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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. on the website of the U.S. Securities and Exchange Commission on 28 March 2024 (U.S. time).

By order of the Board

**Ourgame International Holdings Limited**

**Lu Jingsheng**

*Chief Executive Officer and Executive Director*

Beijing, 29 March 2024

*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, 2023

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

For the transition period from to

Commission file number: 001-38226

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

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**82-1659427**

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

745 Fifth Ave, Suite 500  
New York, NY 10151  
(Address of principal executive offices)

(646) 768-4240  
(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, 2023 (the last business day of the registrant's most recently completed second fiscal quarter), was approximately \$17,651,593 based on the price of \$1.05, the closing price on June 30, 2023. 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 25, 2024, 44,135,686 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 2024 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, 2023 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.

## 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 the 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, 2023, 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, one mobile arena-Allied Esports Omen Truck, and original content studio which creates and produces proprietary content series to serve brand activation and promotion, fans and community engagement. On October 31, 2023, the Company completed its acquisition of a 40% equity interest in Beijing Lianzhong Zhihe Technology Co., Ltd, a developer and operator of casual mobile games, see commentary on Strategic Transactions in 2023 below. 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 nurture vibrant communities primarily comprising Gen Y, Z, and Alpha consumers. 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 has pursued and will continue to pursue various acquisitions, joint ventures, and other such strategic opportunities for the purpose of leveraging its location-based-entertainment expertise and focusing 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 2023, with a staggering 3.4 billion gamers worldwide, the global gaming industry was valued at \$187.7 billion and is projected to grow at a compound annual growth rate (“CAGR”) of 2.6% between 2023 and 2024. 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 2023, 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 one mobile esports arena, which is an 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 the second arena in Sydney in 2023. Allied has been approached by and in talks with various players in the market who seek management and operation consultation for esports focused mixed use space. This network of affiliate arenas and operation consultation service 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, Allied can utilize its leading production facility to support all venues within the affiliate network content streaming and production, optimizing capex and opex for affiliated venues.

**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.

**Live Entertainment Events in Partnership with 3<sup>rd</sup> Party Venues.** The live concert and show market in 2023 was marked by a strong rebound from the pandemic. The global market size was estimated to be around \$58.9 billion, reflecting a significant increase from previous pandemic years. Ticket sales were strong, with online sales reaching an estimated \$33.8 billion, exceeding pre-pandemic levels (2019) (source: Statista). With gaming, entertainment and live events genes at heart, AGAE formed wholly owned subsidiary Allied Experiential Entertainment ("AEE"), focusing on orchestrating live entertainment events and offers management and consultation service to experiential entertainment venue operation. In February 2024, AGAE announced the debut event of its recently formed joint venture, Skyline Music Entertainment ("Skyline"), hosting the inaugural leg of the highly acclaimed multiple Juno Award-winning band Walk off the Earth's first-ever tour in China in April 2024. Skyline Music Entertainment, a joint venture based in Macau, is poised to capitalize on the burgeoning entertainment industry in the Asia market. AEE owns 51% of Skyline Music Entertainment.

#### ***Multiplatform Content***

Built upon unique state-of-the-art 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 aired 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 Stream Hatchet, in 2023, viewers watched a total of [2.76] billion hours of live gaming content on popular streaming platforms such as Twitch, Youtube Gaming, and Facebook Gaming making a 75% increase from 2020. The Esports Live-Streaming Trends Report, which livestreaming analytics platform Stream Hatchet releases quarterly, also indicated that co-streaming continued to boost esports viewership and engagement. Authorized co-streaming contributed a 195% growth in viewer hours. The viewership boost from co-streaming — an increasingly popular practice amongst tournament organizers — was spread across various games and content creator. Twitch is still the most popular form of esports content delivery channel today, as it offers the best interactive experiences for the audience. Twitch is especially commanding with small events, where it has a market share of 81%. Twitch and YouTube make up 62% and 30% of the market, respectively. Meanwhile, YouTube continued to grow its market share of large events this quarter by 10% measured against Twitch. 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. Allied has produced multiple seasons of original programs, such as Elevated, an award nominated Twitch show that helps up-and-coming streamers to gain more exposure and elevate their career growth, and Wannabe, a docu-series streamed on the Yankee Entertainment and Sports Network (YES Network) that tells stories about professional gamers, gaming content creators, and professional athletes, explores common themes between their different careers to inspire young people and help them choose the path they are passionate about.

This post-produced content has been valuable real estate for sponsors, as Allied integrates 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, using 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.

### ***Strategic Transactions in 2023***

On August 16, 2023, AME-HK entered into an Equity Interest Purchase Agreement (the “Purchase Agreement”) with, among others, Beijing Lianzhong Co., Ltd (the “Seller”) and Beijing Lianzhong Zhihe Technology Co., Ltd. (the “Target Company”), pursuant to which AME-HK agreed to acquire a 40% equity interest in the Target Company held by the Seller for a total purchase price of \$7,000,000 in cash (the “Acquisition”). Pursuant to the terms of the Purchase Agreement AME-HK has the right to appoint three out of five members of the Board of Directors of the Target Company, and AME-HK also will acquire certain rights held by the Seller as the major shareholder of the Target Company prior to the Acquisition. After the Acquisition, which was completed on October 31, 2023, the Company has become Z-Tech’s largest shareholder. Z-Tech was founded in Beijing, China in April 2022 and has emerged as a mobile games developer and operator, specializing in the innovation, research, development and operation of premium card and Mahjong casual games. Leveraging advanced in-game advertising strategies, Z-Tech has generated substantial revenue streams and established a premier leisure entertainment platform and community, which further solidifies its connection with customers, enhancing engagement and fostering enduring relationships.

On December 28, 2023, we entered into a Share Purchase Agreement (the “SPA”) with Elite Fun Entertainment Co., Ltd. (the “Purchaser”), pursuant to which the Purchaser agreed to purchase 7,330,000 shares of common stock of the Company, par value \$0.0001 per share (the “Common Stock”) at a purchase price of \$0.90 per share (the “Purchased Shares”) for a total purchase price of \$6,597,000. The Purchased Shares represent less than 20% of the total issued and outstanding shares of the Company prior to the closing of the transaction. The SPA is subject to customary representations, warranties, covenants and conditions, including an agreement that the Company and Purchaser will each use its best efforts to negotiate and finalize a collaboration or partnership agreement under which the Purchaser will assist the Company with organizing live shows and events in Asia. The transaction was closed on March 7, 2024.



### ***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) 768-4240.

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 was 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"), Allied Mobile Entertainment Inc, Allied Experiential Entertainment Inc 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. Allied Mobile Entertainment ("AME"), is dedicated to exploring opportunities in the massive and growing mobile games markets. Allied Experiential Entertainment ("AEE"), focuses on orchestrating live entertainment events and offers management and consultation service to experiential entertainment venue operation. AEGmbH operated 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. In December 2022, the Company closed down the AEGmbH office and currently manages its operations through its 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 and marketing companies such as Gamesquare, 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 27, 2024, we had 73 employees, including 27 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 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 have pursued and will continue to pursue various acquisitions, joint ventures, and other such strategic opportunities for the purpose of leveraging our location-based-entertainment expertise and focusing on gaming lifestyle and experiential entertainment, as well as growing our 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;
- Shareholder activism related to the new strategic and business plans;
- 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.

***We may engage in strategic transactions that could impact our liquidity, increase our expenses and present significant distractions to our management.***

From time to time, we may consider strategic transactions, such as acquisitions, asset purchases and sales, and collaborations. Additional potential transactions that we may consider include a variety of different business arrangements, including spin-offs, strategic partnerships, joint ventures, restructurings, divestitures, business combinations and investments. Any such transaction may require us to incur non-recurring or other charges, may increase our near and long-term expenditures, could not result in perceived benefits that were contemplated upon entering into the transaction, and may pose significant integration challenges or disrupt our management or business, which could adversely affect our operations, solvency and financial results. For example, these transactions may entail numerous operational and financial risks, including:

- exposure to unknown and contingent liabilities;
- disruption of our business and diversion of our management's time and attention;
- incurrence of substantial debt or dilutive issuances of equity securities to pay for acquisitions, collaborations, and joint ventures;
- higher than expected acquisition and integration costs;
- write-downs of assets or goodwill or impairment charges;
- increased operating expenditures, including additional research, sales, and marketing expenses;
- increased amortization expenses;
- difficulty and cost in combining the operations and personnel of any acquired businesses with our operations and personnel; and
- impairment of relationships with key suppliers or customers of any acquired businesses due to changes in management and ownership.

***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 and experiential entertainment. 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 a global pandemic, may 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 to 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 affect 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.

***We may be subject to litigation, including stockholder litigation, which could have an adverse effect on our business and operations.***

We may be subject to litigation from stockholders, suppliers and other third parties from time to time. Such litigation may have an adverse impact on our business and results of operations or may cause disruptions to our operations. As discussed in more detail in Item 3, "Legal Proceeding" below, Knighted Pastures, LLC ("Knighted") recently filed a complaint against us and alleges that it seeks to nominate directors to AGAE's Board and effect certain changes with respect to the business and management of AGAE. We expect to incur additional costs to defend such litigation which may cause our management to divert attention and resources from our business operations. In addition, in the event directors nominated by Knighted are elected to our board of director, such directors may disagree with the strategic directions of the Company or otherwise take actions that may adversely affect the interest of our shareholders.

*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 of \$3.6 million and \$10.8 million for the years ended December 31, 2023 and 2022, 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 a global 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 a global 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 events 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 events and content experiences using their game intellectual property. Should game publishers choose not to allow Allied to offer tournament events 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 31% 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.

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.

***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 3,763,305 shares of common stock for issuance under our 2019 Equity Incentive Plan (as amended, the “2019 Plan”). As of December 31, 2023, there were 1,662,345 shares available under the 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.

***Provisions of our amended and restated articles of incorporation and bylaws may delay or prevent a takeover which may not be in the best interest of our stockholders.***

Provisions of our amended and restated articles of incorporation and our bylaws, as amended, may be deemed to have anti-takeover effects, which include when and by whom special meetings of our stockholders may be called, and may delay, defer or prevent a takeover attempt. Further, our amended and restated articles of incorporation, authorize the issuance of up to 1,000,000 shares of undesignated preferred stock with such rights and preferences as may be determined from time to time by our Board of Directors in their sole discretion. Our Board of Directors may, without stockholder approval, issue series of preferred stock with dividends, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of our common stock.

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 preferred 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.

***Our stockholder rights plan, or "poison pill," includes terms and conditions that could discourage a takeover or other transaction that stockholders may consider favorable.***

On February 8, 2024, the Board of Directors approved the Stockholder Rights Plan (the "Rights Plan"), dated February 9, 2024, by and between the Company and Continental Stock Transfer & Trust Company, as Rights Agent. The Rights Plan was adopted in response to stockholder activism concerns and is intended to protect the Company and its stockholders from efforts by a single stockholder or group of stockholders to obtain control of the Company without paying a control premium through a number of recognized stockholder protections. Generally the Rights Plan works by causing substantial dilution to any person or group (other than specified exempt persons) that acquires 10% or more of the shares of common stock of the Company without the approval of the Board of Directors (such person or group, an "Acquiring Person") through the issuance of "Rights" to stockholders of record as of, and subsequent to, the start of business at 9:00 am. Eastern Time on February 9, 2024, which Rights entitle the registered holders thereof (other than the Acquiring Person) to receive additional shares of our common stock upon exercise of such Rights. As a result, the overall effect of the Rights Plan may be to render more difficult or discourage a merger, tender or exchange offer or other business combination involving our Company that is not approved by the Board of Directors even if the offer may be considered beneficial by some stockholders. The Rights will expire at the close of business on February 9, 2027, unless previously redeemed or exchanged by the Company. See Note 14 – Subsequent Events to our Consolidated Financial Statements for additional information.

***Shareholder activism could cause us to incur significant expense, impact the execution of our business strategy and have an adverse effect on our business.***

Shareholder activism, which can take many forms and arise in a variety of situations, could result in substantial costs and divert our attention and resources from our business and our ability to execute our strategic plans. Additionally, such shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with our associates, customers, service providers or other vendors and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant fees and other expenses related to activist shareholder matters, including for third-party advisors. Our stock price could be subject to significant fluctuations or otherwise be adversely affected by the events, risks and uncertainties of any shareholder activism.



## Item 1B. Unresolved Staff Comments

None.

## Item 1C. Cybersecurity

We address cybersecurity risk with input from our employees and Audit Committee. The Audit Committee, and senior management devote significant resources to cybersecurity and risk management processes to adapt to the changing cybersecurity landscape and respond to emerging threats in a timely and effective manner. We regularly assess the threat landscape and take a universal view of cybersecurity risks, with a layered cybersecurity strategy based on prevention, detection, and mitigation. Our information technology (IT) security team reviews enterprise risk management-level cybersecurity risks annually. In addition, we have a set of Company-wide policies and procedures concerning cybersecurity matters, which include an IT security manual as well as other policies that directly or indirectly relate to cybersecurity, such as policies related to encryption standards, antivirus protection, remote access, multifactor authentication, confidential information and the use of the internet, social media, email and wireless devices. These policies go through an internal review process and are approved by appropriate members of management.

All employees are required to complete cybersecurity training and have access to more frequent cybersecurity training through online trainings. We also require employees in certain roles to complete additional role-based, specialized cybersecurity training.

We have continued to expand investments in IT security, including additional end-user training, using layered defenses, identifying, and protecting critical assets, strengthening monitoring and alerting, and engaging experts. We regularly test defenses by performing simulations and drills at both a technical level (including through penetration tests) and by reviewing our operational policies and procedures with third-party experts. At the management level, our IT security team regularly monitors alerts and meets to discuss threat levels, trends, and remediation. The team also reviews a monthly cyber scorecard, regularly collects data on cybersecurity threats and risk areas and conducts an annual risk assessment. Further, we conduct periodic external penetration tests, red team testing and maturity testing to assess our processes and procedures and the threat landscape. These tests and assessments are useful tools for maintaining a robust cybersecurity program to protect our investors, customers, employees, vendors, and intellectual property. In addition to assessing our own cybersecurity preparedness, we also consider and evaluate cybersecurity risks associated with use of third-party service providers. Our Internal Audit team conducts an annual review of third-party hosted applications with a specific focus on any sensitive data shared with third parties. The internal business owners of the hosted applications are required to document user access reviews at least annually and provide from the vendor a System and Organization Controls (SOC) 1 or SOC 2 report. If a third-party vendor is not able to provide a SOC 1 or SOC 2 report, we take additional steps to assess their cybersecurity preparedness and assess our relationship on that basis. Our assessment of risks associated with use of third-party providers is part of our overall cybersecurity risk management framework.

The Audit Committee has periodic discussions with management regarding cybersecurity risks. The Audit Committee performs an annual review of the Company's cybersecurity program, which includes a discussion of management's actions to identify and detect threats, as well as planned actions in the event of a response or recovery situation.

We face a number of cybersecurity risks in connection with our business. Although such risks have not materially affected us, including our business strategy, results of operations or financial condition, to date, we have, from time to time, experienced threats to and breaches of our data and systems, including malware and computer virus attacks.

## 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 initial term of the Las Vegas Lease expired on May 31, 2023, and was extended for another two months through July 31, 2023. Effective August 1, 2023, the Las Vegas Lease was extended until May 31, 2028 for minimum monthly payments of \$137,500 for 58 months in addition to fixed monthly tenant obligations for real estate tax of \$5,000.

## Item 3. Legal Proceedings

We may be subject to litigation from stockholders, suppliers and other third parties from time to time. Such litigation may have an adverse impact on our business and results of operations or may cause disruptions to our operations. As discussed in more detail below, Knighted Pastures, LLC ("Knighted") recently filed a complaint against, among other defendants, us and the members of our Board of Directors. We expect to incur additional costs to defend such litigation which may cause our management to divert attention and resources from our business operations. In addition, the complaint states that Knighted seeks to nominate directors to AGAE's Board and effect certain changes with respect to the business and management of AGAE. In the event directors nominated by Knighted are elected to our board of directors, such directors may disagree with the strategic directions of the Company or otherwise take actions that may adversely affect the interest of our shareholders.

### *Knighted Pastures, LLC*

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

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

## 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 27, 2024, 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

On December 28, 2023, we entered into a securities purchase agreement with Elite Fun Entertainment Co., Ltd. (“Elite Fun”) (as amended by those certain Side Letters dated February 28, 2024, and March 7, 2024, the “SPA”), pursuant to which we agreed to issue and sell to Elite Fun an aggregate of 7,330,000 shares of our common stock (the “Shares”) for a total purchase price of \$6,597,000. Elite Fun also agreed to assist us in the pursuit of certain strategic and business transactions in China. The transaction closed on March 7, 2024 (the “Closing Date”). We intend to use the net proceeds from this financing for working capital and general corporate purposes. In addition, pursuant to the SPA, we have agreed to use commercially reasonable efforts to (i) prepare and file with the SEC within 45 days of the Closing Date a registration statement registering the resale of the Shares and (ii) ensure that the registration statement is declared effective within 90 days following the Closing Date.

The Shares were issued in reliance upon the exemption provided in Section 4(a)(2) of the Securities Act of 1933, as amended.

#### 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 during the fourth quarter of 2023:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares Available to be Purchased Under the Program
October 1, 2023 to October 31, 2023	-	\$ -	-	\$ -
November 1, 2023 to November 30, 2023	36,977	\$ 0.83	36,977	\$ 7,306,347
December 1, 2023 to December 31, 2023	-	\$ -	-	\$ -

#### 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 disclosures for the years ended December 31, 2023 and 2022, 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 Gaming and Entertainment Inc., along with its subsidiaries ("AGAE" or the "Company") is a global experiential entertainment company focused on providing a growing audience of gamers with unique experiences through renowned assets, products, and services. Under the Allied Esports International subsidiary ("AEI") we operate global competitive esports properties designed to connect players and fans via a network of connected arenas and creation of original esports content. Esports Arena Las Vegas, LLC subsidiary, operates a flagship gaming arena located at the Luxor Hotel in Las Vegas, Nevada. Meanwhile, Allied Mobile Entertainment subsidiary ("AME"), is dedicated to exploring opportunities in the massive and growing mobile games markets. AME's ownership of a 40% equity interest in Beijing Lianzhong Zhihe Technology Co. Ltd ("ZTech"), a prominent mobile games developer and operator, is engaged in the development and distribution of casual mobile games in Mainland China, solidifies our presence in this lucrative sector. Moreover, our subsidiary Allied Experiential Entertainment ("AEE"), focuses on orchestrating live entertainment events and offers management and consultation service to experiential entertainment venue operation. The Company offers a variety of esports and gaming-related content, including world class tournaments, live and virtual entertainment and gaming events, and original programming to continuously nurture vibrant communities primarily comprising of Gen Y, Z, and Alpha consumers.

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

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

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

### Results of Operations

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

## Results of Operations for the Year Ended December 31, 2023 Compared to the Year Ended December 31, 2022

(in thousands)	For the Years Ended December 31,		Favorable (Unfavorable)
	2023	2022	
<b>Revenues:</b>			
In-person	\$ 4,956	\$ 4,951	\$ 5
Multiplatform content	2,000	1,401	599
Casual mobile games	699	-	699
<b>Total Revenues</b>	<b>7,655</b>	<b>6,352</b>	<b>1,303</b>
<b>Costs and Expenses:</b>			
In-person (exclusive of depreciation and amortization)	2,684	3,777	1,093
Multiplatform content (exclusive of depreciation and amortization)	1,518	1,035	(483)
Casual mobile games (exclusive of depreciation and amortization)	594	-	(594)
Research and development expenses	163	-	(163)
Selling and marketing expenses	227	235	8
General and administrative expenses	7,569	10,774	3,205
Depreciation and amortization	1,500	2,065	565
Impairment of digital assets	-	164	164
Impairment of property and equipment	-	68	68
<b>Total Costs and Expenses</b>	<b>14,255</b>	<b>18,118</b>	<b>3,863</b>
<b>Loss From Operations</b>	<b>(6,600)</b>	<b>(11,766)</b>	<b>5,166</b>
Other income, net	47	153	(106)
Interest income, net	2,958	790	2,168
<b>Total Other Income</b>	<b>3,005</b>	<b>943</b>	<b>2,062</b>
<b>Net loss</b>	<b>\$ (3,595)</b>	<b>\$ (10,823)</b>	<b>\$ 7,228</b>

### Revenues

In-person experience revenue was \$5.0 million for each of the years ended December 31, 2023 and 2022. The in-person experience revenues consisted of a \$0.5 million decrease in event revenue and a \$0.6 million decrease in food and beverage revenue all due to a decrease in HyperX Arena events in 2023. The decreases were offset by an increase in sponsorship revenue related to a new naming rights agreement for our HyperX Arena in Las Vegas.

Multiplatform content revenues increased by approximately \$0.6 million, or 43%, to approximately \$2 million for the year ended December 31, 2023 from approximately \$1.4 million for the year ended December 31, 2022. The increase in multiplatform revenues is the result of additional revenue generated from Season 2 of Elevated, a live streaming event which had 10 episodes in 2023 compared to 4 episodes in 2022.

Casual mobile games revenue was \$0.7 million for the year ended December 31, 2023 and \$0 for the year ended December 31, 2022, respectively. The increase in casual mobile games revenue was due to the casual mobile gaming revenue earned subsequent to the business combination with ZTech on October 31, 2023.

### Costs and expenses

In-person costs (exclusive of depreciation and amortization) decreased by approximately \$1.1 million, or 29%, to approximately \$2.7 million for the year ended December 31, 2023 from approximately \$3.8 million for the year ended December 31, 2022. The decrease is a result of a decrease in HyperX Arena events in 2023.

Multiplatform content costs (exclusive of depreciation and amortization) increased by approximately \$0.5 million, or 47%, to approximately \$1.5 million for the year ended December 31, 2023 from approximately \$1.0 million for the year ended December 31, 2022. The increase in multiplatform costs corresponds to the production costs for 10 episodes of Season Two of Elevated which aired in Q2 2023 versus only four episodes in Season One which aired in Q1 of 2022.

Casual mobile games costs (exclusive of depreciation and amortization) were \$594 thousand for the year ended December 31, 2023 and \$0 for the year ended December 31, 2022, respectively. Casual gaming costs and revenues began in connection with the business combination with ZTech on October 31, 2023.

Research and development expenses were \$163 thousand and \$0 for the years ended December 31, 2023 and 2022, respectively. Research and development expenses consist principally of costs related to the development of new casual mobile games for ZTech.

Selling and marketing expenses decreased by approximately \$8 thousand, or 3%, to approximately \$227 thousand for the year ended December 31, 2023 from approximately \$235 thousand for the year ended December 31, 2022.

General and administrative expenses decreased by approximately \$3.2 million, or 30%, to approximately \$7.6 million for the year ended December 31, 2023 from approximately \$10.8 million for the year ended December 31, 2022. The decrease in general and administrative expenses resulted from (a) a \$1.5 million ERC credit recognized in 2023, (b) a \$0.8 million reduction in payroll and payroll related costs during 2023 due to reduced headcount, (c) \$0.8 million of higher stock-based compensation in 2022 related to the accelerated vesting of options previously granted to the former Chief Executive Officer, (d) a \$0.2 million decrease in insurance expenses, and a \$0.1 million decrease in rent expense. These decreases were slightly offset by a \$0.2 million increase in legal and professional fees related to various employment and service provider transition matters, in addition to merger and acquisition related professional fees in connection with the acquisition of a 40% equity interest in ZTech and other strategic investment opportunities.

Depreciation and amortization decreased by approximately \$0.6 million, or 29%, to approximately \$1.5 million for the year ended December 31, 2023, from approximately \$2.1 million for the year ended December 31, 2022. The decrease was primarily due to production equipment with a gross cost of approximately \$7.0 million that became fully depreciated on March 31, 2023.

Impairment of digital assets was \$0 for the year ended December 31, 2023, compared to \$164 thousand for the year ended December 31, 2022. The impairment loss during 2022 was the result of the market price on active exchanges going below the carrying value of the digital assets. The market price has not gone below the carrying value of the digital assets during the twelve months ended December 31, 2023.

Impairment of property and equipment was \$0 for the year ended December 31, 2023, compared to \$68 thousand for the year ended December 31, 2022. The impairment in 2022 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.

***Other income (expense), net***

We recognized other income, net, of approximately \$47 thousand during the year ended December 31, 2023, compared to \$153 thousand of other income, net, recorded for the year ended December 31, 2022. The decrease was a result of the reversal of an income tax payable in 2022 that was no longer due.

***Interest income, net***

Interest income was approximately \$3.0 million for the twelve months ended December 31, 2023 compared to approximately \$0.8 million for the year ended December 31, 2022, representing an increase of interest income of approximately \$2.2 million, or 274%. The increase is a result of the interest earned on short-term investments purchased at various times commencing in the fourth quarter of 2022.

## Liquidity and Capital Resources

The following table summarizes our total current assets, current liabilities and working capital at December 31, 2023 and December 31, 2022, respectively.

(in thousands)	December 31,	
	2023	2022
Current Assets	\$ 78,341	\$ 82,377
Current Liabilities	\$ 11,952	\$ 3,298
Working Capital Surplus	\$ 66,389	\$ 79,079

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

As of December 31, 2023, we had cash of \$16.3 million (not including approximately \$5.0 million of restricted cash and \$56.5 million of short-term investments) and working capital of approximately \$66.4 million. For the years ended December 31, 2023 and 2022, we incurred net losses of approximately \$3.7 million and \$10.8 million, respectively, and used cash in operations of approximately \$8.1 million and \$10.9 million, respectively. Cash requirements for our current liabilities include approximately \$9.2 million for loans payable, \$1.1 million for accounts payable and accrued expenses, and \$1.5 million for the current portion of an operating lease liability. Cash requirements for non-current liabilities include approximately \$5.6 million for the non-current portion of an operating lease liability. The Company intends to meet these cash requirements from its current cash balance.

## Cash Flows from Operating, Investing and Financing Activities

The table below summarizes cash flows from operations for the years ended December 31, 2023 and 2022, respectively.

(in thousands)	For the Years Ended December 31,	
	2023	2022
Net cash provided by (used in)		
Operating activities	\$ (8,139)	\$ (10,934)
Investing activities	\$ 6,128	\$ (70,135)
Financing activities	\$ 7,147	\$ (611)

## 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, 2023 and 2022 were approximately \$8.1 million and \$10.9 million, respectively, representing a decrease of \$2.8 million. During the years ended December 31, 2023 and 2022, the net cash used in operating activities was primarily attributable to the net losses of approximately \$3.6 million and \$10.8 million, respectively, adjusted for \$2.6 million and \$4.0 million, respectively, of net non-cash expenses, and approximately \$7.1 million and \$4.1 million, respectively, of cash used to fund changes in the levels of operating assets and liabilities.

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

Net cash provided by investing activities during the year ended December 31, 2023 was approximately \$6.1 million, which consisted of \$80.0 million in proceeds from the maturing of short-term investments and \$0.1 million proceeds from the sale of equipment. This was offset by \$66.5 million for the purchase of short-term investments, \$6.4 million from the acquisition of ZTech, \$0.7 million from the purchases of intangible assets, and \$0.4 million from the purchases of property and equipment.

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 short-term investments, and \$0.1 million for capital expenditures.

## Net Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities for the year ended December 31, 2023 was approximately \$7.1 million compared to approximately \$0.6 million of net cash used in financing activities during the year ended December 31, 2022. Net cash provided by financing activities during the year ended December 31, 2023 represented proceeds from a short-term loan of \$9.2 million partially offset by the purchase of treasury stock of \$2.1 million. Net cash used in financing activities during the year ended December 31, 2022 represented the purchase of treasury stock.

### ***Capital Expenditures***

As of December 31, 2023, 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 management’s discretion. The stock repurchase will be funded using the Company’s working capital. The total number of shares purchased by the Company during the years ended December 31, 2023 and 2022 was 1,698,038 and 581,746, respectively. The average price per share for the shares purchased during the years ended December 31, 2023 and 2022 were \$1.18 per share. The dollar value of the shares available to be purchased under the program is \$7,306,347 as of December 31, 2023.

### ***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***

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles, which require our management to make estimates that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on our own historical experience and other assumptions that we believe are reasonable after taking account of our circumstances and expectations for the future based on available information. We evaluate these estimates on an ongoing basis.

We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. The following are not intended to be a comprehensive list of all of our accounting estimates. Our accounting estimates are more fully described in Note 2 – Summary of Significant Accounting Policies, in our financial statements included at the end of this Annual Report.

### ***Business Combinations***

We record business combinations using the acquisition method of accounting, which requires all of the assets acquired and liabilities assumed to be recorded at fair value as of the acquisition date. The excess of the purchase price over the estimated fair values of the net tangible and intangible assets acquired is recorded as goodwill. The application of the acquisition method of accounting for business combinations requires management to make significant estimates and assumptions in the determination of the fair value of assets acquired and liabilities assumed in order to properly allocate purchase price consideration between assets that are depreciated and amortized from goodwill. The fair value assigned to tangible and intangible assets acquired and liabilities assumed are based on management’s estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. Significant assumptions and estimates include, but are not limited to, the cash flows that an asset is expected to generate in the future and the appropriate weighted-average cost of capital. If the actual results differ from the estimates and judgments used in these estimates, the amounts recorded in our consolidated financial statements may be exposed to potential impairment of the intangible assets and goodwill.

### ***Income Taxes***

The Company’s annual effective income tax rate is based on the mix of income and losses in its U.S. and non-U.S. entities which are part of the Company’s Consolidated Financial Statements, statutory tax rates, and tax-planning opportunities available to the Company in the various jurisdictions in which it operates. Significant judgment is required in evaluating the Company’s tax positions.

Tax law requires certain items to be included in the tax return at different times from when these items are reflected in the Company’s Consolidated Statements of Operations. As a result, the effective tax rate reflected in the Consolidated Financial Statements is different from the tax rate reported on the Company’s consolidated tax return. Some of these differences are permanent, such as expenses that are not deductible in the tax return, and some differences reverse over time, such as depreciation expense. These timing differences create deferred tax assets and liabilities. Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and the tax basis of assets and liabilities and are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment dates.



The Company assesses uncertain tax positions in accordance with ASC 740, Income Taxes. Judgment is used to identify, recognize, and measure the amounts to be recorded in the financial statements related to tax positions taken or expected to be taken in a tax return. A liability is recognized to represent the potential future obligation to the taxing authority for the benefit taken in the tax return. These liabilities are adjusted, including any impact of the related interest and penalties, in light of changing facts and circumstances such as the progress of a tax audit. A number of years may elapse before a particular matter for which a reserve has been established is audited and finally resolved. The number of years with open tax audits varies depending on the tax jurisdiction.

The Company assesses whether a valuation allowance should be established against its deferred income tax assets based on consideration of available evidence, both positive and negative, using a more likely than not standard. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecast of future profitability, the duration of statutory carry back and carry forward periods, the Company's experience with tax attributes expiring unused, and tax planning alternatives.

Assessing the future tax consequences of events that have been recognized in the Company's Consolidated Financial Statements or tax returns requires judgment. The Company believes that income taxes include critical accounting estimates because variations in the actual outcome of these future tax consequences could materially impact the Company's financial position, results of operations or cash flows.

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.

#### 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.

#### **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, 2023, our disclosure controls and procedures were effective.

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in its reports filed under the Exchange Act is accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

### ***Management's 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, 2023, based on the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013 Framework). Based on this evaluation, our principal executive officer and principal financial officer have concluded that our internal control over financial reporting as of December 31, 2023 was effective.

### ***Changes in Internal Control over Financial Reporting***

During the year ended December 31, 2023, our management, under the oversight of our Audit Committee, and in consultation with outside advisors, implemented measures designed to ensure the control deficiencies contributing to the prior material weakness were remediated. These remediation measures included, but were not limited to: (i) reorganizing roles and restricting system access to address the 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 the related internal controls.

### ***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***

During the three months ended December 31, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

### ***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 2024 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 2024 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 2024 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 2024 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 2024 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 31.
- (b) See “Exhibit Index” on page 31.
- (c) Not applicable.

### Item 16. Form 10-K Summary

Not applicable.

## EXHIBIT INDEX

<b>Exhibit No.</b>	<b>Description</b>
2.1	<a href="#">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)</a>
2.2	<a href="#">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)</a>
2.3	<a href="#">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)</a>
2.4	<a href="#">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)</a>
2.5	<a href="#">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)</a>
2.6	<a href="#">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)</a>
2.7	<a href="#">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)</a>
3.1	<a href="#">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)</a>
3.2	<a href="#">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)</a>
3.3	<a href="#">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)</a>
3.4	<a href="#">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)</a>
3.5	<a href="#">Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K filed on January 9, 2024)</a>
3.6	<a href="#">Certificate of Designation of Series A Junior Participating Preferred Stock of Allied Gaming &amp; Entertainment, Inc. (incorporated by reference to Exhibit 3.1 filed on February 9, 2024)</a>
4.1	<a href="#">Specimen common stock Certificate (incorporated by reference to Exhibit 4.2 to the Company’s Form S-1/A filed September 22, 2017)</a>
4.2	<a href="#">Specimen warrant Certificate (incorporated by reference to Exhibit 4.3 to the Company’s Form S-1/A filed September 22, 2017)</a>
4.3	<a href="#">Specimen Rights Certificate (incorporated by reference to Exhibit 4.4 to the Company’s Form S-1/A filed September 22, 2017)</a>
4.4	<a href="#">Form of warrant Agreement between Continental Stock Transfer &amp; Trust Company and the Company (incorporated by reference to Exhibit 4.5 to the Company’s Form S-1/A filed September 22, 2017)</a>
4.5*	<a href="#">Description of Registrant’s Securities</a>
4.6	<a href="#">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)</a>
4.7	<a href="#">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)</a>
4.8	<a href="#">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)</a>
4.9	<a href="#">Rights Agreement, dated as of February 9, 2024, by and between Allied Gaming &amp; Entertainment Inc. and Continental Stock Transfer &amp; Trust, as rights agent (incorporated by reference to Exhibit 4.1 filed on February 9, 2024)</a>

<b>Exhibit No.</b>	<b>Description</b>
10.1†	<a href="#">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)</a>
10.2†	<a href="#">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)</a>
10.3†	<a href="#">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)</a>
10.4†	<a href="#">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)</a>
10.5†	<a href="#">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)</a>
10.6	<a href="#">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)</a>
10.7	<a href="#">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)</a>
10.8	<a href="#">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)</a>
10.9	<a href="#">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)</a>
10.10	<a href="#">Equity Interest Purchase Agreement, dated August 16, 2023, by and between the Company, Beijing Lianzhong Co., Ltd., and Beijing Lianzhong Zhihe Technology Co., Ltd., Beijing Shuimu Zhijiang Technology Center (LLP), and Beijing Mizar JY Technology Co., Ltd. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2023)</a>
10.11*	<a href="#">Share Purchase Agreement, dated December 28, 2023, by and between the Company and Elite Fun Entertainment Co., Ltd.</a>
21.1*	<a href="#">Subsidiaries of Company</a>
23.1*	<a href="#">Consent of ZH CPA, LLC</a>
31.1*	<a href="#">Chief Executive Officer Certification pursuant to Exchange Act Rule 13a-14(a)</a>
31.2*	<a href="#">Chief Financial Officer Certification pursuant to Exchange Act Rule 13a-14(a)</a>
32.1*	<a href="#">Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350</a>
32.2*	<a href="#">Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350</a>
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 28, 2024

ALLIED GAMING & ENTERTAINMENT, INC.

By: /s/ Yinghua Chen

Name: Yinghua Chen

Title: Chief Executive Officer

(Principal Executive Officer)

## POWER OF ATTORNEY

We, the undersigned directors and/or executive officers of Allied Gaming & Entertainment Inc. hereby severally constitute and appoint Yinghua Chen, acting singly, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her in any and all capacities, to sign this report on Form 10-K, or amendment thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing necessary or appropriate to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby approving, ratifying and confirming all that said attorney-in-fact and agent, or her substitute, may lawfully do or cause to be done by virtue hereof.

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/ Yinghua Chen</u> Yinghua Chen	Chief Executive Officer (principal executive officer) and Director	March 28, 2024
<u>/s/ Roy Anderson</u> Roy Anderson	Chief Financial Officer (principal financial and accounting officer)	March 28, 2024
<u>/s/ Yushi Guo</u> Yushi Guo	Director	March 28, 2024
<u>/s/ Joseph Lahti</u> Joseph Lahti	Director	March 28, 2024
<u>/s/ Yangyang Li</u> Yangyang Li	Director	March 28, 2024
<u>/s/ Jingsheng (Jason) Lu</u> Jingsheng (Jason) Lu	Director	March 28, 2024
<u>/s/ Adam Pliska</u> Adam Pliska	Director	March 28, 2024
<u>/s/ Guanzhou (Jerry) Qin</u> Guanzhou (Jerry) Qin	Director	March 28, 2024
<u>/s/ Yuanfei Qu</u> Yuanfei Qu	Director	March 28, 2024

**ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES**

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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, 2023 and 2022, and the related consolidated statements of operations, comprehensive loss, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2023, 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 consolidated 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 consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Acquisition of Beijing Lianzhong Zhihe Technology Co., Ltd. ("ZTech")- Valuation of acquired customer relationships intangible Assets and non-controlling interest("NCI")*

As described in Note 3 to the consolidated financial statements, on October 31, 2023, the Company completed the acquisition of 40% equity interest in ZTech for \$7 million in cash. The transaction was accounted for as a business combination using an acquisition method. As a result of the transaction, the Company recognized an acquired customer relationships intangible asset associated with the generation of future income from ZTech's existing customers and a non-controlling interest.

The acquisition-date fair value of the NCI was \$10,500,000 which was determined using the discounted cash flow method and significant assumptions including the revenue growth rate, margin and discount rate. The acquisition-date fair value of the customer relationships intangible asset was \$5,419,511, which was determined using the multi-period excess earning method and significant assumptions including the revenue growth rate, margin, retention rate and discount rate. Changes to these significant assumptions could have a significant impact on the fair values of acquired customer relationships and NCI.



We identified the evaluation of the acquisition-date fair value of the customer relationships and NCI as a critical audit matter considering (i) the significant judgment by management when developing the fair value of the customer relationships and NCI acquired;(ii) a high degree of auditor judgement, subjectivity and effort are required in performing procedures and evaluating management’s significant assumptions used to estimate the fair value of the customer relationships and NCI due to limited operating history of ZTech and limited observable market information related to certain assumptions; (iii) the audit effort involved the use of professionals with specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter.

- We obtained understanding and evaluated the design on the internal controls over the Company’s acquisition-date valuation process;
- We reviewed the equity interest purchase agreement and obtained an understanding of the key terms and conditions to identify the necessary accounting considerations and identification of assets and liabilities acquired;
- We evaluated the reasonableness of ZTech’s revenue growth rate and margin assumptions by comparing them to the past performance of ZTech;
- We involved valuation professionals with specialized skills and knowledge who assisted in evaluating the Company’s model, valuation methodology and the various inputs utilized, including the discount rate, revenue growth rate, margin, retention rate by referencing publicly available market data for comparable entities;
- We assessed the adequacy of the Company’s disclosure included in note 3, Business combination of the accompanying consolidated financial statements in relation to this matter.

/s/ ZH CPA, LLC

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

Denver, Colorado

March 28, 2024

**ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**

	December 31,	
	2023	2022
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 16,320,583	\$ 11,167,442
Short-term investments	56,500,000	70,000,000
Interest receivable	792,223	677,397
Accounts receivable	529,369	72,739
Deposits, current portion	3,700,000	-
Prepaid expenses and other current assets	498,886	459,274
<b>Total Current Assets</b>	<b>78,341,061</b>	<b>82,376,852</b>
Restricted cash	5,000,000	5,000,000
Property and equipment, net	3,834,193	4,005,622
Digital assets	49,300	49,761
Intangible assets, net	6,254,731	22,836
Deposits, non-current portion	392,668	379,105
Operating lease right-of-use asset	5,415,678	5,845,549
Goodwill	12,729,056	-
Other assets	-	49,950
<b>Total Assets</b>	<b>\$ 112,016,687</b>	<b>\$ 97,729,675</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 371,830	\$ 317,561
Accrued expenses and other current liabilities	763,512	1,645,379
Deferred revenue	103,748	108,428
Operating lease liability, current portion	1,482,977	1,227,164
Loans payable	9,230,168	-
<b>Total Current Liabilities</b>	<b>11,952,235</b>	<b>3,298,532</b>
Operating lease liability, non-current portion	5,560,251	6,527,075
Deferred tax liability	1,096,160	-
<b>Total Liabilities</b>	<b>18,608,646</b>	<b>9,825,607</b>
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 shares issued at December 31, 2023 and 2022, and 36,805,686 and 38,503,724 shares outstanding at December 31, 2023 and 2022, respectively	3,909	3,909
Additional paid in capital	198,677,132	198,526,614
Accumulated deficit	(113,671,029)	(110,235,568)
Accumulated other comprehensive income	433,565	219,675
Treasury stock, at cost, 2,279,784 and 581,746 shares at December 31, 2023 and 2022, respectively	(2,693,653)	(610,562)
<b>Total Allied Gaming &amp; Entertainment Inc. Stockholders' Equity</b>	<b>82,749,924</b>	<b>87,904,068</b>
Non-controlling interest	10,658,117	-
<b>Total Stockholders' Equity</b>	<b>93,408,041</b>	<b>87,904,068</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 112,016,687</b>	<b>\$ 97,729,675</b>

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

**ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES**  
**Consolidated Statements of Operations**

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Revenues:</b>		
In-person	\$ 4,955,931	\$ 4,950,912
Multiplatform content	2,000,586	1,401,558
Casual mobile gaming	698,522	-
<b>Total Revenues</b>	<b>7,655,039</b>	<b>6,352,470</b>
<b>Costs and Expenses:</b>		
In-person (exclusive of depreciation and amortization)	2,684,287	3,777,231
Multiplatform content (exclusive of depreciation and amortization)	1,517,707	1,034,942
Casual mobile games (exclusive of depreciation and amortization)	593,894	-
Research and development expenses	162,888	-
Selling and marketing expenses	226,745	234,813
General and administrative expenses	7,569,154	10,774,421
Depreciation and amortization	1,499,980	2,065,348
Impairment of digital assets	-	164,411
Impairment of property and equipment	-	67,500
<b>Total Costs and Expenses</b>	<b>14,254,655</b>	<b>18,118,666</b>
<b>Loss From Operations</b>	<b>(6,599,616)</b>	<b>(11,766,196)</b>
<b>Other Income:</b>		
Other income, net	46,684	153,009
Interest income, net	2,957,571	789,302
Total Other Income	3,004,255	942,311
<b>Net Loss</b>	<b>(3,595,361)</b>	<b>(10,823,885)</b>
<b>Net Loss per Common Share</b>		
Basic and Diluted	\$ (0.10)	\$ (0.28)
<b>Weighted Average Number of Common Shares Outstanding:</b>		
Basic and Diluted	37,218,708	39,071,501

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

**ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Loss**

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Net Loss</b>	<b>(3,595,361)</b>	<b>(10,823,885)</b>
Other comprehensive income (loss):		
Foreign currency translation adjustments	531,907	(49,931)
Total comprehensive loss	(3,063,454)	(10,873,816)
Less: Net loss attributable to non-controlling interest	(159,900)	-
Less: Other comprehensive loss attributable to non-controlling interest	318,017	-
<b>Comprehensive Loss Attributable to Common Stockholders</b>	<b>(3,221,571)</b>	<b>\$ (10,873,816)</b>

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, 2023 and 2022**

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Allied Gaming & Entertainment Inc. Stockholders' Equity	Non- Controlling Interest	Total Stockholders' Equity
	Shares	Amount	Shares	Amount						
Balance - January 1, 2022	39,116,907	\$ 3,912	-	\$ -	\$ 197,784,972	\$ 269,606	\$ (99,411,683)	\$ 98,646,807	\$ -	\$ 98,646,807
Stock-based compensation:										
Restricted common stock	-	-	-	-	82,345	-	-	82,345	-	82,345
Stock options	-	-	-	-	708,964	-	-	708,964	-	708,964
Shares withheld for employee payroll tax	(31,437)	(3)	-	-	(49,667)	-	-	(49,670)	-	(49,670)
Repurchases of common stock	-	-	581,746	(610,562)	-	-	-	(610,562)	-	(610,562)
Net loss	-	-	-	-	-	-	(10,823,885)	(10,823,885)	-	(10,823,885)
Other comprehensive loss	-	-	-	-	-	(49,931)	-	(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	-	87,904,068
Stock-based compensation:										
Stock options	-	-	-	-	150,518	-	-	150,518	-	150,518
Repurchases of common stock	-	-	1,698,038	(2,083,091)	-	-	-	(2,083,091)	-	(2,083,091)
Non-controlling interest from acquisition of subsidiary	-	-	-	-	-	-	-	-	10,500,000	10,500,000
Net income (loss)	-	-	-	-	-	-	(3,435,461)	(3,435,461)	(159,900)	(3,595,361)
Other comprehensive income	-	-	-	-	-	213,890	-	213,890	318,017	531,907
Balance - December 31, 2023	39,085,470	\$ 3,909	2,279,784	\$ (2,693,653)	\$ 198,677,132	\$ 433,565	\$ (113,671,029)	\$ 82,749,924	\$ 10,658,117	\$ 93,408,041

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

**ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash Flows From Operating Activities</b>		
Net loss	\$ (3,595,361)	\$ (10,823,885)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	150,518	791,309
Non-cash operating lease expense	988,506	868,210
Digital currency received as revenue	-	(250,252)
Impairment of digital assets	-	164,411
Impairment of property and equipment	-	67,500
Net (gains) loss on sale of equipment	(8,388)	33,583
Expenses paid using digital assets	461	77,106
Change in fair value of warrant liabilities	-	(3,100)
Depreciation and amortization	1,499,980	2,065,348
Deferred rent	-	216,024
Changes in operating assets and liabilities:		
Accounts receivable	(147,587)	315,708
Interest receivable	(114,826)	(677,397)
Prepaid expenses and other current assets	(7,312)	519,463
Deposit	(3,701,598)	-
Accounts payable	(39,285)	(22,356)
Accrued expenses and other current liabilities	(1,099,056)	(3,159,571)
Operating lease liability	(1,267,143)	(1,083,178)
Deferred revenue	(797,715)	(33,397)
Total Adjustments	<u>(4,543,445)</u>	<u>(110,589)</u>
Net Cash Used In Operating Activities	<u>(8,138,806)</u>	<u>(10,934,474)</u>
<b>Cash Flows From Investing Activities</b>		
Expenditures on software development costs	-	(49,950)
Proceeds from maturing of short-term investments	80,000,000	-
Purchases of short-term investments	(66,500,000)	(70,000,000)
Investment in digital assets	-	(41,026)
Proceeds from sale of equipment	106,914	-
Acquisition of Beijing Lianzhong Zhihe Technology Co., net of cash acquired	(6,431,893)	-
Purchases of intangibles	(668,880)	-
Purchases of property and equipment	(378,060)	(44,386)
Net Cash Provided By (Used In) Investing Activities	<u>6,128,081</u>	<u>(70,135,362)</u>
<b>Cash Flows From Financing Activities</b>		
Repurchases of common stock	(2,083,091)	(610,562)
Proceeds from short-term loan	9,230,168	-
Net Cash Provided By (Used In) Financing Activities	<u>7,147,077</u>	<u>(610,562)</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)**

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Effect of Exchange Rate Changes on Cash</b>	16,789	(39,190)
<b>Net Increase (Decrease) In Cash, Cash Equivalents, And Restricted Cash</b>	5,153,141	(81,719,588)
Cash, cash equivalents, and restricted cash - Beginning of Year	16,167,442	97,887,030
Cash, cash equivalents, and restricted cash - End of Year	\$ 21,320,583	\$ 16,167,442
<b>Cash and restricted cash consisted of the following:</b>		
Cash	\$ 16,320,583	\$ 11,167,442
Restricted cash	5,000,000	5,000,000
	\$ 21,320,583	\$ 16,167,442
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the year for interest	-	\$ -
<b>Non-Cash Investing and Financing Activities:</b>		
ROU asset for operating lease liability	\$ 289,886	\$ -
Property and equipment received as deferred revenue	\$ 793,035	
Shares withheld for accrued employee payroll tax liability	\$ -	\$ 49,670
ROU asset and lease liability, net of deferred rent, recognized upon adoption of ASU 2016-02	\$ -	\$ 6,713,759

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

**Note 2 – Significant Accounting Policies**

***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”) and includes the operations of AGAE and its wholly owned subsidiaries, and Skyline and ZTech. Skyline is a majority owned subsidiary of AEE. The accounts of ZTech were consolidated in these financial statements based on the analysis performed under the voting interest model (“VOE”). The Company has controlling financial interest in ZTech and Skyline. As a result, the Company consolidates ZTech and Skyline.

***Business Combinations***

In applying the acquisition method of accounting for business combinations, amounts assigned to identifiable assets and liabilities acquired were based on estimated fair values as of the date of acquisition, with the remainder recorded as goodwill. Intangible assets are initially valued at fair value using generally accepted valuation methods appropriate for the type of intangible asset. Transaction costs associated with these acquisitions are expensed as incurred and are included in the accompanying consolidated statements of operations.

***Voting Interest Entities***

During the year ended December 31, 2023, the Company acquired two new entities with less than 100% interest which were consolidated under the voting interest model (“VOE”). AME-HK has control of the board of directors of ZTech, through the appointment of 3 of its 5 members, and the significant decisions of the entity are made at the board level. In addition, matters voted upon at the shareholder level are not considered significant decisions and other shareholders are not able to change the composition of the board of the directors without AME-HK consent. AEE owns a 51% interest in Skyline.



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

***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, the valuation of acquired assets and liabilities, 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 highly liquid 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, 2023 and 2022, the Company's cash equivalents consist of certificate of deposits of \$3 million and \$10 million, respectively. Accrued interest receivable on cash equivalents totaled \$33,271 and \$80,137 at December 31, 2023 and 2022, 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, Brookfield Partnership).

***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 \$758,952 and \$597,260 at December 31, 2023 and 2022, respectively, and is included in current assets in the accompanying consolidated balance sheets.

***Accounts Receivable***

Accounts receivables are carried at their contractual amounts less allowance for credit loss. Management estimates expected credit losses immediately based on existing economic conditions in addition to current and future economic conditions and events. Losses are charged to the allowance when management deems further collection efforts will not produce additional recoveries. As of December 31, 2023 and 2022, there was no allowance for credit loss.

***Property and Equipment***

Property and equipment are stated at cost, net of accumulated depreciation and impairment 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.

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

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

Office equipment	3 - 5 years
Computer equipment	3 - 5 years
Production equipment	3 - 5 years
Furniture and fixtures	3 - 5 years
Esports gaming truck	5 years
Leasehold improvements	Lesser 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 intangible 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, 2023 and 2022, no internal use software has been placed into service (see Note 8 – Intangible Assets and Note 12 – Commitments and Contingencies – System Development Agreement for additional details).

**Long-Lived Assets and Goodwill**

The Company accounts for long-lived assets in accordance with the provisions of ASC 360-10-35, *Property, Plant and Equipment, Impairment or Disposal of Long-lived Assets*. This accounting standard requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

The Company accounts for goodwill and intangible assets in accordance with ASC 350, *Intangibles – Goodwill and Other*. Goodwill represents the excess of the purchase price of an entity over the estimated fair value of the assets acquired and liabilities assumed. ASC 350 requires that goodwill and other intangibles with indefinite lives be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value.

In determining whether a quantitative assessment is required, the Company will evaluate relevant events or circumstances to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after performing the qualitative assessment, an entity concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the entity would perform the quantitative impairment test described in ASC 350. However, if, after applying the qualitative assessment, the entity concludes that it is not more than likely that the fair value is less than the carrying amount, the quantitative impairment test is not required. The Company bases these assumptions on its historical data and experience, industry projections, micro and macro general economic condition projections, and its expectations.

The Company's intangible assets consist of the ESALV trademarks, which are being amortized over a useful life of 10 years, and software licenses, mobile games licenses, and customer relationships, which are being amortized over a useful life of 5-10 years. Management has determined that no impairment exists during the year ended December 31, 2023. 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.

**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.

**Allied Gaming & Entertainment Inc. and Subsidiaries**  
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As of December 31, 2023 and 2022, the fair value of warrant liabilities related to our Sponsor Warrants totaled \$100, which is included in accrued expenses and other current liabilities in the accompanying consolidated balance sheet. See Note 10 – 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:

<b>As of December 31, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Digital assets	\$ 49,300	\$ -	\$ -	\$ 49,300
Sponsor warrants	-	-	100	100
<b>Total</b>	<b>\$ 49,300</b>	<b>\$ -</b>	<b>\$ 100</b>	<b>\$ 49,400</b>

  

<b>As of December 31, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Digital assets	\$ 49,761	\$ -	\$ -	\$ 49,761
Sponsor warrants	-	-	100	100
<b>Total</b>	<b>\$ 49,761</b>	<b>\$ -</b>	<b>\$ 100</b>	<b>\$ 49,861</b>

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

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.

The Sponsor Warrants are carried at fair value as of December 31, 2023 and 2022. The Sponsor Warrants are valued using level 3 inputs. The fair value of the Sponsor Warrants is estimated using the Black-Scholes option pricing method. Significant level 3 inputs used to calculate the fair value of the Sponsor Warrants include the share price on the valuation date, expected volatility, expected term and the risk-free interest rate.

The following is a roll forward of the Company’s Level 3 instruments during the year ended December 31, 2023:

Balance, January 1, 2023	\$ 100
Change in fair value of sponsor warrants	-
<b>Balance, December 31, 2023</b>	<b>\$ 100</b>

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

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

<b>Input</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Risk-free rate	5.41%	4.57%
Remaining term in years	0.61	1.61
Expected volatility	68.0%	56.0%
Exercise price	\$ 11.50	\$ 11.50
Fair value of common stock	\$ 1.06	\$ 1.05

**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, 2023 and 2022, 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.

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

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

	<b>For the Years Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Numerator:</b>		
Net loss attributable to common stockholders	\$ (3,595,361)	\$ (10,823,885)
<b>Denominator:</b>		
Weighted-average common shares outstanding	37,218,708	39,082,241
Less: weighted-average unvested restricted shares	-	(10,740)
Denominator for basic and diluted net loss per share	37,218,708	39,071,501
Basic and Diluted Net Loss per Common Share	\$ (0.10)	\$ (0.28)

**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:

	<b>As of December 31,</b>	
	<b>2023</b>	<b>2022</b>
Options	1,490,000	1,675,000
Warrants	20,091,549	20,091,549
Contingent consideration shares <sup>(1)</sup>	192,308	192,308
	<b>21,773,857</b>	<b>21,958,857</b>

(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. There were no contracts with more than one performance obligation for the year ended December 31, 2023.

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

In-person revenue

In-person revenue was comprised of the following for the years ended December 31, 2023 and 2022:

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Event revenue	\$ 2,294,616	\$ 2,803,396
Sponsorship revenue	1,732,952	688,908
Food and beverage revenue	224,938	832,282
Ticket and gaming revenue	517,952	529,201
Merchandising revenue	185,473	97,125
Total in-person revenue	\$ 4,955,931	\$ 4,950,912

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

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

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

**Allied Gaming & Entertainment Inc. and Subsidiaries**  
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Multiplatform revenue

Multiplatform revenue was comprised of the following for the years ended December 31, 2023 and 2022:

	For the Years Ended December 31,	
	2023	2022
NFT revenue	\$ -	\$ 250,252
Sponsorship revenue	2,000,000	1,150,000
Distribution revenue	586	1,306
Total multiplatform revenue	\$ 2,000,586	\$ 251,558

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

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

Casual mobile gaming revenue

The Company's casual mobile gaming revenue, which commenced on November 1, 2023 upon the business combination with ZTech (see Note 3 – Business Combination) amounted to \$698,522 and \$0 for the years ended December 31, 2023 and 2022, respectively. Casual mobile gaming revenue is generated through contractual relationships with various advertising service providers for advertisements within the Company's casual mobile games. Advertisements can be in the form of an impression, click-throughs, videos, or banners. The Company has determined the advertising service provider to be its customer and displaying the advertisements within its games is identified as the single performance obligation. Revenue from advertisements is recognized when the ad is displayed or clicked and the advertising service provider receives the benefits provided from this service. The price can be determined by the applicable evidence of the arrangement, which may include a master contract or a third-party statement of activity.

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

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

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

Revenue recognition

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

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Revenues Recognized at a Point in Time:</b>		
Ticket and gaming revenue	517,952	529,201
NFT revenue	-	250,252
Food and beverage revenue	224,938	832,282
Merchandising revenue	185,473	97,125
Casual mobile games	698,522	-
Distribution revenue	586	1,306
<b>Total Revenues Recognized at a Point in Time</b>	<b>1,627,471</b>	<b>1,710,166</b>
<b>Revenues Recognized Over a Period of Time:</b>		
Event revenue	2,294,616	2,803,396
Sponsorship revenue	3,732,952	1,838,908
<b>Total Revenues Recognized Over a Period of Time</b>	<b>6,027,568</b>	<b>4,642,304</b>
<b>Total Revenues</b>	<b>\$ 7,655,039</b>	<b>\$ 6,352,470</b>

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, 2023 and 2022, the Company had contract liabilities of \$103,748 and \$108,428, respectively, which are included in deferred revenue on the balance sheet.

Through December 31, 2023, \$94,682 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 \$13,746 related to its December 31, 2022 deferred revenue balance and \$90,002 related to its December 31, 2023 balance within the next twelve months. During the years ended December 31, 2023 and 2022, there was no revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods.

**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. There were no impairment charges during the year ended December 31, 2023. During the year ended December 31, 2022, an impairment loss of \$164,111 was recognized.

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

The following table sets forth changes in our digital assets for the year ended December 31, 2023:

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

***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.

***Segment Information***

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

***Advertising Costs***

Advertising costs are charged to operations in the year incurred and totaled \$51,792 and \$69,232 for the years ended December 31, 2023 and 2022, respectively, and are included in selling and marketing expenses on the accompanying statements of operations.

***Concentration Risks***

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents, restricted cash, 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. As of December 31, 2023, two customers represented 92% of the Company's accounts receivable balance. Historically, the Company has not experienced any losses due to such concentration of credit risk.

During the years ended December 31, 2023 and 2022, less than 10% of the Company's revenues were from customers in foreign countries.

During the year ended December 31, 2023, the Company's two largest customers accounted for 26% and 20% of the Company's consolidated revenues. 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.

As of December 31, 2023, the Company's two largest customers represented 66% and 26%, respectively, of the Company's accounts receivable balance. As of December 31, 2022, the Company's two largest customers represented 74% and 19%, respectively, of the Company's accounts receivable balance.

***Foreign Currency Translation***

The Company's reporting currency is the United States Dollar. The functional currencies of the Company's operating subsidiaries are their local currencies (United States Dollar, Euro, and Chinese Yuan). Since the acquisition of ZTech on October 31, 2023, Yuan-denominated assets and liabilities are translated into the United States Dollar using the exchange rate at the balance sheet date (0.141048 at December 31, 2023) and revenue and expense accounts are translated using the weighted average exchange rate in effect for the period (0.139466 for the two months ended December 31, 2023).

Euro-denominated assets and liabilities are translated into the United States Dollar using the exchange rate at the balance sheet date (1.1036 and 1.0699 at December 31, 2023 and 2022, respectively) and revenue and expense accounts are translated using the weighted average exchange rate in effect for the period (1.0727 and 1.0536 for the years ended December 31, 2023 and 2022, respectively). The Company is in the process of winding up the Germany business and therefore no activity or translations took place in 2023. Resulting translation adjustments are made directly to accumulated other comprehensive income (loss).



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The Company engages in foreign currency denominated transactions with customers and suppliers, as well as between subsidiaries with different functional currencies. Realized losses of \$948 and \$17,641 arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency for the years ended December 31, 2023 and 2022, respectively, are recognized in other income, net 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.

***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.

***Recently Adopted Accounting Pronouncements***

In June 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-13 – *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This update requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Since June 2016, the FASB issued clarifying updates to the new standard including changing the effective date for smaller reporting companies. The guidance is effective for the Company for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years, with early adoption permitted. The Company adopted this ASU on January 1, 2023, using the modified retrospective approach and it did not have a material impact on its consolidated financial statements.

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 did not have a material impact on the Company’s financial position, results of operations or cash flows.

***Recently Issued Accounting Pronouncements***

In December 2023, the FASB issued ASU 2023-08, *Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350 – 06)*. This update requires an entity to subsequently measure certain assets at fair value with changes recognized in net income each reporting period. This update also requires that an entity present crypto assets measured at fair value separately from other intangible assets in the balance sheet and changes from the remeasurement of crypto assets separately from changes in the carrying amounts of other intangible assets in the consolidated statement of operations. Although early adoption is permitted, the new guidance becomes effective on January 1, 2025, and should be applied using a modified retrospective transition method with a cumulative-effect adjustment recorded to the opening balance of retained earnings as of the beginning of the year of adoption. The Company does not believe the adoption of ASU 2023-06 to have a material impact on the Company’s financial position and expects the cumulative adjustment to increase retained earnings as of January 1, 2024 as a result of adopting this guidance in 2024.

**Note 3 – Business Combination**

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

The acquisition was considered a business acquisition as it was determined that ZTech would be consolidated under the VOE model.

**Allied Gaming & Entertainment Inc. and Subsidiaries**  
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The business combination was recorded using the acquisition method of accounting and the initial purchase price allocation was based on our assessment of the fair value of the purchase consideration and the fair value of ZTech's tangible and intangible assets acquired and liabilities assumed at the date of acquisition. The fair value of the non-controlling interest was determined using the discounted cash-flow method.

The following table summarizes the fair value of the assets acquired and the liabilities assumed using the exchange rate at the acquisition date of 0.13689:

Cash consideration	\$ 7,000,000
Non-controlling interest	10,500,000
Fair value of business	<u>\$ 17,500,000</u>
Assets acquired:	
Cash and cash equivalents	\$ 568,107
Accounts receivable	301,802
Property and equipment, net	23,530
Prepaid expenses and other current assets	31,429
Operating lease right-of-use asset	261,001
Deposits, non-current portion	11,613
Goodwill	12,386,126
Intangible assets, net	5,573,599 <sup>[1]</sup>
Total assets acquired	<u>19,157,207</u>
Liabilities assumed:	
Accounts payable	(302,461)
Deferred tax liability	(1,096,160)
Operating lease liability, current portion	(68,638)
Operating lease liability, non-current portion	(189,948)
Total liabilities assumed	<u>(1,657,207)</u>
Net assets acquired	<u>\$ 17,500,000</u>

[1] Intangible assets include \$154,088 of mobile games licenses and \$5,419,511 of customer relationships.

The Company recognized goodwill of \$12,386,126, arising from the acquisition. Goodwill represents the excess fair value after the allocation to identifiable assets acquired, including intangibles. Intangible assets are expected to be amortized over the estimated useful life of 5-10 years. Goodwill is primarily attributable to the assembled workforce, market, and expansion capabilities, expected synergies from integration and streamlining operational activities and other factors. The goodwill did not have any tax basis and was not deductible for tax purposes.

The following table sets forth changes in our goodwill from the date of acquisition to December 31, 2023:

Balance, January 1, 2023	\$ -
Goodwill arising from acquisition of ZTech	12,386,126
Foreign currency translation adjustment	342,930
Balance, December 31, 2023	<u>\$ 12,729,056</u>

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The following information represents the unaudited pro forma combined results of operations, giving effect to the acquisitions as if they occurred at the beginning of the year ended December 31, 2022.

	<b>For the Year Ended December 31, 2023</b>			<b>For the Year Ended December 31, 2022</b>		
	<b>As reported <sup>(c)</sup></b>	<b>Pro-forma Adjustments <sup>(a)</sup></b>	<b>Pro-forma</b>	<b>As reported</b>	<b>Pro-forma Adjustments <sup>(b)</sup></b>	<b>Pro-forma</b>
	Revenues	\$ 7,655,039	\$ 16,321,426	\$ 23,976,465	\$ 6,352,470	\$ 10,577,179
Net income (loss)	\$ (3,595,361)	\$ 310,712	\$ (3,284,649)	\$ (10,823,885)	\$ 102,504	\$ (10,721,381)
Basic and diluted loss per common share	\$ (0.10)		\$ (0.09)	\$ (0.28)		\$ (0.27)
Weighted-average common shares outstanding	37,218,708		37,218,708	39,071,501		39,071,501

(a) For the period from January 1 through October 31, 2023 (business combination date).

(b) For the period from March 31 (date of incorporation) through December 31, 2022.

(c) Includes \$698,522 of revenue and \$266,501 of net loss from ZTech for the period from November 1 through December 31, 2023.

**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. Due to the Company recording impairment charges related to its investment in ESA, the carrying value of the Company’s investment in ESA is \$0.

**Note 5 – Deposits**

On November 28, 2023, AEE entered into a joint venture agreement with Zhao Qian, a resident of the People’s republic of China, and All in Asia Culture and Tourism Development Company Limited (“All in Asia”) under which Skyline was formed and AEE received a 51% ownership interest. Skyline was established to diversify entertainment options for both locals and tourists throughout China through the hosting and organization of top artist events and concerts. AEE contributed \$6,000,000 for its capital contribution in the 51% ownership of Skyline. Management determined there is no noncontrolling interest in their capital contribution. Prior to December 31, 2023, Skyline made an advance payment of \$3.7 million to All in Asia under a Project Cooperation Agreement (See Note 7 - Related Party Transactions) to secure venues, negotiate sponsorships and to determine and prepay the performers for future concert and events, which is included within Deposits, current portion on the accompanying consolidated balance sheet. The project has not commenced as of December 31, 2023.

Security deposits for operating leases in the aggregate amount of \$392,668 are included in Deposits, non-current portion, on the accompanying consolidated Balance Sheet. See Note 12 – Commitments and Contingencies – Operating Leases for additional details related to the Company’s leases.

**Note 6 – Property and Equipment, net**

Property and equipment consist of the following:

	<b>As of December 31,</b>	
	<b>2023</b>	<b>2022</b>
Office equipment	\$ 46,351	\$ 793,395
Computer equipment	1,267,340	563,042
Esports gaming truck	1,225,945	1,222,406
Furniture and fixtures	680,795	680,795
Production equipment	8,136,009	7,948,555
Leasehold improvements	4,711,996	4,578,081
	16,068,436	15,786,274
Less: accumulated depreciation and amortization	(12,234,243)	(11,780,652)
Property and equipment, net	\$ 3,834,193	\$ 4,005,622

For the year ended December 31, 2023, a gain of \$8,388 was recognized as a result of the disposal of office and production equipment. During the years ended December 31, 2023 and 2022, depreciation and amortization expense amounted to \$1,270,149 and \$2,061,357, respectively. During the years ended December 31, 2023 and 2022, the Company recorded impairment expense of \$0 and \$67,500 related to its property and equipment.

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

**Note 7 – Related Party Transactions**

On September 24, 2023, AME-HK advanced Beijing Lianzhong Co., Ltd, a related party (and a subsidiary of Ourgame International Holding Ltd. (“Ourgame”), AGAE’s largest investor), \$3.5 million (the “Bridge Loan”) in connection with a certain Equity Interest Purchase Agreement dated August 16, 2023, under which AME-HK agreed to acquire a 40% equity interest in ZTech, a company engaged in the development and distribution of casual mobile games. The Bridge Loan was non-interest bearing and was repayable at the earlier of 90 days from the date of the advance or the closing of the ZTech acquisition. The acquisition closed on October 31, 2023, at which time the proceeds of the Bridge Loan were applied to the purchase price of the equity interests (See Note 3 – Business Combination).

In December 2023, Skyline entered into a Project Cooperation Agreement with All in Asia, a 19% owner of Skyline, to secure venues, negotiate sponsorships, and to determine and prepay the performers for future concerts. Ourgame holds a 20% equity interest in All in Asia. The advanced payment of \$3.7 million is included within Deposits, current portion on the accompanying consolidated balance sheet (See Note 5 – Deposits).

**Note 8 – Intangible Assets, net**

Intangible assets consist of the following:

	Trademarks	Software Licenses	Software Development Costs	Mobile Games Licenses	Customer Relationships	Total Intangibles	Accumulated Amortization	Total
Balance as of January 1, 2023	\$ 37,165	\$ -	\$ -	\$ -	\$ -	\$ 37,165	\$ (14,330)	\$ 22,836
Purchases of intangibles	3,980	565,000	149,850	154,088	5,419,511	6,292,427	(229,828)	6,062,599
Foreign currency translation adjustment	-	-	-	4,680	164,616	169,296	-	169,296
Balance as of December 31, 2023	<u>\$ 41,145</u>	<u>\$ 565,000</u>	<u>\$ 149,850</u>	<u>\$ 158,768</u>	<u>\$ 5,584,127</u>	<u>\$ 6,498,888</u>	<u>\$ (244,158)</u>	<u>\$ 6,254,731</u>
Weighted average remaining amortization period at December 31, 2023 (in years)	<u>9.5</u>							

Intangible assets consist of the Allied Esports trademarks, which are being amortized over a useful life of 10 years, AGAE software licenses, which are being amortized over a useful life of 5 years, and AME mobile games licenses and customer relationships, which are being amortized over a useful life of 5-10 years. The initial term of the software license agreement expires on February 27, 2028, but can be renewed by the Company for an additional 5-year term under identical terms and conditions. The mobile game license agreement expires on December 31, 2024 and is expected to be renewed for additional 5 years on an exclusive basis with a similar royalty structure. Software development costs (See Note 12 – Commitments and Contingencies – System Development Agreement for details) have not yet been placed into service. During the years ended December 31, 2023 and 2022, amortization expense amounted to \$229,828 and \$3,991, respectively.

Estimated future amortization expense (which includes amortization of software development costs expected to be placed in service on July 1, 2024) is as follows:

Years Ended December 31,	Amount
2024	\$ 651,715
2025	747,056
2026	747,056
2027	747,056
2028	644,918
Thereafter	2,716,930
	<u>\$ 6,254,731</u>

**Note 9 – Loans Payable**

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

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

**Note 10 – Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities consist of the following:

	<b>As of December 31,</b>	
	<b>2023</b>	<b>2022</b>
Compensation expense	\$ 655,458	\$ 1,546,805
Event costs	5,534	8,411
Legal and professional fees	32,150	43,676
Warrant liabilities	100	100
Other accrued expenses	70,270	46,387
Accrued expenses and other current liabilities	<u>\$ 763,512</u>	<u>\$ 1,645,379</u>

**Note 11 – Income Taxes**

The Company and its subsidiaries file income tax returns in the United States (federal, California, New Jersey and New York), China, and Germany.

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

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
United States	\$ (3,543,090)	\$ (10,233,357)
Foreign	(52,271)	(590,528)
Loss before income taxes	<u>\$ (3,595,361)</u>	<u>\$ (10,823,885)</u>

The income tax provision (benefit) for the years ended December 31, 2023 and 2022 consists of the following:

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Federal		
Current	\$ -	\$ -
Deferred	(1,302,543)	(1,911,425)
State and local:		
Current	-	-
Deferred	2,621,361	(182,041)
Foreign		
Current	-	-
Deferred	716,439	(79,577)
	<u>2,035,257</u>	<u>(2,173,043)</u>
Change in valuation allowance	(2,035,257)	2,173,043
Income tax provision (benefit)	<u>\$ -</u>	<u>\$ -</u>

**Allied Gaming & Entertainment Inc. and Subsidiaries**  
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The reconciliation of the expected tax expense (benefit) based on the U.S. federal statutory rates for 2023 and 2022, respectively, with the actual expense is as follows:

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
U.S. Federal statutory rate	21.0%	21.0%
State taxes, net of federal benefit	0.0%	5.6%
Permanent differences	(0.2)%	(0.4)%
Untaxed foreign jurisdictions	0.0%	0.0%
Lower taxed foreign jurisdictions	(0.7)%	(0.7)%
Change in deferred taxes	(76.2)%	(4.4)%
Rate change impact	0.0%	0.0%
Change in valuation allowance	56.6%	(20.1)%
Other	(0.5)%	(1.0)%
<b>Total</b>	<b>0.0%</b>	<b>0.0%</b>

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

	<b>As of</b>	
	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Deferred Tax Assets:</b>		
Net operating loss carryforwards	\$ 16,060,226	\$ 15,989,995
Investment	2,690,777	5,506,829
Stock-based compensation	712,956	862,216
Capitalized start-up costs	-	125,727
Property and equipment	1,662,594	-
Accruals and other	567,119	1,583,759
<b>Gross deferred tax assets</b>	<b>21,693,672</b>	<b>24,068,526</b>
Valuation Allowance	(21,396,432)	(23,431,688)
<b>Deferred tax assets, net of valuation allowance</b>	<b>297,240</b>	<b>636,838</b>
<b>Deferred Tax Liabilities:</b>		
Property and equipment	-	(636,838)
Other DTL	(1,393,400)	-
<b>Deferred Tax Liabilities</b>	<b>(1,393,400)</b>	<b>(636,838)</b>
<b>Deferred tax assets (liabilities), net</b>	<b>\$ (1,096,160)</b>	<b>\$ -</b>

As of December 31, 2023, the Company had \$75,061,833, \$24,376,723 and \$1,188,961 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. The foreign NOLs are related to Z-Tech acquisition in October 2023 will begin to expire in 2028. 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 federal and state deferred tax assets and has, therefore, established a full valuation allowance as of December 31, 2023 and 2022. For the foreign deferred tax assets, management believes the scheduled reversal of deferred tax liabilities will allow them to be a source of taxable income to realize the foreign deferred tax assets, as such no valuation allowance is established against the foreign deferred tax assets.

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

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, 2019. 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, 2023 and 2022.

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, 2023 and 2022.

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, 2023 and December 31, 2022, 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 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.

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

*Operating Leases*

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

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

The Company leases office space in Beijing, China pursuant to a lease dated April 1, 2023 through an operating lease that expires on June 30, 2027. The lease provides for a monthly base rent of 50,000 yuan or approximately \$6,900, payable quarterly.

The Company also leased office and production space in Germany pursuant to a lease dated August 1, 2020 which expired on July 31, 2023 (the "Germany Lease"). Rent expense under the lease was €4,000 (approximately \$4,280 United States dollars) per month. The Company did not renew the lease after it expired.

The Company's aggregate rent expense incurred during the years ended December 31, 2023 and 2022 amounted to \$1,669,554 and \$1,722,801, respectively, of which \$1,334,805 and \$1,283,976, respectively, is included within in-person costs and \$334,749 and \$438,825, respectively, is included in general and administrative expenses on the accompanying consolidated statements of operations.

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

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

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used in operating activities	\$ 1,267,143	\$ 1,083,178
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	\$ 289,886	\$ -
Weighted Average Remaining Lease Term (Years)		
Operating leases	4.35	5.42
Weighted Average Discount Rate		
Operating leases	5.00% - 5.75%	5.00%

A summary of the Company's remaining operating lease liabilities is as follows:

<b>For the Year Ending December 31,</b>	<b>Amount</b>
2024	\$ 1,850,489
2025	1,853,285
2026	1,829,825
2027	1,731,157
Thereafter	712,500
Total lease payments	7,977,256
Less: amount representing imputed interest	(934,028)
Present value of lease liability	7,043,228
Less: current portion	(1,482,977)
Lease liability, non-current portion	\$ 5,560,251

***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, 2023 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.

***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 has made \$149,850 in aggregate payments which were capitalized and included within intangible assets on the accompanying balance sheet as of December 31, 2023. See Note 2 – Significant Accounting Policies – Internal Use Software Development Costs and Note 8 – Intangible Assets for additional details.

***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.



**Allied Gaming & Entertainment Inc. and Subsidiaries**  
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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 \$258,979 related to the modification of these equity awards during the year ended December 31, 2022. At December 31, 2023, all remaining payments related to Ms. Wu's severance benefit has been paid out. The Release also contains a customary non-disparagement provision.

***Board of Directors***

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.

In March 2023, the Board of Directors approved a new director compensation arrangement for non-employee directors that will become effective immediately following the adjournment of the Annual Meeting. Under this new compensation arrangement, non-employee directors will receive the following fees: (i) annual cash fee of \$20,000 for services on the Board as a director and (ii) an additional annual cash fee of \$10,000 for services on one or more committees of the Board if such director serves as a chair of any committee. Accordingly, the maximum amount of cash fees that can be earned by each director is \$30,000 regardless of the number of committees on which such director serves. 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 the scheduled payment date), with the current fees payable in cash. The fees are payable monthly by the Company.

**Note 13 – Stockholders' Equity**

***Authorized Shares***

The Company is authorized to issue up to 100,000,000 and 1,000,000 shares of common stock and preferred stock, respectively.

***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, 2023 there were 1,662,345 shares available under the plan.

***Share Purchase Agreement***

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

The Purchase Agreement is subject to customary representations, warranties, covenants and conditions, including an agreement that the Company and Purchaser will each use its best efforts to negotiate and finalize a collaboration or partnership agreement under which the Purchaser will assist the Company with organizing live shows and events in Asia. See Note 14 – Subsequent Events for details related to the closing of the share purchase.

***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 years ended December 31, 2023 and 2022, the Company repurchased 1,698,038 and 581,746 shares, respectively, at a cost of \$2,083,091 and \$610,562, respectively. As of December 31, 2023, approximately \$7.3 million remains available to repurchase common stock under this program.

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

**Stock Options**

A summary of the option activity during the year ended December 31, 2023 is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Term (Yrs)	Intrinsic Value
Outstanding, January 1, 2023	1,675,000	\$ 3.66		
Granted	-	-		
Exercised	-	-		
Expired	(115,000)	4.50		
Forfeited	(70,000)	4.54		
Outstanding, December 31, 2023	1,490,000	\$ 3.55	5.58	\$ -
Exercisable, December 31, 2023	1,240,000	\$ 3.81	5.22	\$ -

Options outstanding and exercisable as of December 31, 2023 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	6.50	30,000		
\$ 2.17	120,000	6.60	90,000		
\$ 2.21	350,000	5.95	200,000		
\$ 2.48	120,000	7.35	60,000		
\$ 4.09	630,000	4.34	630,000		
\$ 5.66	230,000	5.72	230,000		
	<u>1,490,000</u>	<u>5.22</u>	<u>1,240,000</u>		

There were no new options granted during the years ended December 31, 2023 and 2022.

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, 2023 and 2022, the Company recorded \$150,518 and \$708,964, respectively, of stock-based compensation expense related to stock options. As of December 31, 2023, there was \$77,998 of unrecognized stock-based compensation expense related to the stock options that will be recognized over the weighted average remaining vesting period of 1.69 years.

**Restricted Common Stock**

For the years ended December 31, 2023 and 2022, the Company recorded \$0 and \$82,345, respectively, of stock-based compensation expense related to restricted stock. As of December 31, 2023, all restricted common stock was fully vested.

**Warrants**

In 2017, Black Ridge Acquisition Corp. (“BRAC”) issued 14,305,000 warrants (the “BRAC Warrants”) for the purchase of BRAC’s common stock at \$11.50 per share in connection with BRAC’s initial public offering.

As of result of the August 9, 2019 Merger, in which the Company and BRAC merged, 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 noteholders with an exercise price of \$11.50 per share.

**Allied Gaming & Entertainment Inc. and Subsidiaries**  
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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 certain convertible notes.

A summary of warrants outstanding and exercisable as of December 31, 2023 is presented below:

<b>Warrants Outstanding</b>		<b>Warrants Exercisable</b>		
<b>Exercise Price</b>	<b>Exercisable Into</b>	<b>Outstanding Number of Warrants</b>	<b>Weighted Average Remaining Life in Years</b>	<b>Exercisable Number of Warrants</b>
\$ 11.50	Common Stock	18,637,003	0.6	18,637,003
\$ 4.13	Common Stock	1,454,546	1.4	1,454,546
		<b>20,091,549</b>		<b>20,091,549</b>

**Note 14 – Subsequent Events**

***Rights Agreement***

On February 9, 2024, the Company entered into a rights agreement with Continental Stock Transfer & Trust, as rights agent (the “Rights Agreement”) pursuant to which the Board declared a dividend of one preferred share purchase right (the “Right” or collectively the “Rights”) for each outstanding share of the Company’s common stock, par value \$0.0001 (each, a “Common Share” and, collectively, the “Common Shares”). The Rights were distributed to the stockholders of record at the start of business on that date (the “Record Date”). Each Right provides the registered holder, under certain circumstances and if the Rights become exercisable, the right to purchase from the Company one one-thousandth of a share of a newly designated Series A Junior Participating Preferred Stock, par value \$0.0001 per share (the “Series A Preferred Shares”) at an exercise price of \$7.00 per one one-thousandth of a Series A Preferred Share. On that date, the Board also authorized the issuance of one Right with respect to each additional Common Share that becomes outstanding after the Record Date, but before the Distribution Date (as defined in the Rights Agreement) and, in certain limited circumstances, after the Distribution Date.

The Rights are not exercisable until the Distribution Date. Until a Right is exercised, the holder thereof will have no rights as a stockholder of the Company, including dividend, voting or liquidation rights.

At any time until the earlier of (a) a person becomes an Acquiring Person (as defined in the Rights Agreement) and (b) the final expiration date (as defined in the Rights Agreement), the Board may, at its option and in its sole discretion, direct the Company to redeem the Rights in whole but not in part, at a price of \$0.0001 per Right (the “Redemption Price”).

***Share Purchase Agreement***

On March 7, 2024, the Company closed on the share purchase agreement entered into on December 28, 2023 (see Note 13 – Stockholders’ Equity – Share Purchase Agreement). The Company received \$2 million of the total purchase price for the Purchased Shares and the Purchaser agreed to pay the remaining consideration of \$4.597 million within 2 months of the closing along with interest thereon at a simple interest rate of 5% per annum. The remaining consideration is collateralized by a pledge and first priority lien and security interest in 5,107,778 shares issued by the Company to the Purchaser.

***Restricted Stock Units***

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

***Employment Agreement***

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

## Description of Registrant's Securities

As of March 28, 2024, 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.

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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.

**Shareholder Rights Plan.** We have a shareholder rights plan (the “Shareholder Rights Plan”) that is designed to encourage the fair treatment of shareholders in connection with any takeover bid for the Company. Rights issued under the Shareholder Rights Plan become exercisable when a person, and any related parties, acquires or announces the intention to acquire 10% or more of the Company’s outstanding common shares without complying with certain provisions set out in the Shareholder Rights Plan or without approval of the board of directors of the Company. Should such an acquisition or announcement occur, each rights holder, other than the acquiring person and its related parties, will have the right to purchase one one-thousandth of a Series A Preferred Share at an exercise price of \$7.00 per share, subject to adjustment as provided in the Shareholder Rights Plan. As of February 9, 2024, we have issued 50,000 Series A Junior Participating Preferred Stock. The Rights will expire on February 9, 2027.

For further particulars, reference should be made to the Shareholder Rights Plan, a copy of which is incorporated by reference as an exhibit to the Annual Report on 10-K.

#### **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.”

**SHARE PURCHASE AGREEMENT**

This Share Purchase Agreement (“**Agreement**”), dated and effective as of December 28, 2023 (the “**Effective Date**”), is by and among the purchaser identified on the signature pages hereto (including its successors and assigns, a “**Purchaser**”), and Allied Gaming & Entertainment, Inc., a Delaware corporation (the “**Company**”).

## RECITALS:

A. The Company and Purchaser is executing and delivering this agreement in reliance upon the exemption from securities registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended (the “**Securities Act**”), and Rule 506 of Regulation D as promulgated by the United States Securities and Exchange Commission (the “**Commission**”) under the Securities Act.

B. The Company intends to raise gross proceeds of up to approximately \$6,600,000.00 pursuant to the issuance and sale of shares of the Company’s common stock, par value \$0.0001 per share (the “**Common Stock**”) in connection with a proposed collaboration arrangement between the Company and the Purchaser.

C. Purchaser wishes to purchase, and the Company wishes to sell, upon the terms and conditions stated in this Agreement, that aggregate number of shares of Common Stock set forth below the Purchaser’s name on the signature page of this Agreement (the “**Purchased Shares**”).

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Purchaser and Company hereby agree as follows:

1. Purchase of Shares.

(a) On the Closing Date (as defined below), the Company shall sell and issue to the Purchaser, and the Purchaser shall purchase and acquire from the Company, the Purchased Shares set forth on below the Purchaser’s name on the signature page to this Agreement, provided that pursuant to applicable rules of the NASDAQ Stock Market LLC or any national securities exchanges on which the Common Stock is listed, the Company shall not issue any Purchased Shares to the Purchaser if the aggregate number of shares of Common Stock that would be issued pursuant to this Agreement and the transactions contemplated hereby would exceed 19.99% of the number of shares of Common Stock issued and outstanding immediately prior to the date of this Agreement. The purchase price for the Purchased Shares shall be \$0.9 per Purchased Share (the “**Purchase Price**”) and, on the Closing Date, the Purchaser shall deliver the aggregate Purchase Price by wire transfer of immediately available funds to an account designated in writing by the Company prior to the Effective Date.

(b) The closing of the purchase and sale of the Purchased Shares shall take place by exchange of this Agreement and signature pages hereto via email and the delivery of the Purchase Price to the Company on the Effective Date or on such other date as the Company and each Purchaser may mutually agree in writing (the “**Closing Date**”). Within three (3) business days after the Closing Date in which a Purchaser participates, the Company (through its transfer agent) will deliver to each Purchaser evidence of the Purchased Shares, including, without limitation, an accounting statement showing the issuance of the Shares in restricted book entry.

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2. Registration Rights. The Company shall use its commercially reasonable efforts to prepare and file with the Commission within 45 days of the last Closing Date a registration statement registering the resale of the Purchased Shares (as amended from time to time, the “**Registration Statement**”), subject to applicable limitations on the amount of Purchased Shares that may be registered for resale on the Registration Statement by each Purchaser without being deemed a primary offering by or on behalf of the Company under applicable guidelines of the Commission. The Company will use commercially reasonable efforts to ensure that the Registration Statement is declared effective within 90 days following the last Closing Date. The Company will agree to make such filings as are necessary to keep the Registration Statement effective until the earliest of (i) such time as all Purchased Shares held by Purchaser and registered under the Registration Statement have been sold; or (ii) the date on which each Purchaser may sell such Purchased Shares without restriction under Rule 144 promulgated under the Securities Act (including, without limitation, volume restrictions). Upon the Registration Statement becoming declared effective by the Commission, (i) the Company will promptly notify each Purchaser of the effectiveness of the Registration Statement, and (ii) if after the date the Registration Statement is declared effective, any Purchaser seeks to sell the Purchased Shares, the Company shall take all actions reasonably necessary to allow, and shall use reasonable best efforts to ensure that the Company’s transfer agent and counsel facilitate the sale or transfer of the subject Purchased Shares pursuant to the Registration Statement.

The Company shall:

(a) advise each Purchaser within two (2) business days:

- (1) when the Registration Statement or any amendment thereto has been filed with the Commission and when such Registration Statement or any post-effective amendment thereto has become effective;
- (2) of any request by the Commission for amendments or supplements to the Registration Statement or the prospectus included therein or for additional information with respect thereto;
- (3) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for such purpose;
- (4) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Purchased Shares included therein for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and
- (5) if it learns that any statement included in the Registration Statement or related prospectus is misleading and omits to state a material fact required to be stated therein or necessary to make the statements therein (in the case of a prospectus, in the light of the circumstances under which they were made) not misleading.

Notwithstanding anything to the contrary set forth herein, the Company shall not, when so advising any Purchaser of such events, provide any Purchaser with any material, nonpublic information regarding the Company;

(b) use its commercially reasonable best efforts to obtain the withdrawal of any order suspending the effectiveness of the Registration Statement as soon as reasonably practicable;

(c) upon the occurrence of any event contemplated above, except for such times as the Company is permitted hereunder to suspend, and has suspended, the use of a prospectus forming part of the Registration Statement, the Company shall use its best efforts to as soon as reasonably practicable prepare a post-effective amendment to such Registration Statement or a supplement to the related prospectus, or file any other required document so that, as thereafter delivered to purchasers of the Purchased Shares included therein, such prospectus will not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(d) use its commercially reasonable efforts to cause all the Purchased Shares to be listed on each securities exchange or market, if any, on which equity securities issued by the Company have been listed; and

(e) use its commercially reasonable efforts to take all other steps necessary to effect the registration of the Purchased Shares.

The Company shall, notwithstanding any termination of this Agreement, indemnify, defend and hold harmless each Purchaser (to the extent a seller under any Registration Statement), the officers, directors, agents, partners, members, managers, stockholders, affiliates, employees and investment advisers of each of them, each person who controls a Purchaser (within the meaning of Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended, the “**Securities Exchange Act**”) and the officers, directors, partners, members, managers, stockholders, agents, affiliates, employees and investment advisers of each such controlling person, to the fullest extent permitted by applicable law, from and against any and all losses, claims, demands, suits, actions, judgments, damages, liabilities, costs (including, without limitation, reasonable attorneys’ fees) and expenses (collectively, “**Losses**”), as incurred, that arise out of or are based upon (i) any untrue or alleged untrue statement of a material fact contained in any Registration Statement, any prospectus included in any Registration Statement or any form of prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein (in the case of any prospectus or form of prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading, or (ii) any violation or alleged violation by the Company of the Securities Act, Exchange Act or any state securities law or any rule or regulation thereunder, in connection with the performance of its obligations under this Section 2, except to the extent, but only to the extent, that such untrue statements, untrue statements, omissions or omissions are based upon information regarding a Purchaser furnished in writing to the Company by a Purchaser expressly for use therein. The Company shall notify each Purchaser promptly of the institution, threat or assertion of any proceeding arising from or in connection with the transactions contemplated by this Section 2 of which the Company is or becomes aware. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of an indemnified party and shall survive the transfer of the Purchased Shares by any Purchaser.

3. Purchaser Representations, Warranties, and Covenants. The Purchaser hereby represents, warrants, and covenants to the Company that:

(a) Purchaser is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization.

(b) This Agreement has been validly authorized, executed and delivered by the Purchaser and, assuming the due authorization, execution and delivery thereof by the Company, is a valid and binding agreement enforceable in accordance with its terms, subject to the general principles of equity and to bankruptcy or other laws affecting the enforcement of creditors’ rights generally. The execution, delivery and performance of this Agreement by the Purchaser does not and will not conflict with, violate or cause a breach of, constitute a default under, or result in a violation of (i) any agreement, contract or instrument to which the Purchaser is a party which would prevent the Purchaser from performing its obligations hereunder or (ii) any law, statute, rule or regulation to which the Purchaser is subject.

(c) Purchaser has the requisite corporate power and authority to enter into and to perform its obligations under this Agreement; and the execution, delivery and performance by the Purchaser of this Agreement have been duly authorized by all necessary action on the part of the Purchaser.

(d) Purchaser is an “accredited investor” as defined by Rule 501 under the Securities Act.

(e) Purchaser acknowledges that it has had the opportunity to review this Agreement and the transactions contemplated by this Agreement with the Purchaser’s own legal counsel and investment and tax advisors. Purchaser is familiar with the business, management, financial condition and affairs of the Company.

(f) Purchaser has reviewed the documents of the Company filed with the Commission (the “**Company Filings**”), and Purchaser understands the content of the Company Filings and the risks described about an investment in the Company.

(g) The Purchased Shares will be acquired for the Purchaser’s own account, not as nominee or agent, and not with a view to the resale or distribution of any part thereof in violation of the Securities Act.

(h) The Purchaser has had an opportunity to receive all information related to the Company requested by it and to ask questions of and receive answers from the Company regarding the Company, its business and the terms and conditions of the offering of the Purchased Shares. The Purchaser acknowledges receipt of copies of the Company Filings.

(i) The Purchaser understands that the Purchased Shares are characterized as “restricted securities” under the U.S. federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Securities Act only in certain limited circumstances.

(j) The Purchaser acknowledges that the Company make no representations or warranties as to any matter whatsoever except as expressly set forth in this Agreement or in any certificate delivered by the Company to the Purchaser in accordance with the terms hereof and thereof.

4. Company Representations, Warranties, and Covenants. The Company hereby represents, warrants and covenants to each Purchaser that:

(a) The Company is duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) This Agreement has been validly authorized, executed and delivered by it and, assuming the due authorization, execution and delivery thereof by the Purchaser, is a valid and binding agreement enforceable in accordance with its terms, subject to the general principles of equity and to bankruptcy or other laws affecting the enforcement of creditors’ rights generally. The execution, delivery and performance of this Agreement by the Company does not and will not conflict with, violate or cause a breach of, constitute a default under, or result in a violation of (i) any agreement, contract or instrument to which the Company is a party which would prevent the Company from performing its obligations hereunder or (ii) any law, statute, rule or regulation to which the Company is subject.

(c) The Company has the requisite corporate power and authority to enter into and to perform its obligations under this Agreement; and the execution, delivery and performance by the Company of this Agreement have been duly authorized by all necessary action on the part of the Company.

(d) The Purchased Shares are duly and validly authorized for issuance and sale to the Purchaser by the Company, and, when issued and delivered by the Company against payment therefor by the Purchaser in accordance with the terms hereof, shall be validly issued and non-assessable and free from all preemptive or similar rights, taxes and encumbrances and the Purchased Shares shall be fully paid with the Purchaser being entitled to all rights accorded to a holder of Common Stock. Assuming the accuracy of the representations and warranties set forth in Section 3 of this Agreement, the offer and issuance by the Company of the Purchased Shares is exempt from registration under the Securities Act.

(e) The Company acknowledges that the Purchaser makes no representations or warranties as to any matter whatsoever except as expressly set forth in this Agreement or in any certificate delivered by the Purchaser to the Company in accordance with the terms hereof and thereof.

5. Disclosure of Agreement. Promptly after execution of this Agreement, the Company will file a Current Report on Form 8-K (“**Signing Form 8-K**”) under the Exchange Act reporting the material terms of this Agreement, in a form agreed to by the parties as required by applicable law. The parties to this Agreement shall reasonably cooperate with one another to cause the Signing Form 8-K, and any other disclosures related to the transactions contemplated herein required by applicable law from time to time after the Effective Date, to be filed with the Commission.

6. Collaboration Agreement. As soon as practicable after the Closing Date, the Purchaser and Company each shall use best efforts to negotiate and finalize a collaboration or partnership agreement pursuant to which the Purchaser will assist the Company with Live show and event business in Asia.

7. Confidentiality. Subject to Section 5 above, each of the parties agrees to maintain in confidence the terms of this Agreement as well as any other information which is or should be reasonably understood to be confidential, including, but not limited to, business plans, financial results, methods and business practices, sales and projections, except as may otherwise be required by law, or as is generally known to the public or as may be required to be disclosed to investors or potential investors or lenders or potential lenders to the disclosing party. The parties will limit access to any and all confidential information to such of their respective employees or representatives as reasonably required for the purpose of performing their respective obligations hereunder.

8. Entire Agreement; Amendment. This Agreement constitutes the entire agreement between the parties and supersedes any prior understandings, agreements or representations by or among the parties, or any of them, written or oral, with respect to the subject matter hereof. This Agreement may be amended or modified only by written instrument signed by all parties hereto. The headings in this Agreement are for convenience of reference only and shall not alter or otherwise affect the meaning hereof.

9. Governing Law. This Agreement shall be governed by the laws of the State of Delaware applicable to contracts wholly executed and performed therein. The parties agree that any dispute related to this Agreement shall exclusively be held in a venue in any court of competent jurisdiction located Orange County, California, and the parties submit to the jurisdiction thereof.

10. Fees and Expenses. Each party shall pay their own fees and expenses incurred in connection with such party's consideration and discussion or negotiation of this Agreement and any additional agreements related thereto, including all legal, accounting and financial advisory fees and expenses.

11. Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed signature page by facsimile or other electronic transmission shall be effective as delivery of a manually signed counterpart of this Agreement.

12. Indemnification. Subject to Section 2, the Company agrees to indemnify and hold harmless the Purchaser, and the Purchaser agrees to indemnify and hold harmless the Company, and their respective officers, directors, partners, shareholders, affiliates and related entities, employees, advisors and agents, from and against any Losses arising out of, or in any way connected with (a) the negligence, misconduct or culpable actions or omissions of such party in connection with the performance of its obligations under this Agreement; and (b) a material breach of any provision hereof (provided, however, that the indemnifying party shall be given prompt written notice of any such action or claim). This provision shall survive any termination of this Agreement.

13. Remedies. Money damages may be inadequate with respect to any breach of any covenant or agreement contained in this Agreement and the non-breaching party may have no adequate remedy at law. It is accordingly agreed that each party shall be entitled, in addition to any other remedy to which it may be entitled at law or in equity, to seek injunctive relief and/or to compel specific performance to prevent breaches by the other parties of any covenant or agreement of such other party contained in this Agreement.

14. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective legal representatives, successors and permitted assigns. This Agreement shall not be assigned by the Purchaser without the prior written consent of the Company, or by the Company without the prior written consent of the Purchaser, in each case, not to be unreasonably withheld; provided, however, that any party may assign its rights and/or obligations to any entity controlled by, controlling or under common control with such party or to any corporate successor thereto.

15. Further Assurances. The parties shall execute and deliver all such further instruments and documents and take all such other actions as may reasonably be required to carry out the transactions contemplated hereby and to evidence the fulfillment of the agreements herein contained.

*Signature Page follows.*

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

ALLIED GAMING & ENTERTAINMENT, INC.

By: /s/ Yinghua Chen  
Name: Yinghua Chen  
Title: Chief Executive Officer

[PURCHASER]

By: /s/ Patton Dai  
Name: Patton Dai  
Title: President

Purchase Price (USD): \$0.9

Number of Purchase Shares: 7,330,000

Address for Notice:

Rue De Luis Gongzaga Gomes No.32C-32D Edf. King Xiu Garden R/C G Shop, Macau

Attention:  
Patton Dai

Telephone No.:

Facsimile No.:

E-mail:  
elitefun@efmacau.com

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
Esports Arena, LLC (25% ownership interest)	California
Allied Mobile Entertainment, Inc.	Delaware
Allied Mobile Entertainment (Hong Kong) Limited	Hong Kong
Allied Experiential Entertainment, Inc.	Delaware



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 28, 2024, with respect to our audits of the consolidated financial statements of Allied Gaming & Entertainment Inc. as of and for the years ended December 31, 2023 and 2022, which are incorporated in this Annual Report on Form 10-K of Allied Gaming & Entertainment Inc. for the year ended December 31, 2023.

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

/s/ **ZH CPA, LLC**

Denver, Colorado

March 28, 2024

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1600 Broadway, Suite 1600, Denver, CO, 80202, USA. Phone: 1.303.386.7224 Fax: 1.303.386.7101 Email: [admin@zhcpa.us](mailto:admin@zhcpa.us)



**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 28, 2024

/s/ Yinghua Chen

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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 28, 2024

/s/ Roy L. Anderson  
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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, 2023 (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 28, 2024

/s/ Yinghua Chen

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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, 2023 (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 28, 2024

/s/ Roy L. Anderson

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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.