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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-Q

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 20 May 2024 (U.S. time).

By order of the Board
Ourgame International Holdings Limited
Lu Jingsheng
Chairman and Executive Director

Beijing, 20 May 2024

As at the date of this announcement, the Board comprises Mr. Lu Jingsheng as executive director; Ms. Gao Liping, Mr. Hua Yumin, Ms. Yu Bing and Ms. Wang Ruyuan 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-Q

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

For the quarterly period ended March 31, 2024

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

For the transition period from _____ to _____

Commission file number: 001-38226

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

Delaware

(State or other jurisdiction of
incorporation or organization)

82-1659427

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

745 Fifth Ave, Suite 500
New York, NY 10151

(Address of principal executive offices)

(646) 768-4240

(Issuer's telephone number)

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

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

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

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

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

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

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

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

As of May 17, 2024, 45,515,313 shares of common stock, par value \$0.0001 per share, were outstanding.

ALLIED GAMING & ENTERTAINMENT INC.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	March 31, 2024 <u>(unaudited)</u>	December 31, 2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,300,965	\$ 16,320,583
Short-term investments	69,642,386	56,500,000
Interest receivable	1,319,578	792,223
Accounts receivable	477,790	529,369
Loan receivable	1,340,149	-
Deposits, current portion	3,700,000	3,700,000
Prepaid expenses and other current assets	550,572	498,886
Total Current Assets	<u>84,331,440</u>	<u>78,341,061</u>
Restricted cash	5,000,000	5,000,000
Property and equipment, net	3,608,688	3,834,193
Digital assets	49,300	49,300
Intangible assets, net	6,009,070	6,254,731
Deposits, non-current portion	385,524	392,668
Operating lease right-of-use asset	5,141,048	5,415,678
Goodwill	12,490,536	12,729,056
Total Assets	<u>\$ 117,015,606</u>	<u>\$ 112,016,687</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 172,975	\$ 371,830
Accrued expenses and other current liabilities	496,992	763,512
Deferred revenue	105,650	103,748
Operating lease liability, current portion	1,484,332	1,482,977
Loans payable	14,856,822	9,230,168
Total Current Liabilities	<u>17,116,771</u>	<u>11,952,235</u>
Operating lease liability, non-current portion	5,191,538	5,560,251
Deferred tax liability	1,075,620	1,096,160
Total Liabilities	<u>23,383,929</u>	<u>18,608,646</u>
Commitments and Contingencies (Note 9)		
Stockholders' Equity		
Preferred stock, \$0.0001 par value, 1,000,000 shares authorized, none issued and outstanding	-	-
Series A Preferred stock, \$0.0001 par value, 50,000 shares designated, none issued and outstanding	-	-
Common stock, \$0.0001 par value; 100,000,000 shares authorized, 47,795,097 and 39,085,470 shares issued at March 31, 2024 and December 31, 2023, and 45,515,313 and 36,805,686 shares outstanding at March 31, 2024 and December 31, 2023, respectively	4,780	3,909
Additional paid in capital	205,660,677	198,677,132
Accumulated deficit	(115,370,139)	(113,671,029)
Accumulated other comprehensive income	299,880	433,565
Stock subscription receivable	(4,597,000)	-
Treasury stock, at cost, 2,279,784 shares at March 31, 2024 and December 31, 2023	(2,693,653)	(2,693,653)
Total Allied Gaming & Entertainment Inc. Stockholders' Equity	<u>83,304,545</u>	<u>82,749,924</u>
Non-controlling interest	10,327,132	10,658,117
Total Stockholders' Equity	<u>93,631,677</u>	<u>93,408,041</u>
Total Liabilities and Stockholders' Equity	<u>\$ 117,015,606</u>	<u>\$ 112,016,687</u>

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

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(unaudited)

	For the Three Months Ended March 31,	
	2024	2023
Revenues:		
In-person	\$ 1,255,198	\$ 1,193,330
Multiplatform content	59	101
Casual mobile gaming	1,123,804	-
Total Revenues	2,379,061	1,193,431
Costs and Expenses:		
In-person (exclusive of depreciation and amortization)	635,963	672,222
Multiplatform content (exclusive of depreciation and amortization)	-	395
Casual mobile gaming (exclusive of depreciation and amortization)	936,905	-
Research and development expenses	195,211	-
Selling and marketing expenses	53,688	54,598
General and administrative expenses	2,857,800	2,543,347
Depreciation and amortization	374,992	578,560
Total Costs and Expenses	5,054,559	3,849,122
Loss From Operations	(2,675,498)	(2,655,691)
Other Income (Expense):		
Other (expense) income, net	(13,158)	27,455
Interest income, net	859,205	734,449
Net Loss	(1,829,451)	(1,893,787)
Less: net loss attributable to non-controlling interest	(130,341)	-
Net Loss Attributable to Common Stockholders	\$ (1,699,110)	\$ (1,893,787)
Net Loss per Common Share		
Basic and Diluted	\$ (0.04)	\$ (0.05)
Weighted Average Number of Common Shares Outstanding:		
Basic and Diluted	38,857,728	37,924,754

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

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Loss

(unaudited)

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

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

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Stockholders' Equity

(unaudited)

For The Three Months Ended March 31, 2024

	Common Stock		Treasury Stock		Additional Paid-in Capital	Subscription Receivable	Accumulated Other Comprehensive Income		Accumulated Deficit	Allied Gaming & Entertainment Inc. Stockholders' Equity	Non- Controlling Interest	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			Income	Deficit				
Balance - January 1, 2024	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
Stock-based compensation:												
Restricted common stock	1,460,000	146	-	-	458,374	-	-	-	-	458,520	-	458,520
Stock options	-	-	-	-	13,080	-	-	-	-	13,080	-	13,080
Shares withheld for employee payroll tax	(80,373)	(8)	-	-	(84,176)	-	-	-	-	(84,184)	-	(84,184)
Issuance of common stock pursuant to a Share Purchase Agreement	7,330,000	733	-	-	6,596,267	(4,597,000)	-	-	-	2,000,000	-	2,000,000
Net loss	-	-	-	-	-	-	-	(1,699,110)	-	(1,699,110)	(130,341)	(1,829,451)
Other comprehensive loss	-	-	-	-	-	-	(133,685)	-	-	(133,685)	(200,644)	(334,329)
Balance - March 31, 2024	47,795,097	\$ 4,780	2,279,784	\$(2,693,653)	\$205,660,677	\$ (4,597,000)	\$ 299,880	\$(115,370,139)	\$	83,304,545	\$10,327,132	\$ 93,631,677

For The Three Months Ended March 31, 2023

	Common Stock		Treasury Stock		Additional Paid-in Capital	Subscription Receivable	Accumulated Other Comprehensive Income		Accumulated Deficit	Allied Gaming & Entertainment Inc. Stockholders' Equity	Non- Controlling Interest	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			Income	Deficit				
Balance - January 1, 2023	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	-	-	-	-	5,126	-	-	-	-	5,126	-	5,126
Repurchases of common stock	-	-	1,105,604	(1,459,078)	-	-	-	-	-	(1,459,078)	-	(1,459,078)
Net loss	-	-	-	-	-	-	-	(1,893,787)	-	(1,893,787)	-	(1,893,787)
Other comprehensive income	-	-	-	-	-	-	1,880	-	-	1,880	-	1,880
Balance - March 31, 2023	39,085,470	\$ 3,909	1,687,350	\$(2,069,640)	\$198,531,740	\$ -	\$ 221,555	\$(112,129,355)	\$	84,558,209	\$ -	\$ 84,558,209

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

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(unaudited)

	For the Three Months Ended March 31,	
	2024	2023
Cash Flows From Operating Activities		
Net loss	\$ (1,829,451)	\$ (1,893,787)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	471,600	5,126
Non-cash operating lease expense	270,027	227,136
Digital currency received as revenue	-	(26)
Expenses paid using digital assets	-	395
Depreciation and amortization	373,731	578,560
Changes in operating assets and liabilities:		
Accounts receivable	55,440	(233,684)
Interest receivable	(527,353)	(624,815)
Prepaid expenses and other current assets	(52,239)	(264,837)
Accounts payable	(184,702)	164,163
Accrued expenses and other current liabilities	(361,443)	251,495
Operating lease liability	(362,834)	(280,615)
Deferred revenue	1,902	1,037,772
Total Adjustments	<u>(315,871)</u>	<u>860,670</u>
Net Cash Used In Operating Activities	<u>(2,145,322)</u>	<u>(1,033,117)</u>
Cash Flows From Investing Activities		
Expenditures on software development costs	-	(49,950)
Issuance of short-term loan	(1,340,149)	-
Proceeds from maturing of short-term investments	6,500,000	-
Purchases of short-term investments	(19,642,386)	(4,500,000)
Purchases of intangible assets	-	(508,500)
Purchases of property and equipment	(10,639)	(36,934)
Net Cash Used In Investing Activities	<u>(14,493,174)</u>	<u>(5,095,384)</u>
Cash Flows From Financing Activities		
Repurchases of common stock	-	(1,459,078)
Proceeds from issuance of common stock in share purchase agreement	2,000,000	-
Proceeds from short-term loan	5,626,654	-
Net Cash Provided By (Used In) Financing Activities	<u>7,626,654</u>	<u>(1,459,078)</u>

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

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows, continued

(unaudited)

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

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

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 1 – Business Organization and Nature of Operations

Allied Gaming & Entertainment Inc. (“AGAE” and together with its subsidiaries, “the Company”) operates a public esports and entertainment company through its wholly owned subsidiaries Allied Esports International, Inc., (“AEII”), Esports Arena Las Vegas, LLC (“ESALV”), Allied Mobile Entertainment Inc. (“AME”), Allied Mobile Entertainment (Hong Kong) Limited (“AME-HK”), Allied Experiential Entertainment Inc. (“AEE”), Skyline Music Entertainment (Hong Kong) Limited (“Skyline HK”), and Allied Esports GmbH (“AEG”). 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

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

Basis of Presentation and Principles of Consolidation

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

Investments in Equity Linked and FX Linked Notes

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

Fair Value of Financial Instruments

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

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

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

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

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

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

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

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

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

Equity linked notes and FX linked notes are categorized within level 2 of the fair value hierarchy, as the fair value is based on the price of the underlying equity securities or foreign exchange rates. See Note 4 – Short-Term Investments for further details on short-term investments.

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

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

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

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

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

Input	March 31, 2024	December 31, 2023
Risk-free rate	5.46%	5.41%
Remaining term in years	0.36	0.61
Expected volatility	68.0%	68.0%
Exercise price	\$ 11.50	\$ 11.50
Fair value of common stock	\$ 1.01	\$ 1.06

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Net Loss per Common Share

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

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

	For the Three Months Ended March 31,	
	2024	2023
Numerator:		
Net loss attributable to common stockholders	\$ (1,699,110)	\$ (1,893,787)
Denominator:		
Weighted-average common shares outstanding	39,314,981	37,924,754
Less: weighted-averages unvested restricted shares	(457,253)	-
Denominator for basic and diluted net loss per share	38,857,728	37,924,754
Basic and Diluted Net Loss per Common Share	\$ (0.04)	\$ (0.05)

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

	For the Three Months Ended March 31,	
	2024	2023
Options	1,320,000	1,540,000
Warrants	20,091,549	20,091,549
Contingent consideration shares ⁽¹⁾	192,308	192,308
	21,603,857	21,823,857

(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.

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

The Company recognizes revenue primarily from the following sources:

In-person revenue

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

	For the Three Months Ended March 31,	
	2024	2023
Event revenue	\$ 573,655	\$ 561,077
Sponsorship revenue	460,737	359,741
Food and beverage revenue	70,708	88,974
Ticket and gaming revenue	129,771	130,137
Merchandising revenue	20,327	53,401
Total in-person revenue	\$ 1,255,198	\$ 1,193,330

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.

Multiplatform revenue

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

	For the Three Months Ended March 31,	
	2024	2023
NFT revenue	-	\$ 26
Distribution revenue	59	75
Total multiplatform revenue	\$ 59	\$ 101

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

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

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

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Casual mobile gaming revenue

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

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

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

Revenue recognition

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

	For the Three Months Ended	
	March 31,	
	2024	2023
Revenues Recognized at a Point in Time:		
NFT revenue	\$ -	\$ 26
Food and beverage revenue	70,708	88,974
Ticket and gaming revenue	129,771	130,137
Merchandising revenue	20,327	53,401
Casual mobile games	1,123,804	-
Distribution revenue	59	75
Total Revenues Recognized at a Point in Time	<u>1,344,669</u>	<u>272,613</u>
Revenues Recognized Over a Period of Time:		
Event revenue	573,655	561,077
Sponsorship revenue	460,737	359,741
Total Revenues Recognized Over a Period of Time	<u>1,034,392</u>	<u>920,818</u>
Total Revenues	<u>\$ 2,379,061</u>	<u>\$ 1,193,431</u>

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 March 31, 2024 and December 31, 2023, the Company had contract liabilities of \$105,650 and \$103,748, respectively, which is included in deferred revenue on the condensed consolidated balance sheet.

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

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Digital Assets

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

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 losses for the three months ended March 31, 2024 and 2023 and no digital assets were sold during the same time periods.

There were no changes in our digital assets during the three months ended March 31, 2024.

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, loans receivable, and accounts receivable. Concentrations of credit risk with respect to trade accounts receivable are generally diversified due to the large number of entities comprising the Company's customer base and their dispersion across many different industries and geographies. The Company 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 March 31, 2024, two customers represented 93% of the Company's accounts receivable balance. Historically, the Company has not experienced any losses due to such concentration of credit risk.

During the three months ended March 31, 2024 and 2023, 47% and 0%, respectively, of the Company's revenues were from customers other than the United States.

During the three months ended March 31, 2024, the Company's two largest customers accounted for 47%, and 19% of the Company's consolidated revenues. During the three months ended March 31, 2023, the Company's two largest customers accounted for 26%, and 11% of the Company's consolidated revenues.

Foreign Currency Translation

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

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

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

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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 \$14,436 and \$942 arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency for the three months ended March 31, 2024 and 2023, respectively, are recognized in other (expense) income in the accompanying condensed consolidated statements of operations.

Segment Information

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

Subsequent Events

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

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 will have a material impact on the Company's financial position and expects the cumulative adjustment to increase retained earnings as of January 1, 2025 as a result of adopting this guidance in 2025.

Note 3 – Business Combination

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

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

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

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 4 – Short-Term Investments

Short-term investments consist of the following:

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

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

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

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

Note 5 – Intangible Assets, net

Intangible assets consist of the following:

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

Weighted average remaining amortization period at March 31, 2024 (in years)

9.0

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 three payments of \$49,950 for a total of \$149,850 as of March 31, 2024 which was capitalized and included within intangible assets on the accompanying condensed consolidated balance sheet. As of March 31, 2024 the software development costs have not yet been placed into service.

Note 6 – Loan Receivable

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

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 7 – Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

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

Note 8 – Loans Payable

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

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

Note 9 – Commitments and Contingencies

Litigations, Claims, and Assessments

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

Operating Leases

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

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

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

The Company’s aggregate lease expense incurred during the three months ended March 31, 2024 and 2023 amounted to \$447,414 and \$401,208, respectively, of which \$349,605 and \$320,994, respectively, is included within in-person costs and \$97,809 and \$80,214, respectively, is included in general and administrative expenses on the accompanying condensed consolidated statements of operations.

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

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(unaudited)

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

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

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

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

Employment Agreement

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

Note 10 – Stockholders' Equity

Share Purchase Agreement

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

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

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

Rights Agreement

On February 9, 2024, the Company entered into a rights agreement with Continental Stock Transfer & Trust, as rights agent (the “Rights Agreement”) pursuant to which the Board declared a dividend of one preferred share purchase right (the “Right” or collectively the “Rights”) for each outstanding share of the Company’s 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”). The Company has determined that the fair value of these rights are de minimus and therefore have no financial statement impact.

Stock Options

A summary of the option activity during the three months ended March 31, 2024 is presented below:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Term (Yrs)</u>	<u>Intrinsic Value</u>
Outstanding, January 1, 2024	1,490,000	\$ 3.55		
Granted	-	-		
Exercised	-	-		
Expired	(170,000)	4.09		
Outstanding, March 31, 2024	<u>1,320,000</u>	<u>\$ 3.48</u>	<u>6.04</u>	<u>\$ -</u>
Exercisable, March 31, 2024	<u>1,070,000</u>	<u>\$ 3.77</u>	<u>5.77</u>	<u>\$ -</u>

ALLIED GAMING & ENTERTAINMENT INC. AND SUBSIDIARIES

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Options outstanding and exercisable as of March 31, 2024 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	6.25	30,000
\$ 2.17	120,000	6.35	90,000
\$ 2.21	350,000	5.70	200,000
\$ 2.48	120,000	7.10	60,000
\$ 4.09	460,000	5.64	460,000
\$ 5.66	230,000	5.47	230,000
	1,320,000	5.77	1,070,000

For the three months ended March 31, 2024 and 2023, the Company recorded \$13,080 and \$5,126, respectively, of stock-based compensation expense related to stock options. As of March 31, 2024, there was \$64,919 of unrecognized stock-based compensation expense related to the stock options that will be recognized over the weighted average remaining vesting period of 1.42 years.

Restricted Common Stock

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

For the three months ended March 31, 2024 and 2023, the Company recorded \$458,520 and \$0, respectively, of stock-based compensation expense related to restricted stock.

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

Cautionary Statements

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

The Company

Allied Gaming and Entertainment Inc., 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 ("Z-Tech"), a prominent mobile games developer and operator, is engaged in the development and distribution of casual mobile games in Mainland China, solidifies our presence in this lucrative sector. Moreover, our subsidiary Allied Experiential Entertainment ("AEE"), focuses on orchestrating live entertainment events and offers management and consultation service to experiential entertainment venue operation. The Company offers a variety of esports and gaming-related content, including world class tournaments, live and virtual entertainment and gaming events, and original programming to continuously 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 includes 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.

Corporate Developments

Elite Fun Entertainment Co., Ltd. Strategic Investment

On December 28, 2023, the Company entered into a Share Purchase Agreement (the "Elite Purchase Agreement") with Elite Fun Entertainment Co., Ltd. (the "Purchaser"), pursuant to which the Purchaser agreed to purchase 7,330,000 shares of Common Stock at a purchase price of \$0.90 per share (the "Purchased Shares") for a total purchase price of \$6,597,000. The Purchased Shares represented less than 20% of the total issued and outstanding shares of the Company prior to the closing of the transaction.

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

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 Three Months Ended March 31, 2024 and 2023

(in thousands)	For the Three Months Ended March 31,		Favorable (Unfavorable)
	2024	2023	
Revenues:			
In-person	\$ 1,255	\$ 1,193	\$ 62
Casual mobile gaming	1,124	-	1,124
Total Revenues	2,379	1,193	1,186
Costs and Expenses:			
In-person (exclusive of depreciation and amortization)	636	672	36
Casual mobile gaming (exclusive of depreciation and amortization)	937	-	(937)
Research and development expenses	195	-	(195)
Selling and marketing expenses	54	55	1
General and administrative expenses	2,858	2,543	(315)
Depreciation and amortization	375	579	204
Total Costs and Expenses	5,055	3,849	(1,206)
Loss From Operations	(2,675)	(2,656)	(19)
Other Income (Expense):			
Other (expense) income, net	(13)	27	(40)
Interest income, net	859	735	124
Net Loss	(1,829)	(1,894)	65
Less: net loss attributable to non-controlling interest	(130)	-	(130)
Net Loss Attributable to Common Stockholders	\$ (1,699)	\$ (1,894)	\$ 195

Revenues

In-person experience revenues increased by approximately \$62 thousand, or 5%, to approximately \$1.3 million for the three months ended March 31, 2024 from approximately \$1.2 million for the three months ended March 31, 2023. The increase of in-person experience revenues was driven by a \$0.1 million increase in sponsorship revenue related to a new naming rights agreement for the HyperX Arena that occurred at the end of the first quarter 2023. In addition, there was a \$0.2 million increase in HyperX event revenue for the three months ended March 31, 2024 which was offset by a \$0.2 million decrease in truck revenue for the same period.

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

Costs and expenses

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

Casual mobile gaming costs (exclusive of depreciation and amortization) were \$937 thousand for the three months ended March 31, 2024 and \$0 for the three months ended March 31, 2023, respectively. Casual mobile gaming costs consist principally of user acquisition, distribution and player incentive costs incurred by Z-Tech.

Research and development expenses were \$195 thousand and \$0 for the three months ended March 31, 2024 and 2023, respectively. Research and development expenses consist principally of costs related to the development of new casual mobile games for Z-Tech.

Selling and marketing expenses decreased by approximately \$1 thousand, or 2%, to approximately \$54 thousand for the three months ended March 31, 2024 from approximately \$55 thousand for the three months ended March 31, 2023.

General and administrative expenses increased by approximately \$0.3 million, or 12%, to approximately \$2.9 million for the three months ended March 31, 2024, from approximately \$2.5 million for the three months ended March 31, 2023. The increase in general and administrative expenses resulted primarily from a \$0.5 million increase in stock-based compensation related to restricted share awards granted on February 22, 2024, along with a \$0.2 million increase in legal and professional fees. These increases were slightly offset by a \$0.3 million decrease in payroll and payroll related costs in 2024 due to a decrease in headcount, in addition to a \$0.1 million decrease in insurance costs related to D&O insurance that was renewed at a lower cost in August 2023.

Depreciation and amortization decreased by approximately \$0.2 million, or 35%, to approximately \$0.4 million for the three months ended March 31, 2024, from approximately \$0.6 million for the three months ended March 31, 2023. The decrease was primarily due to the disposal of office equipment and production equipment in 2023 related to the shut-down of our German operations, in addition to assets that became fully depreciated in 2023.

Other income (expense), net

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

Interest income, net

Interest income, net, was approximately \$859 thousand for the three months ended March 31, 2024 compared to approximately \$735 thousand of interest income for the three months ended March 31, 2023. The increase is a result of the interest earned on a short-term investment purchased during the fourth quarter of 2023.

Liquidity and Capital Resources

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

(in thousands)	March 31, 2024	December 31, 2023
Current Assets	\$ 84,331	\$ 78,341
Current Liabilities	\$ 17,117	\$ 11,952
Working Capital Surplus	\$ 67,214	\$ 66,389

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

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

Cash requirements for our current liabilities include approximately \$14.9 million for loans payable, \$0.7 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 \$5.2 million for the non-current portion of an operating lease liability. The Company intends to meet these cash requirements from its current cash balance.

Credit Facility

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

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

Cash Flows from Operating, Investing and Financing Activities

The table below summarizes cash flows for the three months ended March 31, 2024 and 2023:

(in thousands)	For the Three Months Ended March 31,	
	2024	2023
Net cash provided by (used in)		
Operating activities	\$ (2,145)	\$ (1,033)
Investing activities	\$ (14,493)	\$ (5,095)
Financing activities	\$ 7,627	\$ (1,459)

Net Cash Used in Operating Activities

Net cash used in operating activities for the three months ended March 31, 2024 and 2023 was approximately \$2.1 million and \$1.0 million, respectively, representing increased usage of cash of \$1.1 million. During the three months ended March 31, 2024 and 2023, the net cash used in operating activities was primarily attributable to the net loss of approximately \$1.8 million and \$1.9 million, respectively, adjusted for approximately \$1.1 million and \$0.8 million, respectively, of net non-cash expenses, and approximately (\$1.4) million and \$0.1 million, respectively, of cash (used in) provided by changes in the levels of operating assets and liabilities.

Net Cash Provided By (Used In) Investing Activities

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

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

Net Cash Provided By (Used In) Financing Activities

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

Off-Balance Sheet Arrangements

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

Critical Accounting 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. There are items within our financial statements that require estimation but are not deemed critical, as defined above.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Effectiveness of Disclosure Controls and Procedures

Our management, under the direction of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such terms are defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2024. Based on this evaluation our management, including the Company's Chief Executive Officer and Chief Financial Officer, has concluded that the Company's disclosure controls and procedures were effective as of March 31, 2024 to ensure that the information required to be disclosed in our Exchange Act reports was recorded, processed, summarized and reported on a timely basis.

Inherent Limitations on Effectiveness of Controls

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

Changes in Internal Control Over Financial Reporting

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

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

Knighted Pastures, LLC

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

ITEM 1A. RISK FACTORS.

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

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

10b5-1 Arrangements

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

ITEM 6. EXHIBITS.

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

* Filed herewith

** Furnished herewith

SIGNATURES

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

ALLIED GAMING & ENTERTAINMENT INC.

Dated: May 20, 2024

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

Dated: May 20, 2024

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

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

I, Yinghua Chen, certify that:

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

Dated: May 20, 2024

/s/ Yinghua Chen

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

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

I, Roy Anderson, certify that:

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

Dated: May 20, 2024

/s/ Roy Anderson

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

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

Dated: May 20, 2024

/s/ Yinghua Chen

Yinghua Chen, President and Chief Executive Officer

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

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

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

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

Dated: May 20, 2024

/s/ Roy Anderson

Roy Anderson, Chief Financial Officer

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