

Snail, Inc. Reports Second Quarter 2023 Financial Results

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CULVER CITY, Calif., Aug. 14, 2023 (GLOBE NEWSWIRE) -- Snail, Inc. (Nasdaq: SNAL) ("Snail" or "the Company"), a leading, global independent developer and publisher of interactive digital entertainment, today announced financial results for the three months ended June 30, 2023.

Jim Tsai, Chief Executive Officer of Snail, commented: "Earlier last month we had to make the difficult decision to delay the release of *ARK: Survival Ascended*. We are expected to launch the game in October 2023. The title has passed QC and beta testing and now in the last stages of development. We are excited to bring our fans a remastered *ARK* game with loads of new content and world to explore."

Second Quarter 2023 and Subsequent Financial and Business Highlights

- Revenue was \$9.9 million for the three months ended June 30, 2023, compared to revenue of \$15.5 million in the prior year period, representing a decrease of \$5.6 million year over year. The decrease in net revenues was due to a decrease in sales of ARK, partially attributed to a decrease in the number of days on sale in one of our primary platform partners and partially due to the upcoming release of ARK: Survival Ascended. ARK sales and in-game purchases decreased by \$5.3 million. Sales of the Company's smaller titles decreased by a collective \$0.6 million. These decreases in the Company's smaller titles were partially offset by an increase of \$0.1 million in revenue related to West Hunt.
- ARK: Survival Evolved. In the three months ended June 30, 2023, ARK: Survival Evolved averaged a total of 240,522 daily active users ("DAUs") versus 359,077 DAUs in the prior year period.
 - ARK units sold decreased for the second quarter 2023 compared to the same period last year; approximately 0.9
 million vs. 1.6 million, respectively.
 - Through June 30, 2023, total playtime for the *ARK* franchise amounted to 3.3 billion hours with an average playing time per user of more than 162 hours and with the top 21.0% of all players spending over 100 hours in the game, according to data from the Steam platform.
- Net loss was \$4.1 million for the three months ended June 30, 2023 as compared to a net loss of \$1.0 million for the three months ended June 30, 2022, representing a decrease of \$3.1 million. The decrease was primarily due to a decrease in revenue of \$5.6 million, an increase in research and development expense of \$1.0 million, an increase in interest expense of \$0.1 million, and an increase in internet, server, and data costs of \$0.3 million, partially offset by a decrease in royalties of \$1.2 million, a decrease in license cost and license right amortization of \$1.6 million, a decrease in merchant and engine fees of \$0.5 million, and a decrease in the Company's tax provision of \$0.8 million.
- Bookings for the three months ended June 30, 2023 decreased by \$5.8 million, or 38.5%, compared to the three months ended June 30, 2022, primarily as a result of a decrease in ARK revenues and in game purchases which contributed to \$5.3 million of the decrease during the three months ended June 30, 2023. The decrease in ARK revenues during the three months ended June 30, 2023 was due partially to fewer sales days in the period and the anticipated release of ARK: Survival Ascended.
- Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the second quarter of 2023 was a loss of \$4.8 million compared to a loss of \$1.1 million in the prior year period.
- As of June 30, 2023, unrestricted cash was \$3.0 million versus \$12.9 million as of December 31, 2022.

Use of Non-GAAP Financial Measures

In addition to the financial results determined in accordance with U.S. generally accepted accounting principles, or GAAP, Snail believes Bookings and EBITDA, as non-GAAP measures, are useful in evaluating its operating performance. Bookings and EBITDA are non-GAAP financial measures that are presented as supplemental disclosures and should not be construed as alternatives to net income (loss) or revenue as indicators of operating performance, nor as alternatives to cash flow provided by operating activities as measures of liquidity, both as determined in accordance with GAAP. Snail supplementally presents Bookings and EBITDA because they are key operating measures used by management to assess financial performance. Bookings adjusts for the impact of deferrals and, Snail believes, provides a useful indicator of sales in a given period. EBITDA adjusts for items that Snail believes do not reflect the ongoing operating performance of its business, such as certain non-cash items, unusual or infrequent items or items that change from period to period without any material relevance to its operating performance. Management believes Bookings and EBITDA

are useful to investors and analysts in highlighting trends in Snail's operating performance, while other measures can differ significantly depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which Snail operates and capital investments.

Bookings is defined as the net amount of products and services sold digitally or physically in the period. Bookings is equal to revenues excluding the impact from deferrals. Below is a reconciliation of total net revenue to Bookings, the closest GAAP financial measure.

	Th	ree months	ended Jun	ne 30,	S	e 30,		
		2023		2022			2022	
		(in mil	lions)					
Total net revenue	\$	9.9	\$	15.5	\$	23.4	\$	43.5
Change in deferred net revenue		(0.6)		(0.4)		(0.8)		(3.0)
Bookings	\$	9.3	\$	15.1	\$	22.6	\$	40.5

We define EBITDA as net income (loss) before (i) interest expense, (ii) interest income, (iii) income tax provision (benefit from) and (iv) depreciation and amortization expense. The following table provides a reconciliation from net income (loss) to EBITDA:

	Three months ended June 30,			Six r	nonths er	nded J	ded June 30,	
		2023	2	2022	2	2023	2	2022
	(in millions)					(in millions)		
Net (loss) income	\$	(4.1)	\$	(1.0)	\$	(7.1)	\$	4.8
Interest income and interest income – related parties		-		(0.1)		(0.1)		(0.6)
Interest expense and interest expense – related parties		0.3		0.2		0.6		0.4
(Benefit from) provision for income taxes		(1.1)		(0.3)		(1.9)		1.2
Depreciation and amortization expense, property and equipment		0.1		0.1		0.2		0.3
EBITDA	\$	(4.8)	\$	(1.1)	\$	(8.3)	\$	6.1

Webcast Details

The Company will host a webcast at 5:00 PM ET today to discuss the second quarter 2023 financial results. Participants may access the live webcast and replay on the Company's investor relations website at https://investor.snail.com/.

About Snail, Inc.

Snail is a leading, global independent developer and publisher of interactive digital entertainment for consumers around the world, with a premier portfolio of premium games designed for use on a variety of platforms, including consoles, PCs and mobile devices.

Contacts:

Investors:

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Forward-Looking Statements

This press release contains statements that constitute forward-looking statements. Many of the forward-looking statements contained in this press release can be identified by the use of forward-looking words such as "anticipate," "believe," "could," "expect," "should," "plan," "intend," "may," "predict," "continue," "estimate" and "potential," or the negative of these terms or other similar expressions. Forward-looking statements appear in a number of places in this press release and include, but are not limited to, statements regarding Snail's intent, belief or current expectations. These forward-looking statements include information about possible or assumed future results of Snail's business, financial condition, results of operations, liquidity, plans and objectives. The statements Snail makes regarding the following matters are forward-looking by their nature: growth prospects and strategies; launching new games and additional functionality to games that are commercially successful; expectations regarding significant drivers of future growth; its ability to retain and increase its player base and develop new video games and enhance existing games; competition from companies in a number of industries, including other casual game developers and publishers and both large and small, public and private Internet companies; its ability to attract and retain a qualified management team and other team members while controlling its labor costs; its relationships with third-party platforms such as Xbox Live and Game Pass, PlayStation Network, Steam, Epic Games Store, My Nintendo Store, the Apple App Store, the Google Play Store and the Amazon Appstore; the size of addressable markets, market share and market trends; its ability to successfully enter new markets and manage international expansion; protecting and developing its brand and intellectual property portfolio; costs associated with defending intellectual property infringement and other claims; future business development, results of operations and financial condition; the ongoing conflict involving Russia and Ukraine on its business and the global economy generally; rulings by courts or other governmental authorities; the Share Repurchase Program, including expectations regarding the timing and manner of repurchases made under the program; its plans to pursue and successfully integrate strategic acquisitions; assumptions underlying any of the foregoing.

Further information on risks, uncertainties and other factors that could affect Snail's financial results are included in its filings with the Securities and Exchange Commission (the "SEC") from time to time, annual reports on Forms 10-K and quarterly reports on 10-Q filed, or to be filed, with the SEC. You should not rely on these forward-looking statements, as actual outcomes and results may differ materially from those expressed or implied in the forward-looking statements as a result of such risks and uncertainties. All forward-looking statements in this press release are based on management's beliefs and assumptions and on information currently available to Snail, and Snail does not assume any obligation to update the

Snail, Inc. and Subsidiaries Condensed Consolidated Balance Sheets (Unaudited)

Current Assets: 2.960,160 \$ 12,863,818 Cash and cash equivalents \$ 2.960,160 \$ 12,863,818 Restricted descrow deposits 1,002,808 \$ 1,003,808 Accounts receivable, net of allowances for credit losses of \$19,929 and \$31,525, respectively 4,963,566 6,758,02 Accounts receivable related party, net 102,745 11,344,18 102,745 11,344,18 Prepaid expenses related party 2,500,000 2,500,000 12,218,801 10,565,14		Ju	ne 30, 2023	Dece	ember 31, 2022
Cash and cash equivalents \$ 2,960,160 \$ 12,863,81 Restricted escrive deposit 1,002,193 1,002,193 1,003,80 Accounts receivable, net of allowances for credit losses of \$19,929 and \$31,525, respectively 4,963,566 6,788,02 Accounts receivable - related party, net 11,733,226 11,344,18 11,344,18 Loan and interest receivable - related party 2,500,000 12,216,801 10,565,14 Prepaid expenses - related party 2,500,000 12,216,801 10,565,14 Total current assets 35,501,691 42,686,72 Restricted cash and cash equivalents 1,113,900 6,374,36 Prepaid expenses - related party 5,552,500 5,582,50 Property, plant and equipment, net 4,881,629 5,114,79 Intangible assets, net - colner 94,024 7,602,53 Other noncurrent assets 9,490,241 7,602,53 Other noncurrent assets 9,490,241 7,602,53 Other noncurrent assets, net - colner 18,072 19,918,25 Operating lease right-of-use assets, net 10,000,000 3,003,009 3,606,39	ASSETS				
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Total current assets 35,501,691 42,636,72 Restricted cash and cash equivalents 1,113,960 6,374,36 7,34,36 7,34					-
Restricted cash and cash equivalents	Prepaid expenses and other current assets		12,216,801		10,565,141
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Intangible assets, net - internse - related parties 272,119 272,152	Prepaid expenses - related party		5,582,500		5,582,500
Intangible assets, net - other	Property, plant and equipment, net		4,881,629		5,114,799
Defered income taxes 9,490,241 7,602,53 0.00,778 188,66 3,062,039 3,066,339 100,633 3,066,339 100,633 3,066,339 100,633 3,066,339 100,633 3,006,339 100,633 3,006,339 100,633	Intangible assets, net - license - related parties		326,087		1,384,058
180,778 198,66 20,000	Intangible assets, net - other		272,119		272,521
Operating lease right-of-use assets, net 3,032,069 3,606,39 Total assets \$6,031,074 \$72,772,50 LABBILITIES, NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY Current Liabilities: Accounts payable \$8,658,585 \$9,452,39 Accounts payable - related partly 19,611,207 19,918,25 Accounts payable - related parties 527,770 527,77 Revolving loan 6,000,000 9,000,00 Short term note 2,916,667 5,416,66 Current portion of promissory note 2,845,303 86,52 Current portion of operating lease liabilities 1,437,104 1,371,22 Total current liabilities 48,801,025 51,582,32 Accrued expenses 384,150 457,02 Accrued expenses 384,150 457,02 Accrued expenses 384,150 457,02 Promissory note, net of current portion 2,936,23 457,02 Deferred revenue, net of current portion 2,936,23 457,02	Deferred income taxes		9,490,241		7,602,536
Total assets \$ 60.381,074 \$ 72,772,57	Other noncurrent assets		180,778		198,668
LIABILITIES, NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY Current Liabilities: Accounts payable - related party 19,611,207 19,918,25 Accounts payable - related party 2,678,848 1,474,08 Interest payable - related parties 527,770 527,777 Revolving loan 6,000,000 9,000,00 Short term note 2,946,667 5,416,66 Current portion of promissory note 2,845,303 86,52 Current portion of operating lease liabilities 1,437,140 1,371,22 Total current liabilities 48,801,025 51,582,32 Accrued expenses 384,150 457,02 Promissory note, net of current portion - 3,221,96 Deferred revenue, net of current portion 4,660,343 5,216,04 Operating lease liabilities, net of current portion 2,191,465 2,930,52 Total liabilities 56,036,983 63,407,88 Commitments and contingencies Stockholders' Equity: Class A common stock, \$0,0001 par value, 500,000,000 shares authorized, 9,251,420 shares issued, 7,901,145 and 8,053,771 shares outstanding as	Operating lease right-of-use assets, net		3,032,069		3,606,398
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Accounts payable \$ 8,658,585 \$ 9,452,39 Accounts payable - related party 19,611,207 19,918,25 Accounted expenses and other liabilities 2,678,848 1,474,08 Interest payable - related parties 527,770 527,777 Revolving loan 6,000,000 9,000,00 Short term note 2,916,667 5,416,66 Current portion of promissory note 2,845,303 86,52 Current portion of deferred revenue 4,125,505 4,335,40 Current portion of operating lease liabilities 1,437,140 1,371,22 Total current liabilities 384,150 457,02 Promissory note, net of current portion - 3,221,96 Deferred revenue, net of current portion - 3,221,96 Operating lease liabilities, net of current portion 4,660,343 5,216,04 Operating lease liabilities, net of current portion 2,191,465 2,930,52 Total liabilities 56,036,983 63,407,88 Commitments and contingencies Stockholders' Equity: Class A common stock, \$0.0001 par value, 500,000,000 s	LIABILITIES, NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY				
Accounts payable \$ 8,658,585 \$ 9,452,39 Accounts payable - related party 19,611,207 19,918,25 Accounted expenses and other liabilities 2,678,848 1,474,08 Interest payable - related parties 527,770 527,777 Revolving loan 6,000,000 9,000,00 Short term note 2,916,667 5,416,66 Current portion of promissory note 2,845,303 86,52 Current portion of deferred revenue 4,125,505 4,335,40 Current portion of operating lease liabilities 1,437,140 1,371,22 Total current liabilities 384,150 457,02 Promissory note, net of current portion - 3,221,96 Deferred revenue, net of current portion - 3,221,96 Operating lease liabilities, net of current portion 4,660,343 5,216,04 Operating lease liabilities, net of current portion 2,191,465 2,930,52 Total liabilities 56,036,983 63,407,88 Commitments and contingencies Stockholders' Equity: Class A common stock, \$0.0001 par value, 500,000,000 s	Current Liabilities:				
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Current portion of promissory note 2,845,303 86,52 Current portion of deferred revenue 4,125,505 4,335,40 Current portion of operating lease liabilities 1,437,140 1,371,22 Total current liabilities 48,801,025 51,582,32 Accrued expenses 384,150 457,02 Promissory note, net of current portion - 3,221,96 Deferred revenue, net of current portion 4,660,343 5,216,04 Operating lease liabilities, net of current portion 2,191,465 2,930,52 Total liabilities 56,036,983 63,407,88 Commitments and contingencies Stockholders' Equity: Class A common stock, \$0.0001 par value, 500,000,000 shares authorized, 9,251,420 shares issued, 7,901,145 and 8,053,771 shares outstanding as of June 30, 2023 and December 31, 2022, respectively 925 92 Class B common stock, \$0.0001 par value, 100,000,000 shares authorized, 28,748,580 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively 2,875 2,87 Additional paid-in capital 25,708,907 23,436,94 Accumulated other comprehensive loss (286,173) (307,20			6,000,000		9,000,000
Current portion of deferred revenue 4,125,505 4,335,40 Current portion of operating lease liabilities 1,437,140 1,371,22 Total current liabilities 48,801,025 51,582,32 Accrued expenses 384,150 457,02 Promissory note, net of current portion - 3,221,96 Deferred revenue, net of current portion 4,660,343 5,216,04 Operating lease liabilities, net of current portion 2,191,465 2,930,52 Total liabilities 56,036,983 63,407,88 Commitments and contingencies *** *** Stockholders' Equity: *** *** Class A common stock, \$0.0001 par value, 500,000,000 shares authorized, 9,251,420 shares issued, 7,901,145 and 8,053,771 shares outstanding as of June 30, 2023 and December 31, 2022, respectively 925 92 Class B common stock, \$0.0001 par value, 100,000,000 shares authorized, 28,748,580 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively 2,875 2,87 Additional paid-in capital 25,708,907 23,436,94 Accumulated other comprehensive loss (286,173) (307,20	Short term note		2,916,667		5,416,666
Current portion of operating lease liabilities 1,437,140 1,371,22 Total current liabilities 48,801,025 51,582,32 Accrued expenses 384,150 457,02 Promissory note, net of current portion - 3,221,96 Deferred revenue, net of current portion 4,660,343 5,216,04 Operating lease liabilities, net of current portion 2,191,465 2,930,52 Total liabilities 56,036,983 63,407,88 **Commitments and contingencies **Stockholders' Equity: Class A common stock, \$0.0001 par value, 500,000,000 shares authorized, 9,251,420 shares issued, 7,901,145 and 8,053,771 shares outstanding as of June 30, 2023 and December 31, 2022, respectively 925 92 Class B common stock, \$0.0001 par value, 100,000,000 shares authorized, 28,748,580 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively 2,875 2,87 Additional paid-in capital 25,708,907 23,436,94 Accumulated other comprehensive loss (286,173) (307,20	Current portion of promissory note		2,845,303		86,524
Total current liabilities 48,801,025 51,582,32 Accrued expenses 384,150 457,02 Promissory note, net of current portion - 3,221,96 Deferred revenue, net of current portion 4,660,343 5,216,04 Operating lease liabilities, net of current portion 2,191,465 2,930,52 Total liabilities 56,036,983 63,407,88 Commitments and contingencies Stockholders' Equity: Class A common stock, \$0.0001 par value, 500,000,000 shares authorized, 9,251,420 shares issued, 7,901,145 and 8,053,771 shares outstanding as of June 30, 2023 and December 31, 2022, respectively 925 92 Class B common stock, \$0.0001 par value, 100,000,000 shares authorized, 28,748,580 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively 2,875 2,87 Additional paid-in capital 25,708,907 23,436,94 Accumulated other comprehensive loss (286,173) (307,20	Current portion of deferred revenue		4,125,505		4,335,404
Accrued expenses 384,150 457,02 Promissory note, net of current portion - 3,221,96 Deferred revenue, net of current portion 4,660,343 5,216,04 Operating lease liabilities, net of current portion 2,191,465 2,930,52 Total liabilities 56,036,983 63,407,88 Commitments and contingencies Stockholders' Equity: Class A common stock, \$0.0001 par value, 500,000,000 shares authorized, 9,251,420 shares issued, 7,901,145 and 8,053,771 shares outstanding as of June 30, 2023 and December 31, 2022, respectively 925 92 Class B common stock, \$0.0001 par value, 100,000,000 shares authorized, 28,748,580 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively 2,875 2,87 Additional paid-in capital 25,708,907 23,436,94 Accumulated other comprehensive loss (286,173) (307,20	Current portion of operating lease liabilities		1,437,140		1,371,227
Promissory note, net of current portion - 3,221,96 Deferred revenue, net of current portion 4,660,343 5,216,04 Operating lease liabilities, net of current portion 2,191,465 2,930,52 Total liabilities 56,036,983 63,407,88 Commitments and contingencies Stockholders' Equity: Class A common stock, \$0.0001 par value, 500,000,000 shares authorized, 9,251,420 shares issued, 7,901,145 and 8,053,771 shares outstanding as of June 30, 2023 and December 31, 2022, respectively 925 92 Class B common stock, \$0.0001 par value, 100,000,000 shares authorized, 28,748,580 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively 2,875 2,87 Additional paid-in capital 25,708,907 23,436,94 Accumulated other comprehensive loss (286,173) (307,20	Total current liabilities		48,801,025		51,582,329
Promissory note, net of current portion - 3,221,96 Deferred revenue, net of current portion 4,660,343 5,216,04 Operating lease liabilities, net of current portion 2,191,465 2,930,52 Total liabilities 56,036,983 63,407,88 Commitments and contingencies Stockholders' Equity: Class A common stock, \$0.0001 par value, 500,000,000 shares authorized, 9,251,420 shares issued, 7,901,145 and 8,053,771 shares outstanding as of June 30, 2023 and December 31, 2022, respectively 925 92 Class B common stock, \$0.0001 par value, 100,000,000 shares authorized, 28,748,580 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively 2,875 2,87 Additional paid-in capital 25,708,907 23,436,94 Accumulated other comprehensive loss (286,173) (307,20	Accrued expenses		384,150		457,024
Operating lease liabilities, net of current portion 2,191,465 2,930,52 Total liabilities 56,036,983 63,407,88 Commitments and contingencies Stockholders' Equity: Class A common stock, \$0.0001 par value, 500,000,000 shares authorized, 9,251,420 shares issued, 7,901,145 and 8,053,771 shares outstanding as of June 30, 2023 and December 31, 2022, respectively 925 925 Class B common stock, \$0.0001 par value, 100,000,000 shares authorized, 28,748,580 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively 2,875 2,87 Additional paid-in capital 25,708,907 23,436,94 Accumulated other comprehensive loss (286,173) (307,20	Promissory note, net of current portion		-		3,221,963
Total liabilities 56,036,983 63,407,88 Commitments and contingencies Stockholders' Equity: Class A common stock, \$0.0001 par value, 500,000,000 shares authorized, 9,251,420 shares issued, 7,901,145 and 8,053,771 shares outstanding as of June 30, 2023 and December 31, 2022, respectively 925 92 Class B common stock, \$0.0001 par value, 100,000,000 shares authorized, 28,748,580 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively 2,875 2,87 Additional paid-in capital 25,708,907 23,436,94 Accumulated other comprehensive loss (286,173) (307,20	Deferred revenue, net of current portion		4,660,343		5,216,042
Commitments and contingencies Stockholders' Equity: Class A common stock, \$0.0001 par value, 500,000,000 shares authorized, 9,251,420 shares issued, 7,901,145 and 8,053,771 shares outstanding as of June 30, 2023 and December 31, 2022, respectively 925 Class B common stock, \$0.0001 par value, 100,000,000 shares authorized, 28,748,580 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively 2,875 2,87 Additional paid-in capital 25,708,907 23,436,94 Accumulated other comprehensive loss (286,173)	Operating lease liabilities, net of current portion		2,191,465		2,930,529
Stockholders' Equity: Class A common stock, \$0.0001 par value, 500,000,000 shares authorized, 9,251,420 shares issued, 7,901,145 and 8,053,771 shares outstanding as of June 30, 2023 and December 31, 2022, respectively 925 92 Class B common stock, \$0.0001 par value, 100,000,000 shares authorized, 28,748,580 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively 2,875 2,87 Additional paid-in capital 25,708,907 23,436,94 Accumulated other comprehensive loss (286,173) (307,20	Total liabilities		56,036,983		63,407,887
Class A common stock, \$0.0001 par value, 500,000,000 shares authorized, 9,251,420 shares issued, 7,901,145 and 8,053,771 shares outstanding as of June 30, 2023 and December 31, 2022, respectively 925 92 Class B common stock, \$0.0001 par value, 100,000,000 shares authorized, 28,748,580 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively 2,875 2,87 Additional paid-in capital 25,708,907 23,436,94 Accumulated other comprehensive loss (286,173) (307,20	Commitments and contingencies				
Class A common stock, \$0.0001 par value, 500,000,000 shares authorized, 9,251,420 shares issued, 7,901,145 and 8,053,771 shares outstanding as of June 30, 2023 and December 31, 2022, respectively 925 92 Class B common stock, \$0.0001 par value, 100,000,000 shares authorized, 28,748,580 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively 2,875 2,87 Additional paid-in capital 25,708,907 23,436,94 Accumulated other comprehensive loss (286,173) (307,20	Stockholders' Equity:				
respectively 925 92 Class B common stock, \$0.0001 par value, 100,000,000 shares authorized, 28,748,580 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively 2,875 2,87 Additional paid-in capital 25,708,907 23,436,94 Accumulated other comprehensive loss (286,173) (307,20	Class A common stock, \$0.0001 par value, 500,000,000 shares authorized, 9,251,420 shares issued	d,			
issued and outstanding as of June 30, 2023 and December 31, 2022, respectively 2,875 2,875 Additional paid-in capital 25,708,907 23,436,94 Accumulated other comprehensive loss (286,173) (307,20	respectively		925		925
Additional paid-in capital 25,708,907 23,436,94 Accumulated other comprehensive loss (286,173) (307,20			2 875		2,875
Accumulated other comprehensive loss (286,173) (307,20			•		•
	·				
// COLIMILIATOR GOTION 111 U1// UNU 1 1// UE2 7E	Accumulated deficit		(11,914,059)		(4,863,250)

	13,512,475	18,270,292
Treasury stock at cost (1,350,275 and 1,197,649 shares, respectively)	 (3,671,806)	 (3,414,713)
Total Snail, Inc. equity	9,840,669	14,855,579
Noncontrolling interests	 (5,496,578)	(5,490,895)
Total stockholders' equity	 4,344,091	9,364,684
Total liabilities, noncontrolling interests and stockholders' equity	\$ 60,381,074	\$ 72,772,571

Snail, Inc. and Subsidiaries Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

Cost of revenues 9,335,765 12,259,514 20,196,702 27,973,328 Gross profit 556,488 3,204,008 3,154,039 15,544,784 Operating expenses: General and administrative 3,937,234 4,250,882 8,462,985 9,046,094 Research and development 1,200,842 179,050 2,574,639 363,006 Advertising and marketing 188,292 212,039 272,841 370,710 Operating expenses 5,424,478 4,780,762 11,543,635 10,086,918 (Loss) income from operations (4,867,990) (1,576,754) (8,389,596) 5,457,860 Other income (expense): Interest income 19,791 17,705 51,264 33,077 Interest income - related parties 499 130,695 992 581,622 Interest expense - related parties (296,237) (188,213) (590,820) (552,286 Other income expense - related parties (296,237) (1,811,717) (292,609) 8,175 299,653 Foreign curren		hree months ided June 30, 2023		2022	Six	months ended June 30, <i>20</i> 23	2022						
Gross profit 556,488 3,204,008 3,154,039 15,544,784 Operating expenses: General and administrative 3,937,234 4,250,882 8,462,985 9,046,094 Research and development 1,200,842 179,050 2,574,639 363,006 Advertising and marketing 188,292 212,039 272,841 370,716 Depreciation and amortization 118,110 138,791 233,170 307,108 Total operating expenses 5,424,478 4,780,762 11,543,635 10,086,918 (Loss) income from operations (4,867,990) (1,576,754) (8,389,596) 5,457,866 Other income (expense): Interest income 19,791 17,705 51,264 33,077 Interest income 19,791 17,705 51,264 33,077 Interest expense (296,237) (186,213) (590,820) (352,228 Interest expense - related parties 2,29,686 8,175 296,656 7916 (24,212) 5,516 Orberight from provision for income, net (297,792) <th>Revenues, net</th> <th>\$ 9,892,253</th> <th>\$</th> <th>15,463,522</th> <th>\$</th> <th>23,350,741</th> <th>\$ 43,518,113</th>	Revenues, net	\$ 9,892,253	\$	15,463,522	\$	23,350,741	\$ 43,518,113						
Comparating expenses: General and administrative 3,937,234 4,250,882 8,462,985 9,046,094 8,682 8,462,985 363,006 4,766,694 1,200,842 179,050 2,574,639 363,006	Cost of revenues	 9,335,765	_	12,259,514	_	20,196,702	 27,973,329						
General and administrative 3,937,234 4,250,882 8,462,985 9,046,094 Research and development 1,200,842 179,050 2,574,639 363,006 Advertising and marketing 168,292 212,039 272,841 370,710 Depreciation and amortization 118,110 138,791 233,170 307,108 Total operating expenses (4,867,990) (1,576,754) (8,389,596) 5,467,866 Other income (expense): 11,705 51,264 33,077 Interest income 19,791 17,705 51,264 33,077 Interest income - related parties 499 130,695 992 581,623 Interest expense (296,237) (196,213) (590,820) (352,268 Interest expense - related parties - (1,496) - (3,222 Other income - 296,999 8,175 296,999 8,175 296,999 8,175 296,999 8,175 296,999 8,175 296,999 8,175 296,999 8,175 296,999 8,175	Gross profit	 556,488		3,204,008		3,154,039	 15,544,784						
Research and development Advertising and marketing 188,292 212,039 2,574,639 363,006 Advertising and marketing 198,192 168,292 212,039 272,841 370,710 Total operating expenses 5,424,478 4,780,762 11,543,635 10,086,918 (Loss) income from operations (4,867,990) (1,576,754) (8,389,596) 5,457,866 Other income (expenses): Interest income - related parties 19,791 17,705 51,264 33,077 Interest income - related parties 499 130,695 992 581,623 Interest expense - related parties (296,237) (116,6213) (590,820) (352,286 Interest expense - related parties 2,14,496 5,296,536 (599,820) 3652,286 Interest expense - related parties (296,237) (116,86,213) (590,820) (352,286 Interest expense - related parties (296,537) (15,62,13) (590,820) 352,286 Interest expense - related parties (296,537) (1,98,213) (32,431) (32,421) 5,510 Total other (Operating expenses:												
Advertising and marketing 168,292 212,039 272,841 370,710 Depreciation and amortization 118,110 138,781 233,170 307,108 Total operating expenses 5.424,478 4.780,762 11,543,635 10,086,918 (Loss) income from operations (4,867,990) (1,576,754) (8,389,596) 5.457,866 (1,576,754) (1,576,754) (1,576,754) (1,576,754) (1,576,758) (1,576,758) (1,576,758) (1,576,754) (1,576,758) (1,576,758) (1,576,758) (1,576,754) (1,576,758) (1,576,754) (1,576,758) (1,576,758) (1,576,754) (1,576,758) (1,576,	General and administrative	3,937,234		4,250,882		8,462,985	9,046,094						
Depreciation and amortization 118,110 138,791 233,170 307,108 Total operating expenses 5,424,478 4,780,762 11,543,635 10,086,918 (Loss) income from operations (4,867,990) (1,576,754) (8,389,596) 5,457,866 Other income (expense): Interest income - related parties 19,791 17,705 51,264 33,077 Interest expense - related parties 499 130,695 992 581,622 Interest expense - related parties (296,237) (18,613) (590,802) 33,222 Other income - (1,496) - 3,222 Other income - (1,496) - 3,222 Interest expense - related parties - (1,496) - 3,222 Other income - 296,969 8,175 299,652 Foreign currency transaction (loss) gain (21,845) 7,916 (24,212) 5,516 Total other (expense) income, net (297,792) 265,578 (594,401) 1,202,303 <td< td=""><td>Research and development</td><td>1,200,842</td><td></td><td>179,050</td><td></td><td>2,574,639</td><td>363,006</td></td<>	Research and development	1,200,842		179,050		2,574,639	363,006						
Depreciation and amortization 118,110 138,791 233,170 307,108 Total operating expenses 5,424,478 4,780,762 11,543,635 10,086,918 (Loss) income from operations (4,867,990) (1,576,754) (8,389,596) 5,457,866 Other income (expenses): Interest income - related parties 19,791 17,705 51,264 33,077 Interest stincome - related parties 499 130,095 992 581,632 Interest expense (296,237) (18,62,13) (590,820) 352,226 Interest expense - related parties - (1,496) - 32,222 Interest expense - related parties - (1,496) 20 32,222 Other income - 296,989 8,175 299,689 175 299,689 175 299,689 18,175 299,689 18,175 299,699 18,175 299,699 18,175 299,699 18,175 299,699 18,175 299,699 18,175 299,699 18,175 299,699 18,175	Advertising and marketing	168,292		212,039		272,841	370,710						
Total operating expenses 5.424.478 4.780,762 11,543,635 10,086,918 (Loss) income from operations (4,867,990) (1,576,754) (8,399,596) 5.457,866 Other income (expense): Interest income 19,791 17,705 51,264 33,077 Interest income - related parties 499 130,095 992 581,623 Interest expense (296,237) (186,213) (590,820) (3222 Other income - 296,669 8,175 299,632 296,537 Foreign currency transaction (loss) gain (21,845) 7,916 (24,212) 5,510 Total other (expense) income, net (297,792) 265,576 (554,601) 564,373 (Loss) income before (benefit from) provision for income taxes (5,165,782) (1,311,178) (8,944,197) 6,022,239 (Benefit from) provision for income taxes (1,081,887) (327,347) (1,887,705) 1,202,303 Net (loss) income attributable to non-controlling interests (4,094,31) (1,054,297) (7,056,492) 4,756,760 <td <="" colspan="6" td=""><td></td><td>118,110</td><td></td><td>138,791</td><td></td><td>233,170</td><td>307,108</td></td>	<td></td> <td>118,110</td> <td></td> <td>138,791</td> <td></td> <td>233,170</td> <td>307,108</td>							118,110		138,791		233,170	307,108
Other income (expense): Interest income 19,791 17,705 51,264 33,077 Interest income 19,791 17,705 51,264 33,077 Interest income - related parties 499 130,695 992 581,623 Interest expense (296,237) (186,213) (590,820) (352,268 Interest expense - related parties - (1,496) - (3,222 Cother income - 296,969 8,175 299,658 Foreign currency transaction (loss) gain (21,845) 7,916 (24,212) 5,510 Total other (expense) income, net (297,792) 265,576 (554,601) 564,373 (Loss) income before (benefit from) provision for income taxes (5,165,782) (1,311,178) (8,944,197) 6,022,238 (Benefit from) provision for income taxes (1,081,887) (327,347) (1,887,705) 1,202,303 Net (loss) income (4,083,895) (983,831) (7,056,492) 4,819,936 Net (loss) income attributable to Snail, Inc. and Snail Games USA Inc. (4,079,431) (1,054,297)							 10,086,918						
Interest income 19,791 17,705 51,264 33,077 Interest income - related parties 499 130,695 992 581,623 Interest expense (296,237) (186,213) (590,820) (352,268 Interest expense - related parties - (1,496) - (3,222 Other income - 296,969 8,175 299,653 Foreign currency transaction (loss) gain (21,845) 7,916 (24,212) 5,510 Total other (expense) income, net (297,792) 265,576 (554,601) 564,373 (Loss) income before (benefit from) provision for income taxes (5,165,782) (1,311,178) (8,944,197) 6,022,239 (Benefit from) provision for income taxes (1,081,887) (327,347) (1,887,705) 1,202,303 Net (loss) income (4,083,895) (983,831) (7,056,492) 4,819,936 Net (loss) income attributable to Snail, Inc. and Snail Games (4,079,431) (1,054,297) (7,050,809) 4,756,760 Comprehensive income statement: 18,707 (31,199) 21,027 ((Loss) income from operations	 (4,867,990)		(1,576,754)		(8,389,596)	 5,457,866						
Interest income 19,791 17,705 51,264 33,077 Interest income - related parties 499 130,695 992 581,623 Interest expense (296,237) (186,213) (590,820) (352,268 Interest expense - related parties - (1,496) - (3,222 Other income - 296,969 8,175 299,653 Foreign currency transaction (loss) gain (21,845) 7,916 (24,212) 5,510 Total other (expense) income, net (297,792) 265,576 (554,601) 564,373 (Loss) income before (benefit from) provision for income taxes (5,165,782) (1,311,178) (8,944,197) 6,022,239 (Benefit from) provision for income taxes (1,081,887) (327,347) (1,887,705) 1,202,303 Net (loss) income (4,083,895) (983,831) (7,056,492) 4,819,936 Net (loss) income attributable to Snail, Inc. and Snail Games (4,079,431) (1,054,297) (7,050,809) 4,756,760 Comprehensive income statement: 18,707 (31,199) 21,027 (Other income (expense):												
Interest income - related parties		19.791		17.705		51.264	33,077						
Interest expense (296,237) (186,213) (590,820) (352,268) Interest expense - related parties - (1,496) - (3,222) Other income - 296,969 8,175 299,676 Foreign currency transaction (loss) gain (21,845) 7,916 (24,212) 5,510 Total other (expense) income, net (297,792) 265,576 (554,601) 564,373 (Loss) income before (benefit from) provision for income taxes (5,165,782) (1,311,178) (8,944,197) 6,022,239 (Benefit from) provision for income taxes (1,081,887) (327,347) (1,887,705) 1,202,303 Net (loss) income (4,083,895) (983,831) (7,056,492) 4,819,936 Net (loss) income attributable to non-controlling interests (4,464) 70,466 (5,683) 63,176 Net (loss) income attributable to Snail, Inc. and Snail Games USA Inc. (4,079,431) (1,054,297) (7,050,809) 4,756,760 Comprehensive income statement: 18,707 (31,199) 21,027 (82,402 Total comprehensive (loss) income \$ (4,060,72		-		•		· ·	581,623						
Interest expense - related parties	•	(296.237)		•		(590.820)	•						
Other income - 296,969 8,175 299,653 Foreign currency transaction (loss) gain (21,845) 7,916 (24,212) 5,510 Total other (expense) income, net (297,792) 265,576 (554,601) 564,373 (Loss) income before (benefit from) provision for income taxes (5,165,782) (1,311,178) (8,944,197) 6,022,239 (Benefit from) provision for income taxes (1,081,887) (327,347) (1,887,705) 1,202,303 Net (loss) income (4,083,895) (983,831) (7,056,492) 4,819,936 Net (loss) income attributable to non-controlling interests (4,464) 70,466 (5,683) 63,176 Net (loss) income attributable to Snail, Inc. and Snail Games USA Inc. (4,079,431) (1,054,297) (7,050,809) 4,756,760 Comprehensive income statement: 18,707 (31,199) 21,027 (82,402 Total comprehensive (loss) income 4,060,724) 1,085,496) 7,029,782) 4,674,358 Net (loss) income attributable to Class A common stockholders: 1,085,496 7,029,782) 4,674,358	•	-		,		-	(3,222)						
Foreign currency transaction (loss) gain Total other (expense) income, net (297,792) 265,576 (554,601) 564,373 (Loss) income before (benefit from) provision for income taxes (5,165,782) (1,311,178) (8,944,197) 6,022,238 (Benefit from) provision for income taxes (1,081,887) (1,081,887) (983,831) (7,056,492) 4,819,936 Net (loss) income attributable to non-controlling interests (4,079,431) (1,054,297) (7,050,809) 4,756,760 Comprehensive income (loss) related to currency translation adjustments, net of tax Total comprehensive (loss) income (1,081,887) (1,081,887) (1,081,887) (1,081,887) (1,084,897) (1,084,297) (1,054,297) (1,050,809) (1,054,297) (1,050,809) (·	_				8.175							
Total other (expense) income, net (297,792) 265,576 (554,601) 564,373 (Loss) income before (benefit from) provision for income taxes (5,165,782) (1,311,178) (8,944,197) 6,022,239 (Benefit from) provision for income taxes (1,081,887) (327,347) (1,887,705) 1,202,303 (Net (loss) income attributable to non-controlling interests (4,083,895) (983,831) (7,056,492) 4,819,936 (1,085) income attributable to Snail, Inc. and Snail Games USA Inc. (4,079,431) (1,054,297) (7,050,809) 4,756,760 (2,000) (2		(21.845)		•		· ·	•						
(Benefit from) provision for income taxes	, , ,						 564,373						
Net (loss) income attributable to non-controlling interests (4,083,895) (983,831) (7,056,492) 4,819,936 Net (loss) income attributable to Snail, Inc. and Snail Games USA Inc. (4,079,431) (1,054,297) (7,050,809) 4,756,760 Comprehensive income statement: Other comprehensive income (loss) related to currency translation adjustments, net of tax 18,707 (31,199) 21,027 (82,402) Total comprehensive (loss) income (loss) income (loss) according to the composition of the comprehensive (loss) income (loss) i	(Loss) income before (benefit from) provision for income taxes	(5,165,782)		(1,311,178)		(8,944,197)	6,022,239						
Net (loss) income attributable to non-controlling interests (4,464) 70,466 (5,683) 63,176 Net (loss) income attributable to Snail, Inc. and Snail Games USA Inc. (4,079,431) (1,054,297) (7,050,809) 4,756,760 Comprehensive income statement: Other comprehensive income (loss) related to currency translation adjustments, net of tax 18,707 (31,199) 21,027 (82,402) Total comprehensive (loss) income (loss) income (loss) income (loss) income (loss) income attributable to Class A common stockholders:	(Benefit from) provision for income taxes	 (1,081,887)		(327,347)		(1,887,705)	 1,202,303						
Net (loss) income attributable to Snail, Inc. and Snail Games USA Inc. (4,079,431) (1,054,297) (7,050,809) 4,756,760 Comprehensive income statement: Other comprehensive income (loss) related to currency translation adjustments, net of tax 18,707 (31,199) 21,027 (82,402) Total comprehensive (loss) income \$ (4,060,724) \$ (1,085,496) \$ (7,029,782) \$ 4,674,358 Net (loss) income attributable to Class A common stockholders:	Net (loss) income	(4,083,895)		(983,831)		(7,056,492)	4,819,936						
USA Inc. (4,079,431) (1,054,297) (7,050,809) 4,756,760 Comprehensive income statement: Other comprehensive income (loss) related to currency translation adjustments, net of tax 18,707 (31,199) 21,027 (82,402) Total comprehensive (loss) income \$ (4,060,724) \$ (1,085,496) \$ (7,029,782) \$ 4,674,358 Net (loss) income attributable to Class A common stockholders:	Net (loss) income attributable to non-controlling interests	(4,464)		70,466		(5,683)	63,176						
Other comprehensive income (loss) related to currency translation adjustments, net of tax 18,707 (31,199) 21,027 (82,402) Total comprehensive (loss) income \$ (4,060,724) \$ (1,085,496) \$ (7,029,782) \$ 4,674,358 Net (loss) income attributable to Class A common stockholders:		(4,079,431)		(1,054,297)		(7,050,809)	4,756,760						
adjustments, net of tax 18,707 (31,199) 21,027 (82,402) Total comprehensive (loss) income \$\frac{\(4,060,724\)}{\(4,060,724\)} \frac{\(4,085,496\)}{\(4,085,496\)} \frac{\(5,029,782\)}{\(5,029,782\)} \frac{\(4,674,358\)}{\(4,674,358\)} \] Net (loss) income attributable to Class A common stockholders:	Comprehensive income statement:												
Net (loss) income attributable to Class A common stockholders:	. , ,	18,707		(31,199)		21,027	(82,402)						
stockholders:	Total comprehensive (loss) income	\$ (4,060,724)	\$	(1,085,496)	\$	(7,029,782)	\$ 4,674,358						
Basic \$ (879,665) \$ (1,054,297) \$ (1,522,005) \$ 4,756,760	` '												
	Basic	\$ (879,665)	\$	(1,054,297)	\$	(1,522,005)	\$ 4,756,760						

Diluted	\$ (879,665)	\$ (1,054,297)	\$	(1,522,005)	\$	4,756,760
Net loss attributable to Class B common stockholders:						
Basic	\$ (3,199,766)	\$ -	\$	(5,528,804)	\$	-
Diluted	\$ (3,199,766)	\$ -	\$	(5,528,804)	\$	-
(Loss) income per share attributable to Class A and B common stockholders:						
Basic	\$ (0.11)	\$ (0.03)	\$	(0.19)	\$	0.14
Diluted	\$ (0.11)	\$ (0.03)	\$	(0.19)	\$	0.14
Weighted-average shares used to compute income per share attributable to Class A common stockholders:						
Basic	 7,901,145	 35,000,000		7,914,096		35,000,000
Diluted	7,901,145	35,000,000	_	7,914,096	_	35,000,000
Weighted-average shares used to compute income per share attributable to Class B common stockholders:						
Basic	 28,748,580	 		28,748,580		
Diluted	 28,748,580			28,748,580		-

Snail, Inc. and Subsidiaries Condensed Consolidated Statements of Cash Flows (Unaudited)

For the Six Month Period Ended June 30,		2023	2022
Cash flows from operating activities:			
Net (loss) income	\$	(7,056,492) \$	4,819,936
Adjustments to reconcile net income to net cash (used in) provided by operating activities:	•	(1,111,111)	1,010,000
Amortization - intangible assets - license		_	250,000
Amortization - intangible assets - license, related parties		1,057,971	3,701,959
Amortization - intangible assets - other		402	448
Amortization - loan origination fees		20,726	12,557
Depreciation and amortization - property and equipment		233,170	307,108
Stock-based compensation expense		385,365	-
Gain on lease termination		, <u>-</u>	(122,533)
Gain on paycheck protection program and economic injury disaster loan forgiveness		-	(174,436)
Loss on disposal of fixed assets		_	2,433
Interest income from shareholder loan		-	(580,878)
Interest income from restricted escrow deposit		(21,389)	-
Deferred Taxes		(1,887,705)	-
Changes in assets and liabilities:			
Accounts receivable		1,794,458	4,730,110
Accounts receivable - related party		(389,042)	(2,505,580)
Prepaid expenses - related party		(2,500,000)	(4,375,000)
Prepaid expenses and other current assets		234,940	(984,632)
Other noncurrent assets		(2,903)	(15,944)
Accounts payable		(701,488)	1,323,972
Accounts payable - related party		(307,052)	(222,536)
Accrued expenses		1,131,886	363,240
Interest receivable - related parties		(992)	-
Interest payable - related parties		-	1,994
Lease liabilities		(98,822)	(69,188)
Deferred revenue	_	(765,599)	(3,021,554)
Net cash (used in) provided by operating activities		(8,872,566)	3,441,476

Cash flows from investing activities:		
Purchases of property and equipment	-	(5,256)
Repayment on Pound Sand note	-	1,496,063
Net cash provided by investing activities	-	1,490,807
Cash flows from financing activities:		
Repayments on promissory note	(46,517)	(38,759)
Repayments on short-term note	(2,916,666)	(2,083,333)
Repayments on revolving loan	(3,000,000)	-
Borrowings on short-term note	-	10,000,000
Payments on paycheck protection program and economic injury disaster loan	-	(90,198)
Refund of payments on paycheck protection program and economic injury disaster loan	-	48,305
Cash dividend declared and paid	-	(8,200,000)
Purchase of treasury stock	(257,093)	-
Payments of offering costs in accounts payable	(92,318)	 -
Net cash used in financing activities	(6,312,594)	(363,985)
Effect of currency translation on cash and cash equivalents	21,095	(63,694)
Net (decrease) increase in cash and cash equivalents, and restricted cash and cash equivalents	(15,164,065)	4,504,604
Cash and cash equivalents, and restricted cash and cash equivalents – beginning of period	19,238,185	16,554,115
Cash and cash equivalents, and restricted cash and cash equivalents – end of period	4,074,120	\$ 21,058,719
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest \$\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\	568,908	\$ 339,710
Income taxes \$	270,802	\$ 828,012
Noncash transactions during the period for:		
Loan and interest payable - related parties	-	\$ 103,890
Loan and interest receivable - related parties \$	-	\$ (103,890)
Loan and interest from shareholder \$	-	\$ 94,934,400
Dividend distribution \$	-	\$ (94,934,400)
Noncash finance activity during the period for:		
Refund of dividend withholding tax overpayment \$	1,886,600	\$ <u>-</u>
Gain on paycheck protection program and economic injury disaster loan forgiveness \$		