initial exercise price and provide a sufficient differential between the then-prevailing share price and the warrant exercise price so that if the share price declines as a result of our redemption call, the redemption will not cause the share price to drop below the exercise price of the warrants.

If we call the warrants for redemption as described above, our management will have the option to require all holders that wish to exercise warrants to do so on a "cashless basis." In such event, each holder would pay the exercise price by surrendering the warrants for that number of shares of common stock equal to the quotient obtained by dividing (x) the product of the number of shares of common stock underlying the warrants, multiplied by the difference between the exercise price of the warrants and the "fair market value" (defined below) by (y) the fair market value. The "fair market value" shall mean the average reported last sale price of the shares of common stock for the 5 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of warrants.

The warrants are in registered form under a warrant agreement between Continental Stock Transfer & Trust Company, as warrant agent, and us. The warrant agreement provides that the terms of the warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval, by written consent or vote, of the holders of at least 50% of the then outstanding warrants (including the private warrants) in order to make any change that adversely affects the interests of the registered holders.

The exercise price and number of shares of common stock issuable on exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, extraordinary dividend or our recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuances of shares of common stock at a price below their respective exercise prices.

The warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified or official bank check payable to us, for the number of warrants being exercised. The warrant holders do not have the rights or privileges of holders of shares of common stock and any voting rights until they exercise their warrants and receive shares of common stock. After the issuance of shares of common stock upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

Under the terms of the warrant agreement, we have agreed to use our best efforts to have declared effective a prospectus relating to the shares of common stock issuable upon exercise of the warrants and keep such prospectus current until the expiration of the warrants. However, we cannot assure you that we will be able to do so and, if we do not maintain a current prospectus relating to the shares of common stock issuable upon exercise of the warrants, holders will be unable to exercise their warrants for cash and we will not be required to net cash settle or cash settle the warrant exercise.

Warrant holders may elect to be subject to a restriction on the exercise of their warrants such that an electing warrant holder would not be able to exercise their warrants to the extent that, after giving effect to such exercise, such holder would beneficially own in excess of 9.8% of the shares of common stock outstanding.

No fractional shares will be issued upon exercise of the warrants. If, upon exercise of the warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, round up to the nearest whole number the number of shares of common stock to be issued to the warrant holder.

Anti-Takeover Provisions

We are subject to Section 203 of the Delaware General Corporation Law. Subject to certain exceptions, Section 203 prevents a publicly held Delaware corporation from engaging in a “business combination” with any “interested stockholder” for three years following the date that the person became an interested stockholder, unless either the interested stockholder attained such status with the approval of our Board of Directors, the business combination is approved by our Board of Directors and stockholders in a prescribed manner or the interested stockholder acquired at least 85% of our outstanding voting stock in the transaction in which it became an interested stockholder. A “business combination” includes, among other things, a merger or consolidation involving us and the “interested stockholder” and the sale of more than 10% of our assets. In general, an “interested stockholder” is any entity or person beneficially owning 15% or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person. The restrictions contained in Section 203 are not applicable to any of our existing stockholders that will own 15% or more of our outstanding voting stock upon the closing of this offering.

Bylaws

Certain provisions of our corporate bylaws could have anti-takeover effects. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our corporate policies formulated by our Board of Directors. In addition, these provisions also are intended to ensure that our Board of Directors will have sufficient time to act in what our Board of Directors believes to be in the best interests of our Company and our shareholders. Nevertheless, these provisions could delay or frustrate the removal of incumbent directors or the assumption of control of us by the holder of a large block of common stock, and could also discourage or make more difficult a merger, tender offer, or proxy contest, even if such event would be favorable to the interest of our shareholders. These provisions are summarized below.

Advance Notice Provisions for Raising Business or Nominating Directors. Sections 2.2 and 3.3 of our Bylaws contain advance-notice provisions relating to the ability of shareholders to raise business at a shareholder meeting and make nominations for directors to serve on our Board of Directors. These advance-notice provisions generally require shareholders to raise business within a specified period of time prior to a meeting in order for the business to be properly brought before the meeting. Similarly, our Bylaws prescribe the timing of submissions for nominations to our Board of Directors and the certain of factual and background information respecting the nominee and the shareholder making the nomination.

Number of Directors and Vacancies. Our Bylaws provide that the number of directors shall be fixed from time to time by the Board. The bylaws also provide that our Board has the right, except as may be provided in the terms of any series of preferred stock created by resolutions of the board, to fill vacancies, including vacancies created by any decision of our Board to increase the number of directors comprising the board.

Certificate of Incorporation – Blank-Check Preferred Stock Power

Under our Certificate of Incorporation, as amended, our Board has the authority to fix by resolution the terms and conditions of one or more series of preferred stock and provide by resolution for the issuance of shares of such series.

We believe that the availability of our preferred stock, in each case issuable in series, and additional shares of common stock could facilitate certain financings and acquisitions and provide a means for meeting other corporate needs which might arise. The authorized shares of our preferred stock, as well as authorized but unissued shares of common stock, will be available for issuance without further action by our shareholders, unless shareholder action is required by applicable law or the rules of any stock exchange on which any series of our stock may then be listed, or except as may be provided in the terms of any preferred stock created by resolution of our Board.

These provisions give our Board the power to approve the issuance of a series of preferred stock, or additional shares of common stock, that could, depending on its terms, either impede or facilitate the completion of a merger, tender offer or other takeover attempt. For example, the issuance of new shares of preferred stock might impede a business combination if the terms of those shares include voting rights which would enable a holder to block business combinations or, alternatively, might facilitate a business combination if those shares have general voting rights sufficient to cause an applicable percentage vote requirement to be satisfied.

Market Information

Our common stock is traded on the NASDAQ Capital Market under the symbol "AGAE." Our warrants are traded on the OTC Market under the symbol "AGAEW."

Our corporate structure, including our principal operating subsidiaries, is as follows:

Name of subsidiary	Jurisdiction of incorporation or organization
Allied Esports Media, Inc.	Delaware
Allied Esports International, Inc.	Nevada
eSports Arena Las Vegas, LLC	Delaware
Allied Esports GmbH	Germany
Esports Arena, LLC (25% ownership interest)	California



CERTIFIED PUBLIC ACCOUNTANTS

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Allied Gaming & Entertainment Inc.

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (File No. 333-248696), and in the Registration Statements on Form S-8 (File Nos. 333-239984 and 333-267849) of our report dated March 24, 2023, with respect to our audits of the consolidated financial statements of Allied Gaming & Entertainment Inc. as of and for the year ended December 31, 2022, which are incorporated in this Annual Report on Form 10-K of Allied Gaming & Entertainment Inc. for the year ended December 31, 2022.

We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ ZH CPA, LLC

Denver, Colorado

March 24, 2023

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of Allied Gaming & Entertainment Inc. "formerly known as Allied Esports Entertainment Inc." on Form S-3 (File No. 333-248696) and in the Registration Statements of Allied Gaming & Entertainment Inc. on Form S-8 (File Nos. 333-239984 and 333-267849) of our report with respect to our audit of the consolidated financial statements of Allied Esports Entertainment, Inc. and Subsidiaries as of December 31, 2021 and for the year ended December 31, 2021, which report is included in this Annual Report on Form 10-K of Allied Gaming & Entertainment Inc. for the year ended December 31, 2022.

/s/ Marcum LLP

Marcum LLP
Melville, NY
March 24, 2023

**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-K of Allied Esports 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: March 24, 2023

/s/ Yinghua Chen

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

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

I, Roy L. Anderson, certify that:

1. I have reviewed this report on Form 10-K of Allied Esports 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.

Date: March 24, 2023

/s/ Roy L. Anderson

Roy L. Anderson,
Chief Financial Officer
(Principal Financial Officer)

**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 Annual Report of Allied Esports Entertainment, Inc. (the "Company") on Form 10-K for the fiscal year ending December 31, 2022 (the "Report") I, Yinghua Chen, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 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: March 24, 2023

/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.

**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 Annual Report of Allied Esports Entertainment, Inc. (the "Company") on Form 10-K for the fiscal year ending December 31, 2022 (the "Report") I, Roy Anderson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 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: March 24, 2023

/s/ Roy L. Anderson

Roy L. 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.