

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 June 30, 2023

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

Commission File Number: 001-13387

MEGA MATRIX CORP.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

94-3263974

(I.R.S. Employer
Identification Number)

3000 El Camino Real,
Bldg. 4, Suite 200, Palo Alto, CA

(Address of principal executive offices)

94306

(Zip Code)

(650) 340-1888

(Registrant's telephone number, including area code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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, par value \$0.001 per share	MPU	NYSE American Exchange LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer 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 the 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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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 ☒

The number of shares of registrant’s common stock outstanding as of August 9, 2023 was 31,724,631.

MEGA MATRIX CORP.

FORM 10-Q

For the Quarterly Period Ended June 30, 2023

Table of Contents

	Page No.
<u>SPECIAL NOTE REGARDING FORWARD- LOOKING STATEMENTS</u>	ii
<u>PART I - Financial Information</u>	
ITEM 1. <u>FINANCIAL STATEMENTS (unaudited)</u>	1
ITEM 2. <u>MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	17
ITEM 3. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	26
ITEM 4. <u>CONTROLS AND PROCEDURES</u>	26
<u>PART II - Other Information</u>	
ITEM 1. <u>LEGAL PROCEEDINGS</u>	27

ITEM 1A.	<u>RISK FACTORS</u>	27
ITEM 2.	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	28
ITEM 3.	<u>DEFAULTS UPON SENIOR SECURITIES</u>	28
ITEM 4.	<u>MINE SAFETY DISCLOSURES</u>	28
ITEM 5.	<u>OTHER INFORMATION</u>	28
ITEM 6.	<u>EXHIBITS</u>	28
<u>SIGNATURES</u>		29

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements in this report other than statements of historical fact are forward-looking statements for purposes of these provisions, including any statements of the Company’s plans and objectives for future operations, the Company’s future financial or economic performance (including known or anticipated trends), and the assumptions underlying or related to the foregoing. Statements that include the use of terminology such as “may,” “will,” “expects,” “plans,” “anticipates,” “estimates,” “potential,” or “continue,” or the negative thereof, or other comparable terminology, are forward-looking statements. These risks and uncertainties include, but are not limited to, the factors described in the section captioned “Risk Factors” in our Annual Report on Form 10-K (“Form 10-K”), filed with the Securities and Exchange Commission (SEC) on March 31, 2023. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. You should read these factors and the other cautionary statements made in this report and in the documents we incorporate by reference into this report as being applicable to all related forward-looking statements wherever they appear in this report or the documents we incorporate by reference into this report. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements.

Any forward-looking statements contained in this Quarterly Report are only estimates or predictions of future events based on information currently available to our management and management’s current beliefs about the potential outcome of future events. Whether these future events will occur as management anticipates, whether we will achieve our business objectives, and whether our revenues, operating results or financial condition will improve in future periods are subject to numerous risks. There are a number of important factors that could cause actual results to differ materially from the results anticipated by these forward-looking statements. These important factors include those that we discuss under the heading “Risk Factors” in this Quarterly Report and in other reports filed from time to time with the SEC that are incorporated by reference into this Quarterly Report. You should read these factors and the other cautionary statements made in this Quarterly Report and in the documents which we incorporate by reference into this Quarterly Report as being applicable to all related forward-looking statements wherever they appear in this Quarterly Report or the documents we incorporate by reference into this Quarterly Report. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements.

All forward-looking statements and descriptions of risks included in this report are made as of the date hereof based on information available to the Company as of the date hereof, and except as required by applicable law, the Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You should, however, consult the risks and other disclosures described in the reports the Company files from time to time with the SEC after the date of this report for updated information.

NOTE

On March 25, 2022, we changed our name from AeroCentury Corp. to Mega Matrix Corp.. All references in this Quarterly Report, unless the context indicates otherwise, to “AeroCentury” refers to AeroCentury Corp. and the “Company,” “we,” “us,” and “our” refers to AeroCentury together with its consolidated subsidiaries prior to March 25, 2022 and renamed “Mega Matrix Corp.” commencing on March 25, 2022, and, except where expressly noted otherwise or the context otherwise requires, its consolidated subsidiaries.

PART I - Financial Information

Item 1. Financial Statements

MEGA MATRIX CORP.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(Rounded to the Nearest Hundred US Dollar, except for share and per share data, unless otherwise stated)

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 6,847,700	\$ 7,263,600
Stable coins	198,200	2,972,000
Digital assets	2,108,600	459,300
Due from a related party	4,200	-
Taxes receivable	-	1,095,600
Prepaid expenses and other assets	512,500	761,300
Total current assets	9,671,200	12,551,800
Non-current Assets:		
Long-term investments	1,135,500	-
Total non-current assets	1,135,500	-
Total assets	\$ 10,806,700	\$ 12,551,800
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 233,400	\$ 254,700
Accrued payroll	132,700	132,700
Income taxes payable	4,900	18,500
Subscription fee advanced from the shareholders	-	5,184,000

Total liabilities	371,000	5,589,900
Commitments and contingencies (Note 10)		
Equity:		
Preferred stock, \$0.001 par value, 2,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$0.001 par value, 40,000,000 and 40,000,000 shares authorized, 31,724,631 and 26,484,055 shares outstanding at June 30, 2023 and December 31, 2022, respectively	31,800	26,500
Paid-in capital	28,114,600	21,372,100
Accumulated deficit	(16,392,300)	(13,420,400)
Total Mega Matrix Corp. Stockholders' Equity	11,754,100	7,978,200
Non-controlling interests	(1,318,400)	(1,016,300)
Total equity	10,435,700	6,961,900
Total liabilities and equity	\$ 10,806,700	\$ 12,551,800

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

MEGA MATRIX CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Rounded to the Nearest Hundred US Dollar, except for share and per share data, unless otherwise stated)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues and other income:				
Operating lease revenue	\$ -	\$ -	\$ -	\$ 120,000
Gamefi revenue	-	3,200	-	326,800
Revenue from solo staking	4,200	-	9,600	-
Revenue from provision of staking technology tools	8,800	-	10,000	-
	13,000	3,200	19,600	446,800
Cost of revenues	(15,100)	(533,300)	(244,900)	(561,100)
Gross loss	(2,100)	(530,100)	(225,300)	(114,300)
Operating expenses (income):				
Impairment of digital assets	-	8,300	223,000	8,300
Loss from exchange of digital assets	18,500	-	11,500	-

Professional fees, general and administrative and other	960,900	449,500	1,791,300	1,001,400
Salaries and employee benefits	594,200	603,800	940,200	1,236,300
IT expenses	3,300	-	8,000	-
Insurance	98,900	100,500	197,800	186,700
Marketing expenses	15,800	-	21,100	-
Interest	-	-	-	120,000
Other taxes	-	2,800	-	2,800
Reversal of bad debt expense	-	-	-	(300,000)
Total operating expenses	1,691,600	1,164,900	3,192,900	2,255,500
Other expenses:				
Share of equity loss in an equity method investee	(14,500)	-	(14,500)	-
Other income	8,300	-	10,200	-
Total other expenses, net	(6,200)	-	(4,300)	-
Loss from operations before income tax expenses	(1,699,900)	(1,695,000)	(3,422,500)	(2,369,800)
Income tax (expenses) benefits	(1,700)	(2,600)	59,600	(4,100)
Net loss and comprehensive loss	\$ (1,701,600)	\$ (1,697,600)	\$ (3,362,900)	\$ (2,373,900)
Less: Net loss and comprehensive loss attributable to non-controlling interests	243,600	339,000	391,000	479,000
Net loss and comprehensive loss attributable to Mega Matrix Corp.'s shareholders	\$ (1,458,000)	\$ (1,358,600)	\$ (2,971,900)	\$ (1,894,900)
Loss per share:				
Basic	\$ (0.05)	\$ (0.06)	\$ (0.10)	\$ (0.09)
Diluted	\$ (0.05)	\$ (0.06)	\$ (0.10)	\$ (0.09)
Weighted average shares used in loss per share computations:				
Basic	31,608,169	22,084,055	30,914,963	22,084,055
Diluted	31,608,169	22,084,055	30,914,963	22,084,055

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

Mega Matrix Corp. Stockholder's Equity						
	Common Stock		Paid-in Capital	Accumulated Deficits	Non-Controlling Interests	Total
	Number of Stocks	Amount				
Balance, December 31, 2021	22,084,055	\$ 22,100	\$ 16,982,700	\$ (4,954,400)	\$ (237,100)	\$ 11,813,300
Share based compensation	-	-	-	-	65,000	65,000
Net loss	-	-	-	(536,300)	(140,000)	(676,300)
Balance, March 31, 2022	22,084,055	\$ 22,100	\$ 16,982,700	\$ (5,490,700)	\$ (312,100)	\$ 11,202,000
Cancellation of share-based compensation due to one management	-	-	-	-	(12,000)	(12,000)
Net loss	-	-	-	(1,358,600)	(339,000)	(1,697,600)
Balance, June 30, 2022	22,084,055	\$ 22,100	\$ 16,982,700	\$ (6,849,300)	\$ (663,100)	\$ 9,492,400
Balance, December 31, 2022	26,484,055	\$ 26,500	\$ 21,372,100	\$ (13,420,400)	\$ (1,016,300)	\$ 6,961,900
Issuance of common stocks pursuant to private placement	5,079,999	5,100	6,533,900	-	-	6,539,000
Net loss	-	-	-	(1,513,900)	(147,400)	(1,661,300)
Balance, March 31, 2023	31,564,054	\$ 31,600	\$ 27,906,000	\$ (14,934,300)	\$ (1,163,700)	\$ 11,839,600
Issuance of common stocks to a service provider	160,577	200	208,600	-	-	208,800
Capital injection from non-controlling shareholder	-	-	-	-	88,900	88,900
Net loss	-	-	-	(1,458,000)	(243,600)	(1,701,600)
Balance, June 30, 2023	31,724,631	\$ 31,800	\$ 28,114,600	\$ (16,392,300)	\$ (1,318,400)	\$ 10,435,700

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

MEGA MATRIX CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Rounded to the Nearest Hundred US Dollar, unless otherwise stated)

	For the Six Months Ended June 30,	
	2023	2022
Net cash used in operating activities	\$ (959,800)	\$ (3,413,300)
Investing activities:		
Investment in equity investees	(850,000)	-

Net cash used in investing activities	(850,000)	-
Financing activities:		
Proceeds from issuance of common stocks pursuant to private placements	1,305,000	-
Capital injection from non-controlling shareholders	88,900	-
Net cash provided by financing activities	1,393,900	-
Net increase (decrease) in cash and cash equivalents	(415,900)	(3,413,300)
Cash, cash equivalents, beginning of period	7,263,600	7,380,700
Cash, cash equivalents, end of period	\$ 6,847,700	\$ 3,967,400
Supplemental Cash Flow Information		
Payment of interest expenses	\$ -	\$ 120,000
Payment of income tax expenses	\$ -	\$ -
Non-cash Investing and Financing activities		
Collection of USDC from subscription fee from investors	\$ 50,000	\$ -
Investment in equity investees in USDC	\$ 300,000	-
Issuance of common stocks to settle advance from subscription fee from investors	\$ 6,539,000	\$ -

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

MEGA MATRIX CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Mega Matrix Corp. (the “Company”, formerly “AeroCentury Corp.” and “ACY”) is a Delaware corporation incorporated in 1997. Through the Company’s emergence from bankruptcy on September 30, 2021, and new investors and management, the Company became a holding company located in Palo Alto, California, with two subsidiaries: Mega Metaverse Corp., a California corporation (“Mega”) and JetFleet Holdings Corp., a California corporation (“JHC”). On January 1, 2022, JetFleet Management Corp. (“JMC”), a wholly-owned subsidiary of JHC, was merged with and into JHC, with JHC being the surviving entity. As part of the merger, JHC changed its name to JetFleet Management Corp.

On March 25, 2022, the Company changed its name from “AeroCentury Corp” to “Mega Matrix Corp.” (“Name Change”) to better reflect its expansion into Metaverse and GameFi business. In connection with the Name Change, the Company changed its ticker symbol from “ACY” to “MTMT” on the NYSE American, effective on March 28, 2022. All references to the “Company,” or “AeroCentury” refers to AeroCentury Corp. together with its consolidated subsidiaries prior to March 25, 2022 and renamed “Mega Matrix Corp.” commencing on March 25, 2022. Effective

on February 6, 2023, the Company changed its ticker symbol from “MTMT” to “MPU” on the NYSE American.

On August 31, 2022, we acquired all of the equity interest in Saving Digital Pte, Ltd., a Singapore corporation (“SDP”) with no operations and approximately \$3,800 in cash, from our chairman Yucheng Hu for a nominal consideration of \$10,000. We intend to use SDP to explore other crypto related business in Singapore. On September 19, 2022, through SDP, we purchased 37 Ethereum (ETH) for the purpose of exploring Ethereum staking opportunities following the transition by Ethereum on September 15, 2022 from proof-of-work (PoW) to a proof-of-stake (PoS) consensus mechanism referred to as the “Merge.” Prior to the Merge, Ethereum utilized a PoW validation method for digital asset transactions. Following the Merge, Ethereum shifted to a PoS validation system where validators stake their ETH into a smart contract on Ethereum to serve as collateral that can be destroyed if the validator behaves dishonestly or lazily. The validator (selected randomly) is then responsible for processing the blockchain transactions, storing data and adding new blocks to the blockchain. Validators receives a transaction fee on their staked coins in ETH as a reward for their active participation in the network. To become a validator on Ethereum, a participant must stake 32 ETH. Till first quarter ended June 30, 2023, SDP explored Solo-Staking by staking 256 ETH to become eight (8) validators to Ethereum to earn ETH rewards and yield. Solo-Staking enables SDP to utilize its ETH treasury to stake on the Ethereum beacon chain and to earn ETH-denominated rewards directly from the Ethereum protocol.

On March 1, 2023, SDP and Bit Digital Singapore Pte. Ltd. (“Bit Digital”), entered into a shareholders’ agreement (the “Shareholders Agreement”) with Marsprotocol Technologies Pte. Ltd. (“MTP”), to provide proof-of-stake technology tools for digital assets through the staking platform “MarsProtocol”, an institutional grade non-custodial staking technology. Pursuant to the Shareholders Agreement, SDP will own 60% and Bit Digital will own 40% of MTP. Through the MarsProtocol platform, MTP will seek to provide non-custodial staking tools whereby users’ private keys are not stored in its database to ensure the safety of its users’ digital assets. As of the date of this report, such services will not be available to U.S. residents. Till first quarter ended June 30, 2023, Bit Digital has staked 9,248 ETH to become two hundred and eighty-nine (289) validators to Ethereum to earn ETH rewards and yield through the staking technology tools provided by “MarsProtocol”.

On April 14, 2023, we entered into an Amended and Restated Agreement and Plan of Merger (the “Merger Agreement”) with MarsProtocol Inc., an exempted company incorporated under the laws of the Cayman Islands and a wholly-owned subsidiary of the Company (“MPU Cayman”), amending and restating the Agreement and Plan of Merger, dated December 7, 2022. The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, the Company will merge with and into MPU Cayman (the “Redomicile Merger”), with MPU Cayman being the surviving company in the Redomicile Merger. Upon the effectiveness of the Redomicile Merger, (i) MPU Cayman will change its name from MarsProtocol Inc. to Mega Matrix Inc., and (ii) MPU Cayman, together with its subsidiaries, will own and continue to conduct the Company’s business in substantially the same manner as is currently being conducted by the Company and its subsidiaries. The consent of the holders of a majority of the outstanding shares of the Company’s common stock entitled to vote is required to approve and adopt the Merger Agreement.

MEGA MATRIX CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited condensed consolidated financial statements are presented on a consolidated basis in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) for interim financial information, the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by US GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair

presentation have been included. Operating results for the three and six months ended June 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023 or for any other period. All intercompany balances and transactions have been eliminated on consolidation.

Non-controlling interests

Non-controlling interests represent the equity interests of MTP and JMC that are not attributable, either directly or indirectly, to the Company. As of June 30, 2023, non-controlling equity holders held 40% equity interest in MTP and 45.81% equity interest in JMC. As of December 31, 2022, non-controlling equity holders held 45.81% equity interest in JMC.

Going concern

For the six months ended June 30, 2023 and 2022, the Company reported net losses of \$3.4 million and \$2.4 million, respectively, and cash flows of \$1.0 million and \$3.4 million used in operating activities. In addition, the Company had accumulated deficits of \$16.4 million and \$13.4 million as of June 30, 2023 and December 31, 2022 respectively. These conditions raised substantial doubt about the Company's ability to continue as a going concern.

The Company's liquidity is based on its ability to generate cash from operating activities and obtain financing from investors to fund its general operations and capital expansion needs. The Company's ability to continue as a going concern is dependent on management's ability to successfully execute its business plan, which includes increasing revenue while controlling operating cost and expenses to generate positive operating cash flows and obtain financing from outside sources.

As of June 30, 2023, the Company had working capital of \$9.3 million, among which the Company held cash of \$6.8 million, stable coins of \$0.2 million and digital assets of \$2.1 million, which were highly liquid and easily convertible into cash over the market.

Given the financial condition of the Company and its operating performance, the Company assesses current working capital is sufficient to meet its obligations for the next 12 months from the issuance date of this report. Accordingly, management continues to prepare the Company's consolidated financial statements on going concern basis.

MEGA MATRIX CORP. NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Digital assets

Digital assets (including Ethereum, or ETH) are included in current assets in the accompanying unaudited condensed consolidated balance sheets. Digital assets purchased are recorded at cost and digital assets awarded to the Company through its GameFi and Solo-Staking business are accounted for in connection with the Company's revenue recognition policy disclosed below.

An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Digital assets are measured on a first-in-first-out ("FIFO") basis and measured for impairment whenever indicators of impairment are identified based on the intraday low quoted price of digital assets. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the digital assets. Subsequent

reversal of impairment losses is not permitted. Digital assets are classified on our balance sheet as a current asset due to the Company's ability to sell it in a highly liquid marketplace and its intent to liquidate its digital assets to support operations when needed. Impairment of \$223,000 and \$8,300 for digital assets was recognized for the six months ended June 30, 2023 and 2022, respectively.

Purchases of digital assets by the Company, if any, will be included within investing activities in the accompanying unaudited condensed consolidated statements of cash flows, while digital assets awarded to the Company through its GameFi and Solo-staking business are included within operating activities on the accompanying unaudited condensed consolidated statements of cash flows. The sales of digital assets are included within operating activities in the accompanying unaudited condensed consolidated statements of cash flows and any realized gains or losses from such sales are included in "realized gain (loss) on exchange of digital assets" in the unaudited condensed consolidated statements of operations and comprehensive loss. The Company accounts for its gains or losses in accordance with the first-in first-out method of accounting. As of June 30, 2023 and December 31, 2022, the Company did not sell its digital assets for cash.

ASC 820 defines "principal market" as the market with the greatest volume and level of activity for the asset or liability. The determination of the principal market (and, as a result, the market participants in the principal market) is made from the perspective of the reporting entity. The Company determines CoinMarketCap as its principal market, as it is one of the earliest and the most trusted sources by users, institutions, and media for comparing thousands of crypto assets and selected by the U.S. government.

MEGA MATRIX CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Long-term investments

As of June 30, 2023, long-term investments represents the Company's investment in one equity method investee over which the Company has significant influence, and investment in two privately held companies over which the Company neither has control nor significant influence through investments in ordinary shares.

Investment in equity method investee

In accordance with ASC 323, *Investments - Equity Method and Joint Ventures*, the Company accounts for the investment in privately held companies using equity method, because the Company has significant influence but does not own a majority equity interest or otherwise control over the equity investees.

Under the equity method, the Company initially records its investment at cost and prospectively recognizes its proportionate share of each equity investee's net income or loss into its consolidated statements of operations. When the Company's share of losses in the equity investee equals or exceeds its interest in the equity investee, the Company does not recognize further losses, unless the Company has incurred obligations or made payments or guarantees on behalf of the equity investee.

The Company continually reviews its investment in the equity investee to determine whether a decline in fair value below the carrying value is other-than-temporary. The primary factors the Company considers in its determination include the financial condition, operating performance and the prospects of the equity investee; other company specific information such as recent financing rounds; the geographic region, market and industry in which the equity investee operates; and the length of time that the fair value of the investment is below its carrying value. If the decline in fair value is deemed to be other-than-temporary, the carrying value of the equity investee is written down to fair value.

Investment in one privately held companies

Equity investments not accounted for using the equity method are carried at fair value with unrealized gains and losses recorded in the consolidated statements of operations, according to ASC 321, *Investments - Equity Securities*. The Company elected to record the equity investments in privately held companies using the measurement alternative at cost, less impairment, with subsequent adjustments for observable price changes resulting from orderly transactions for identical or similar investments of the same issuer.

Equity investments in privately held companies accounted for using the measurement alternative are subject to periodic impairment reviews. The Company's impairment analysis considers both qualitative and quantitative factors that may have a significant effect on the fair value of these equity securities, including consideration of the impact of the COVID-19 pandemic. In computing realized gains and losses on equity securities, the Company calculates cost based on amounts paid using the average cost method. Dividend income is recognized when the right to receive the payment is established.

MEGA MATRIX CORP. NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue from Solo-Staking business

The Company generates revenue through staking rewards.

The Company has entered into network-based smart contracts by running its own digital assets validating nodes. Through these contracts, the Company provides Ethereum ("ETH") to stake on a node for the purpose of validating transactions and adding blocks to a respective blockchain network. The term of a smart contract can vary based on the rules of the respective blockchain and typically last a few weeks to months after it is canceled by the operator and requires that the ETH staked remain locked up during the duration of the smart contract. In exchange for staking the ETH and validating transactions on blockchain networks, the Company is entitled to all of the fixed ETH award for running the Company's own node, for successfully validating or adding a block to the blockchain.

The provision of validating blockchain transactions is an output of the Company's ordinary activities. Each separate block creation or validation under a smart contract with a network represents a performance obligation. The transaction consideration the Company receives - the ETH awards - is a non-cash consideration, which the Company measures at fair value on the date received. The fair value of the ETH award received is determined using the quoted price of the related cryptocurrency at the time of receipt. The satisfaction of the performance obligation for transaction verification services occurs at a point in time when confirmation is received from the network indicating that the validation is complete, and the awards are available for transfer. At that point, revenue is recognized.

Revenue from provision of staking technology tools

Commencing in March 2023, the Company, through MTP, provides its customers with proof-of-stake technology tools for digital assets through the staking platform “MarsProtocol”.

The Company charged its customers at a fixed fee rate on each unit of digital assets earned from staking business. The Company identified one performance obligation from the staking services. Because the customers simultaneously receives and consumes the services provided by the Company, the Company recognized the revenues over period using output method as measurement.

Revenue from GameFi business

In late March 2022, the Company released its first NFT game “Mano” in the Mega’s metaverse universe platform “alSpace”. Mano is a competitive idle role-playing game (RPG) deploying the concept of GameFi in the innovative application of NFTs (non-fungible token) based on blockchain technology, with a “Play-to-earn” business model that the players can earn while they play in the alSpace.

The Company earns transaction fees from players based on a fixed number of Binance Coin (BNB) of each transaction when they want to upgrade or reset their NFT in Mano. When a player executes a game transaction through Binance Smart Chain (“BSC”), transaction fee is recognized upon the completion of this game transaction. Only a single performance obligation is identified for each game transaction, and the performance obligation is satisfied on the trade date because that is when the underlying game service is identified, the pricing of transaction fee is agreed upon and the promised services are delivered to customers. All of the Company’s revenues from contracts with customers are recognized at a point in time. The game service could not be cancelled once it’s executed and is not refundable, so returns and allowances are not applicable. The Company recognizes revenues on a gross basis as the Company is determined to be the primary obligor in fulfilling the trade order initiated by the player.

MEGA MATRIX CORP. NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The revenue is in the form of BNB, which is a cryptocurrency that is primarily used in payment of paying transactions and trading fees through BSC. BNB is convertible to cash or other digital assets. Due to regulatory challenges, the Company decided to suspend the Mano game and the alSpace platform, and on November 4, 2022, the Company discontinued the Mano game and the alSpace platform.

Revenue Recognition (continued)

Revenue from leasing of aircraft assets

Revenue from leasing of aircraft assets pursuant to operating leases is recognized on a straight-line basis over the terms of the applicable lease agreements. Deferred payments are recorded as accrued rent when the cash rent received is lower than the straight-line revenue recognized. Such receivables decrease over the term of the applicable leases. Interest income is recognized on finance leases based on the interest rate implicit in the lease and the outstanding balance of the lease receivable.

Maintenance reserves retained by the Company at lease-end are recognized as maintenance reserves revenue.

In instances where collectability is not reasonably assured, the Company recognizes revenue as cash payments are received. The Company estimates and charges to income a provision for bad debts based on its experience with each specific customer, the amount and length of payment arrearages, and its analysis of the lessee's overall financial condition. If the financial condition of any of the Company's customers deteriorates, it could result in actual losses exceeding any estimated allowances.

Taxes

As part of the process of preparing the Company's consolidated financial statements, management estimates income taxes in each of the jurisdictions in which the Company operates. This process involves estimating the Company's current tax exposure under the most recent tax laws and assessing both permanent and temporary differences resulting from differing treatment of items for tax and US GAAP purposes. The temporary differences result in deferred tax assets and liabilities, which are included in the balance sheet. In assessing the valuation of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income or availability to carryback the losses to taxable income during periods in which those temporary differences become deductible. The Company considered several factors when analyzing the need for a valuation allowance including the Company's three-year book cumulative loss through June 30, 2023, the financial forecast, the Company's recent filing for protection under Chapter 11 of the bankruptcy code, the operation uncertainty of the Company's new business. Based on this analysis, the Company has concluded that a valuation allowance is necessary for its U.S. and foreign deferred tax assets not supported by either future taxable income or availability of future reversals of existing taxable temporary differences and has recorded a full valuation allowance on its deferred tax assets.

Reclassification

Certain items in the financial statements of comparative period have been reclassified to conform to the financial statements for the current period. The reclassification has no impact on the total assets and total liabilities as of June 30, 2023 or on the statements of operations for the three and six months ended June 30, 2023. A reclassification of USDT from stable coin to digital assets has been made to the consolidated balance sheet as of December 31, 2022.

MEGA MATRIX CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

3. STABLE COINS

Stable coins were comprised of the following:

	June 30, 2023	December 31, 2022
USDC	\$ 198,200	\$ 2,972,000

The following table presents additional information about USDC for the six months ended June 30, 2023 and 2022:

	For the Six Months Ended June 30,	
	2023	2022
Opening balance	\$ 2,972,000	\$ -
Collection of USDC from subscription fee from investors	50,000	-
Collection of USDC from provision of staking technology tools	3,900	-
Collection of USDC from exchange of BNB	-	297,400
Investment in an equity-method investee in USDC	(300,000)	-
Purchase of ETH	(2,001,900)	-
Payment of service fees and other expenses	(525,800)	-
Ending balance	<u>\$ 198,200</u>	<u>\$ 297,400</u>

A reclassification of USDT from stable coin to digital assets has been made to the consolidated balance sheet as of December 31, 2022.

4. DIGITAL ASSETS

Digital asset holdings were comprised of the following:

	June 30, 2023	December 31, 2022
ETH	\$ 2,106,300	\$ 369,200
USDT*	2,300	90,100
	<u>\$ 2,108,600</u>	<u>\$ 459,300</u>

* A reclassification of USDT from stable coin to digital assets has been made to the consolidated balance sheet as of December 31, 2022.

For the six months ended June 30, 2023 and 2022, the Company recognized impairment loss of \$223,000 and \$8,300 on ETH.

4. DIGITAL ASSETS (CONTINUED)

Additional information about digital assets

The following table presents additional information about ETH for the six months ended June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
Opening balance	\$ 369,200	\$ -
Addition of ETH staking reward	9,600	-
Purchases of ETH in exchange of USDC	1,983,300	-
Collection of ETH from other services	2,000	-
Return of ETH to a third party	(34,600)	-
Payment of ETH for other services	(200)	-
Impairment of ETH	(223,000)	-
Ending balance	<u>\$ 2,106,300</u>	<u>\$ -</u>

The following table presents additional information about USDT for the six months ended June 30, 2023 and 2022:

	For the Six Months Ended June 30,	
	2023	2022
Opening balance	\$ 90,100	\$ -
Collection of USDT from exchange of BNB	-	10,200
Payment of service fees	(87,800)	-
Ending balance	<u>\$ 2,300</u>	<u>\$ 10,200</u>

5. LONG-TERM INVESTMENTS

Long-term investments were comprised of the following:

	June 30, 2023	December 31, 2022
Investment in MarsLand Global Limited (“MarsLand”) (a)	\$ 285,500	\$ -
Investment in Quleduo Technology Co., (“Quleduo”) (b)	500,000	-
Investment in DaoMax Technology Co., Ltd, (“DaoMax”) (c)	350,000	-
Total	<u>\$ 1,135,500</u>	<u>\$ -</u>

(a) Investment in MarsLand

MarsLand is a privately held company. In May 2023, the Company, through Saving Digital Pte. Ltd. (“Saving Digital”), its wholly owned subsidiary, invested consideration of \$300,000 in USDC, which represents 30% of equity interest in MarsLand. The Company used equity method to measure the investment in the MarsLand. For the three and six months ended June 30, 2023, the Company recorded a loss of \$14,500 and \$14,500 for its share of the results of MarsLand. As of June 30, 2023, the Company did not recognize impairment against the investment in MarsLand.

(b) Investment in Quleduo

Quleduo is a privately held company which engaged in software design and development. In May 2023, the Company invested cash consideration of \$500,000 which represents 10% of equity interest in Quleduo. Quleduo is a privately held company, over which the Company neither has control nor significant influence through investment in ordinary shares. The Company accounted for the investment in Quleduo using the measurement alternative at cost, less impairment, with subsequent adjustments for observable price changes resulting from orderly transactions for identical or similar investments of the same issuer.

For the three and six months ended June 30, 2023, the Company did not record upward adjustments or downward adjustments on the investment. The Company's impairment analysis considers both qualitative and quantitative factors that may have a significant effect on the fair value of the equity security. As of June 30, 2023, the Company did not recognize impairment against the investment security.

MEGA MATRIX CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

5. LONG-TERM INVESTMENTS (CONTINUED)

(c) Investment in DaoMax

In June 2023, the Company, through Saving Digital, invested cash consideration of \$350,000 in DaoMax in exchange for 5% equity interest in the investee. DaoMax is a privately held company, over which the Company neither has control nor significant influence through investment in ordinary shares. The Company accounted for the investment in DaoMax using the measurement alternative at cost, less impairment, with subsequent adjustments for observable price changes resulting from orderly transactions for identical or similar investments of the same issuer.

For the three and six months ended June 30, 2023, the Company did not record upward adjustments or downward adjustments on the investment. The Company's impairment analysis considers both qualitative and quantitative factors that may have a significant effect on the fair value of the equity security. As of June 30, 2023, the Company did not recognize impairment against the investment security.

6. OPERATING LEASES

As of June 30, 2023 and December 31, 2022, the Company leases office spaces in the United States under non-cancelable operating leases, with terms ranging within 12 months. The Company considers those renewal or termination options that are reasonably certain to be exercised in the determination of the lease term and initial measurement of right of use assets and lease liabilities. Lease expense for lease payment is recognized on a straight-line basis over the lease term.

The Company determines whether a contract is or contains a lease at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. For operating leases that include rent holidays and rent escalation clauses, the Company recognizes lease expense on a straight-line basis over the lease term from the date it takes possession of the leased property. The Company records the straight-line lease expense and any contingent rent, if applicable, in the account of "professional fees, general and administrative and other expenses" on the unaudited condensed consolidated statements of operations and comprehensive losses.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company applied practical expedient to account for short-term leases with lease term within 12 months. The Company records operating lease expense in its consolidated statements of income and comprehensive income on a straight-line basis over the lease term and record variable lease payments as incurred. For the three months ended June 30, 2023 and 2022, the Company recorded rent expenses of \$20,000 and \$41,500, respectively. For the six months ended June 30, 2023 and 2022, the Company recorded rent expenses of \$31,900 and \$84,000, respectively.

MEGA MATRIX CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

7. COMMON STOCK

As of December 31, 2022, the Company authorized 40,000,000 shares of common stocks, and had 26,484,055 shares issued and outstanding.

On December 23, 2022, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with certain accredited investors named in the Purchase Agreement (collectively, the “Purchasers”), pursuant to which the Company agreed to sell up to an aggregate of 5,280,000 shares of the Company’s common stock, \$0.001 par value per share (the “Common Stock”) at a purchase price of \$1.30 per share, or \$6.9 million (the “Private Placement”).

On January 20, 2023, the Company completed an initial sale of 4,314,615 shares of Common Stock pursuant to the Private Placement to certain Purchasers for an aggregate purchase price of \$5.6 million, or \$1.30 per share.

On February 15, 2023, the Company completed the final sale of 765,384 shares of Common Stock pursuant to the Private Placement to a Purchaser for an aggregate purchase price of \$1.0 million, or \$1.30 per share, for combined total issuance of 5,079,999 shares of Common Stock for gross proceeds of approximately \$6.6 million to the Company under the Private Placement, before deducting estimated offering expenses payable by the Company.

On June 5, 2023, the Company issued 160,577 Common Stock to a third party provider which provided network security services to the Company. The service fee was agreed at \$208,800.

As of June 30, 2023, the Company authorized 40,000,000 shares of common stocks, and had 31,724,631 shares issued and outstanding.

8. INCOME TAXES

The Company recorded income tax expense of \$1,700 in the three months ended June 30, 2023, or negative 0.1% of pre-tax loss, compared to \$2,600 income tax expense, or negative 0.15% of pre-tax loss in the three months ended June 30, 2022. The Company recorded income tax benefits of \$59,600 in the six months ended June 30, 2023, or 1.76% of pre-tax loss, compared to \$4,100 income tax expense, or negative 0.17% of pre-tax loss in the six months ended June 30, 2022. The difference in the effective federal income tax rate from the normal statutory rate in the three and six months ended June 30, 2023 was primarily because we got refund of income taxes and the company applied a full valuation allowance on its deferred tax assets.

In assessing the valuation of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income or availability to carryback the losses to taxable income during periods in which those temporary differences become deductible. The Company considered several factors when analyzing the need for a valuation allowance including the Company’s current three-year cumulative loss through

June 30, 2023, the current year operation forecast, the Company's recent filing for protection under Chapter 11 of the bankruptcy code, the operation uncertainty of the Company's new business. Based on this analysis, the Company has concluded that a valuation allowance is necessary for its U.S. and foreign deferred tax assets not supported by either future taxable income or availability of future reversals of existing taxable temporary differences and has recorded a full valuation allowance on its deferred tax assets.

MEGA MATRIX CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

9. OPERATING SEGMENTS

ASC 280, "Segment Reporting," establishes standards for reporting information about operating segments on a basis consistent with the Company's internal organizational structure as well as information about geographical areas, business segments and major customers in financial statements for details on the Company's business segments. The Company uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company's reportable segments. Management, including the chief operating decision maker, reviews operation results by the revenue of different services.

Due to regulatory challenges, the Company, on November 4, 2022, discontinued the Mano game and the alSpace platform. Accordingly as of June 30, 2023 and December 31, 2022, and for the three and six months ended June 30, 2023, the Company had two business segments which were comprised of 1) the newly launched ETH staking business, and 2) the leasing of regional aircraft to foreign and domestic regional airlines.

For the three and six months ended June 30, 2022, the Company had two business segments which were comprised of 1) the newly launched GameFi business, and 2) the leasing of regional aircraft to foreign and domestic regional airlines.

The following tables present summary information of operations by segment for the three months ended June 30, 2023 and 2022.

	For the Three Months Ended June 30, 2023		
	Staking Business	Leasing Business	Total
Revenue and other income	\$ 13,000	\$ -	\$ 13,000
Gross loss	\$ (2,100)	\$ -	\$ (2,100)
Total operating expenses	\$ (949,200)	\$ (742,400)	\$ (1,691,600)
Loss before income tax provision	\$ (965,800)	\$ (734,100)	\$ (1,699,900)
Net loss	\$ (966,200)	\$ (735,400)	\$ (1,701,600)
	For the Three Months Ended June 30, 2022		

	GameFi Business	Leasing Business	Total
Revenue and other income	\$ 3,200	\$ -	\$ 3,200
Gross loss	\$ (530,100)	\$ -	\$ (530,100)
Total operating expenses	\$ (547,400)	\$ (617,500)	\$ (1,164,900)
Loss before income tax provision	\$ (1,077,500)	\$ (617,500)	\$ (1,695,000)
Net loss	\$ (1,077,900)	\$ (619,700)	\$ (1,697,600)

MEGA MATRIX CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Rounded to the Nearest Hundred US Dollar, except for share data, unless otherwise stated)

9. OPERATING SEGMENTS (CONTINUED)

The following tables present summary information of operations by segment for the six months ended June 30, 2023 and 2022.

	For the Six Months Ended June 30, 2023		
	Staking Business	Leasing Business	Total
Revenue and other income	\$ 19,600	\$ -	\$ 19,600
Gross loss	\$ (225,300)	\$ -	\$ (225,300)
Total operating expenses	\$ (2,064,100)	\$ (1,128,800)	\$ (3,192,900)
Loss before income tax provision	\$ (2,303,900)	\$ (1,118,600)	\$ (3,422,500)
Net loss	\$ (2,304,700)	\$ (1,058,200)	\$ (3,362,900)

	For the Six Months Ended June 30, 2022		
	GameFi Business	Leasing Business	Total
Revenue and other income	\$ 326,800	\$ 120,000	\$ 446,800
Gross loss	\$ (234,300)	\$ 120,000	\$ (114,300)
Total operating expenses	\$ (1,026,000)	\$ (1,229,500)	\$ (2,255,500)
Loss before income tax provision	\$ (1,260,300)	\$ (1,109,500)	\$ (2,369,800)
Net loss	\$ (1,261,100)	\$ (1,112,800)	\$ (2,373,900)

The following tables present total assets by segment as of June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
ETH Staking Business	\$ 10,315,400	\$ 11,120,100
Lease Business	491,300	1,431,700
	<u><u>\$ 10,806,700</u></u>	<u><u>\$ 12,551,800</u></u>

10. COMMITMENTS AND CONTINGENCIES

In the ordinary course of the Company's business, the Company may be subject to lawsuits, arbitrations and administrative proceedings from time to time. The Company believes that the outcome of any existing or known threatened proceedings, even if determined adversely, should not have a material adverse effect on the Company's business, financial condition, liquidity or results of operations.

11. SUBSEQUENT EVENTS

On August 4, 2023, Bit Digital, SDP and MTP entered into a termination agreement whereby the parties agreed that SDP purchased Bit Digital's 40% interest, consisting of 120,000 ordinary shares, in MTP for SGD\$120,000. As a result of the transaction, SDP owns all outstanding ordinary shares of MTP. As a result of the purchase of Bit Digital's interest in MTP, MTP will no longer provide non-custodial staking tools to third parties.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read together with the Company's annual report on Form 10-K for the fiscal year ended December 31, 2022 and the audited consolidated financial statements and notes included therein (collectively, the "2022 Annual Report"), as well as the Company's unaudited condensed consolidated financial statements and the related notes included in this report. Pursuant to Instruction 2 to paragraph (b) of Item 303 of Regulation S-K promulgated by the SEC, in preparing this discussion and analysis, the Company has presumed that readers have access to and have read the disclosure under the same heading contained in the 2022 Annual Report. This discussion and analysis contains forward-looking statements. Please see the cautionary note regarding these statements at the beginning of this report.

Overview

Our business

We are a Delaware corporation incorporated in 1997. Through our emergence from bankruptcy on September 30, 2021, and new investors and management, we became a holding company located in Palo Alto, California, with the following subsidiaries: Mega Metaverse Corp., a California corporation, JetFleet Management Corp, a California corporation and formerly known as JetFleet Holding Corporation, Saving Digital Pte. Ltd., a Singapore corporation, Marsprotocol, Inc., a Cayman Islands exempted company and Marsprotocol Technologies Pte. Ltd., a Singapore corporation.

Through Saving Digital Pte. Ltd, our wholly-owned subsidiary (“SDP”), we are currently engaged in solo-staking and provide proof-of-stake technology tools in Singapore for the Ethereum network. To a lesser extent, we are engaged in the provision of aircraft advisory and management services since September 30, 2021. We are currently exploring other crypto-related business models outside of the United States.

On March 1, 2023, SDP and Bit Digital Singapore Pte. Ltd. (“Bit Digital”), entered into a shareholders’ agreement (the “Shareholders Agreement”) with Marsprotocol Technologies Pte. Ltd. (“MTP”), to provide proof-of-stake technology tools for digital assets through the staking platform “MarsProtocol”, an institutional grade non-custodial staking technology. Pursuant to the Shareholders Agreement, SDP will own 60% and Bit Digital will own 40% of MTP. Through the MarsProtocol platform, MTP will seek to provide non-custodial staking tools whereby users’ private keys are not stored in its database to ensure the safety of its users’ digital assets.

On August 4, 2023, Bit Digital, SDP and MTP entered into a termination agreement whereby the parties agreed that SDP purchased Bit Digital’s 40% interest, consisting of 120,000 ordinary shares, in MTP for SGD\$120,000. As a result of the transaction, SDP owns all outstanding ordinary shares of MTP. As a result of the purchase of Bit Digital’s interest in MTP, MTP will no longer provide non-custodial staking tools to third parties.

Recent Developments

On April 14, 2023, we entered into an Amended and Restated Agreement and Plan of Merger (the “Merger Agreement”) with MarsProtocol Inc., an exempted company incorporated under the laws of the Cayman Islands and a wholly-owned subsidiary of the Company (“MPU Cayman”), amending and restating the Agreement and Plan of Merger, dated December 7, 2022. The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, the Company will merge with and into MPU Cayman (the “Redomicile Merger”), with MPU Cayman being the surviving company in the Redomicile Merger. Upon the effectiveness of the Redomicile Merger, (i) MPU Cayman will change its name from MarsProtocol Inc. to Mega Matrix Inc., and (ii) MPU Cayman, together with its subsidiaries, will own and continue to conduct the Company’s business in substantially the same manner as is currently being conducted by the Company and its subsidiaries. The consent of the holders of a majority of the outstanding shares of the Company’s common stock entitled to vote is required to approve and adopt the Merger Agreement.

On June 5, 2023, we entered into a Network Security Service Agreement (the “**Service Agreement**”) with Vision Ace Limited, a company organized under the laws of the British Virgin Islands (the “**Provider**”). The Service Agreement has a term of 12 months, commencing on June 5, 2023. Pursuant to the Service Agreement, the Company has agreed to engage the Provider to provide network security service.

On April 25, 2023, we, through our 100% controlled Singapore subsidiary SDP, invested \$300,000 in MarsLand Global Limited (“MarsLand”), a BVI company and held 30% interest in MarsLand. The other shareholders of MarsLand are non-affiliated.

From the end of April to the end of June 2023, which was a transition period, we terminated cooperation with an outsourced third-party IT company to develop and maintain our MarsProtocol staking platform. There are no penalties or contingencies arising from the termination of cooperation. As a result, effective July 1, 2023, we will not provide non-custodial staking tools to third parties.

MarsLand will provide staking services to institutional clients, including us and Bit Digital. Further, Saving Digital is applying for the trademark “MarsProtocol”. After the successful application, Saving Digital will authorize MarsLand to use the trademark MarsProtocol to conduct MarsLand’s staking as a service (“StaaS”) business. MarsLand will provide StaaS business of which we may utilize their services. We may also continue to conduct Ethereum solo-staking as part of our own business.

Ethereum Rewards

During the six months ended June 30, 2023 we earned an aggregate of 5.7 ETH as rewards from our solo-staking and 1.0 ETH in fees generated from our proof-of-stake technology tools for digital assets through the staking platform “MarsProtocol”.

The following table presents our ETH activities for the six months ended June 30, 2023:

	Number of ETH	Amount ⁽¹⁾
Balance at December 31, 2022	334.2	\$ 369,200
Receipt of ETH as staking reward	5.7	9,600
Receipt of ETH from provision of staking technology tools	1.0	2,000
Exchange of cash and stable coins into ETH	1,083.7	1,983,300
Repayment of borrowings of ETH to a third party	(32.0)	(34,600)
Payment of other expenses	(0.1)	(200)
Impairment of ETH	-	(223,000)
Balance at June 30, 2023	1,392.5	\$ 2,106,300

(1) Receipt of digital assets from staking reward are the product of the number of ETH received multiplied by the ETH price obtained from Coinmarketcap, calculated on a daily basis. Sales of digital assets are the actual amount received from sales.

Our belief that the ETH and other digital assets that we hold are not securities based on a risk assessment and not a legal standard nor binding on the SEC or any other regulators. If USDC, USDT, or ETH are deemed to be securities under the laws of any U.S. federal, state, or foreign jurisdiction, or in a proceeding in a court of law or otherwise, it may have adverse consequences for such digital asset. See the discussion in the risk factor “A particular digital asset’s status, such as an ETH, as a “security” in any relevant jurisdiction is subject to a high degree of uncertainty and if a regulator disagrees with our characterization of the ETH and other stable cryptocurrencies, we may be subject to regulatory scrutiny, investigation, fines and penalties, which may adversely affect our business, operating results and financial condition. A determination that an ETH or stable cryptocurrencies is a “security” may adversely affect the value of those ETH, stable cryptocurrencies, and our business” as described under “Risk Factors – Risks Related to our Business” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Segment and Related Information

For the three and six months ended June 30, 2022, the Company had two business segments which were comprised of 1) the newly launched GameFi business, and 2) the leasing of regional aircraft to foreign and domestic regional airlines. However, due to regulatory challenges, the Company, on November 4, 2022, discontinued the Mano game and the alSpace platform. Accordingly, for the three and six months ended June 30, 2023, the Company had two business segments which were comprised of 1) the newly launched ETH staking business, and 2) the leasing of regional aircraft to foreign and domestic regional airlines.

The following tables present summary information of operations by segment for the three months ended June 30, 2023 and 2022.

	For the Three Months Ended June 30, 2023		
	Staking Business	Leasing Business	Total
Revenue and other income	\$ 13,000	\$ -	\$ 13,000
Gross loss	\$ (2,100)	\$ -	\$ (2,100)
Total operating expenses	\$ (949,200)	\$ (742,400)	\$ (1,691,600)
Loss before income tax provision	\$ (965,800)	\$ (734,100)	\$ (1,699,900)
Net loss	\$ (966,200)	\$ (735,400)	\$ (1,701,600)

	For the Three Months Ended June 30, 2022		
	GameFi Business	Leasing Business	Total
Revenue and other income	\$ 3,200	\$ -	\$ 3,200
Gross loss	\$ (530,100)	\$ -	\$ (530,100)
Total operating expenses	\$ (547,400)	\$ (617,500)	\$ (1,164,900)
Loss before income tax provision	\$ (1,077,500)	\$ (617,500)	\$ (1,695,000)
Net loss	\$ (1,077,900)	\$ (619,700)	\$ (1,697,600)

The following tables present summary information of operations by segment for the six months ended June 30, 2023 and 2022.

	For the Six Months Ended June 30, 2023		
	Staking Business	Leasing Business	Total
Revenue and other income	\$ 19,600	\$ -	\$ 19,600
Gross loss	\$ (225,300)	\$ -	\$ (225,300)
Total operating expenses	\$ (2,064,100)	\$ (1,128,800)	\$ (3,192,900)
Loss before income tax provision	\$ (2,303,900)	\$ (1,118,600)	\$ (3,422,500)
Net loss	\$ (2,304,700)	\$ (1,058,200)	\$ (3,362,900)

	For the Six Months Ended June 30, 2022		
	GameFi Business	Leasing Business	Total
Revenue and other income	\$ 326,800	\$ 120,000	\$ 446,800
Gross loss	\$ (234,300)	\$ 120,000	\$ (114,300)
Total operating expenses	\$ (1,026,000)	\$ (1,229,500)	\$ (2,255,500)
Loss before income tax provision	\$ (1,260,300)	\$ (1,109,500)	\$ (2,369,800)
Net loss	\$ (1,261,100)	\$ (1,112,800)	\$ (2,373,900)

Results of Operations

The following table represents our unaudited condensed consolidated statement of operations for the three months ended June 30, 2023 and 2022.

	Three Months Ended June 30,			
	2023		2022	
	\$	% of Revenues	\$	% of Revenues
Revenues and other income	\$ 13,000	100%	\$ 3,200	100%
Cost of revenues	15,100	116%	533,300	16,666%
Gross loss	(2,100)	(16)%	(530,100)	(16,566)%
Expenses:				
Impairment of digital assets	-	0%	8,300	259%
Gain from exchange of digital assets	18,500	142%	-	-%
Professional fees, general administrative and other	960,900	7,392%	449,500	14,047%
Salaries and employee benefits	594,200	4,571%	603,800	18,869%
IT expenses	3,300	25%	-	-%
Insurance	98,900	761%	100,500	3,141%
Other taxes	-	-	2,800	88%
Marketing expenses	15,800	122%	-	-%
Total operating expenses	1,691,600	13,013%	1,164,900	36,403%
Other expenses, net	(6,200)	(48)%	-	-%
Loss from operations before income tax expenses	(1,699,900)	(13,077)%	(1,695,000)	(52,969)%
Income tax expense	(1,700)	(13)%	(2,600)	(81)%
Net loss and comprehensive loss	\$ (1,701,600)	(13,090)%	\$ (1,697,600)	(53,050)%

Revenues

Revenues increased by \$9,800 to \$13,000 in the three months ended June 30, 2023 from \$3,200 in the three months ended June 30, 2022.

For the three months ended June 30, 2023, we generated revenues of \$4,200 from solo-staking and revenues of \$8,800 from provision of staking technology tools. Both solo-staking services and provision of staking technology tools were just launched in the fourth quarter of 2022.

For the three months ended June 30, 2022, we generated revenues of \$3,200 from GameFi business. However we discontinued our Mano game and the alSpace platform in November 2022 due to regulatory challenges.

Cost of Sales

Cost of sales for the three months ended June 30, 2023, decreased by \$0.52 million, or 97%, to \$15,100 compared to \$0.53 million for the three months ended June 30, 2022.

For the three months ended June 30, 2023, the cost of revenues primarily consisted of IT expenses which were incurred to support our solo staking business. While for the three months ended June 30, 2022, the cost of revenue primarily consisted of expenses which were incurred to design and develop our Mano game and the alSpace platform.

Gross Loss

Gross loss for the three months ended June 30, 2023 decreased by \$0.53 million or 100%, to \$2,100 compared to gross loss of \$0.53 million for the three months ended June 30, 2022 as a result of changes in of our operating business from operating Mano game to staking services.

Total Operating Expenses

Total operating expenses for the three months ended June 30, 2023 increased by \$0.53 million or 45%, to \$1.69 million compared to \$1.16 million for the three months ended June 30, 2022. The changes in expenses were primarily caused by impairment of digital assets, loss from exchange of digital assets, and professional fees and other general and administrative expenses.

Impairment of digital assets. For the three months ended June 30, 2023 and 2022, we recognized an impairment of \$nil and \$8,300 against ETH, respectively. We measured for impairment of digital assets whenever indicators of impairment are identified based on the intraday low quoted price of digital assets.

Loss from exchange of digital assets. For the three months ended June 30, 2023, we recognized loss of \$18,500 from exchange of 32.2 ETH. For the three months ended June 30, 2022, no exchange gain or loss was incurred because we exchanged minimal digital assets.

Professional fees, general and administrative and other expenses. Professional fees, general and administrative and other expenses increased by \$0.51 million, or 114% to \$0.96 million in the three months ended June 30, 2023 from \$0.45 million in the three months ended June 30, 2022, primarily because the Company incurred more consulting expenses during the three months ended June 30, 2023 to support our solo-staking business.

Income tax provision

The Company recorded income tax expenses of \$1,700 in the second quarter of 2023, or negative 0.1% of pre-tax loss, compared to \$2,600 income tax expense, or negative 0.15% of pre-tax loss in the second quarter of 2022. The difference in the effective federal income tax rate from the normal statutory rate in the second quarter of 2023 was primarily because The Company applied a full valuation allowance on its deferred tax assets.

In assessing the valuation of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income or availability to carryback the losses to taxable income during periods in which those temporary

differences become deductible. The Company considered several factors when analyzing the need for a valuation allowance including the Company's current three-year cumulative loss through June 30, 2023, the current year operation forecast, the operation uncertainty of the Company's new business. Based on this analysis, the Company has concluded that a valuation allowance is necessary for its U.S. and foreign deferred tax assets not supported by either future taxable income or availability of future reversals of existing taxable temporary differences and has recorded a full valuation allowance on its deferred tax assets.

Net Loss

As a result of the foregoing, net loss for the three months ended June 30, 2023 increased by \$4,000 or 0.2%, to \$1.70 million as compared to \$1.70 million for the three months ended June 30, 2022.

The following table represents our unaudited condensed consolidated statement of operations for the six months ended June 30, 2023 and 2022.

	Six months ended June 30,			
	2023		2022	
	\$	% of Revenues	\$	% of Revenues
Revenues and other income	\$ 19,600	100%	\$ 443,600	100%
Cost of revenues	244,900	1,249%	561,100	126%
Gross loss	(225,300)	(1,149)%	(114,300)	(26)%
Expenses:				
Impairment of digital assets	223,000	1,138%	8,300	2%
Gain from exchange of digital assets	11,500	59%	-	-%
Professional fees, general administrative and other	1,791,300	9,139%	1,001,400	225%
Salaries and employee benefits	940,200	4,797%	1,236,300	279%
IT expenses	8,000	41%	-	-%
Insurance	197,800	1,009%	186,700	42%
Marketing expenses	21,100	108%	-	-%
Interest	-	-	120,000	27%
Other taxes	-	-	2,800	1%
Reversal of bad debt expense	-	-	(300,000)	(68)%
Total operating expenses	3,192,900	16,291%	2,255,500	508%
Other expenses, net	(4,300)	(22)%	-	-%
Loss from operations before income tax expenses	(3,422,500)	(17,462)%	(2,369,800)	(534)%
Income tax expense	59,600	304%	(4,100)	(1)%

Net loss and comprehensive loss	\$	<u>(3,362,900)</u>	<u>(17,158)%</u>	\$	<u>(2,373,900)</u>	<u>(535)%</u>
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Revenues

Revenues decreased by \$0.43 million to \$19,600 in the six months ended June 30, 2023 from \$0.44 million in the six months ended June 30, 2022.

For the six months ended June 30, 2023, we generated revenues of \$9,600 from solo-staking and revenues of \$10,000 from provision of staking technology tools. Both solo-staking services and provision of staking technology tools were just launched in the fourth quarter of 2022.

For the six months ended June 30, 2022, we generated revenues of \$0.33 million from GameFi business and revenues of \$0.12 million from operating lease business. However we discontinued our Mano game and the alSpace platform in November 2022 due to regulatory challenges, and we did not generate operating lease income in the first half of 2023.

Cost of Sales

Cost of sales for the six months ended June 30, 2023, decreased by \$0.32 million, or 56%, to \$0.24 million compared to \$0.56 million for the six months ended June 30, 2022.

For the six months ended June 30, 2023, the cost of revenues primarily consisted of IT expenses which were incurred to support our solo staking business. While for the six months ended June 30, 2023, the cost of revenue primarily consisted of expenses which were incurred to design and develop our Mano game and the alSpace platform.

Gross Loss

Gross loss for the six months ended June 30, 2023 increased by \$0.12 million or 97%, to \$0.23 million compared to gross loss of \$0.11 million for the six months ended June 30, 2022 as a result of changes in of our operating business from operating Mano game to staking services.

Total Operating Expenses

Total operating expenses for the six months ended June 30, 2023 increased by \$0.94 million or 42%, to \$3.19 million compared from \$2.25 million for the six months ended June 30, 2022. The changes in expenses were primarily caused by impairment of digital assets, interest expenses, and professional fees and other general and administrative expenses.

Impairment of digital assets. For the six months ended June 30, 2023 and 2022, we recognized impairment of \$0.22 million and \$8,300 against ETH, respectively. We measured for impairment of digital assets whenever indicators of impairment are identified based on the intraday low quoted price of digital assets.

Interest. The Company's interest expense decreased by \$0.12 million, or 100% to \$nil million in the six months ended June 30, 2023 from \$0.12 million in the same period of 2022. The change was mainly due to the fact that we did not involve in aircraft operating lease business for the six months ended June 30, 2023 and thus did not incur interest expenses.

Professional fees, general and administrative and other expenses. Professional fees, general and administrative and other expenses increased by \$0.79 million, or 79% to \$1.79 million in the six months ended June 30, 2023 from \$1.00 million in the six months ended June 30, 2022, primarily because the Company incurred more consulting expenses during the six months ended June

30, 2023 to support our solo-staking business.

Income tax benefits (expenses)

The Company recorded income tax benefits of \$59,600 in the first half of 2023, or 1.76% of pre-tax loss, compared to \$4,100 income tax expense, or negative 0.17% of pre-tax loss in the second quarter of 2022. The difference in the effective federal income tax rate from the normal statutory rate in the first half of 2023 was primarily because we recognized tax benefits on tax refund.

In assessing the valuation of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income or availability to carryback the losses to taxable income during periods in which those temporary differences become deductible. The Company considered several factors when analyzing the need for a valuation allowance including the Company's current three-year cumulative loss through June 30, 2023, the current year operation forecast, the operation uncertainty of the Company's new business. Based on this analysis, the Company has concluded that a valuation allowance is necessary for its U.S. and foreign deferred tax assets not supported by either future taxable income or availability of future reversals of existing taxable temporary differences and has recorded a full valuation allowance on its deferred tax assets.

Net Loss

As a result of the foregoing, net loss for the six months ended June 30, 2023 increased by \$0.99 million or 42%, to \$3.36 million as compared to \$2.37 million for the six months ended June 30, 2022.

Liquidity and Capital Resources

On January 20, 2023 and February 15, 2023, the Company closed a private placement by offering 4,314,615 shares of common stock and 765,384 shares of common stock, respectively. The per share price was \$1.30. The received gross proceeds aggregating \$6.6 million.

For the three months ended June 30, 2023 and 2022, the Company reported net losses of \$1.7 million and \$1.7 million, respectively. For the six months ended June 30, 2023 and 2022, the Company reported net losses of \$3.4 million and \$2.4 million, respectively, and cash flows of \$1.0 million and \$3.4 million used in operating activities. In addition, the Company had accumulated deficits of \$16.4 million and \$13.4 million as of June 30, 2023 and December 31, 2022 respectively. These conditions raised substantial doubt about the Company's ability to continue as a going concern.

The Company's liquidity is based on its ability to generate cash from operating activities and obtain financing from investors to fund its general operations and capital expansion needs. The Company's ability to continue as a going concern is dependent on management's ability to successfully execute its business plan, which includes increasing revenue while controlling operating cost and expenses to generate positive operating cash flows and obtain financing from outside sources.

As of June 30, 2023, the Company had working capital of \$9.3 million, among which the Company held cash of \$6.8 million, stable coins of \$0.2 million and digital assets of \$2.1 million, which were highly liquid and easily convertible into cash over the market.

Given the financial condition of the Company and its operating performance, the Company assesses current working capital is sufficient to meet its obligations for the next 12 months from the issuance date of this report. Accordingly, management continues to prepare the Company's consolidated financial statements on going concern basis.

The preparation of the unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities at the date of the financial statements, (ii) the disclosure of contingent assets and liabilities, and (iii) the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Estimates and judgments are used when accounting for the application of fresh start accounting, realization of goodwill, current value of the Company's assets held for sale, the amount and timing of future cash flows associated with each asset that are used to evaluate whether assets are impaired, accounting for income taxes, and the amounts recorded as allowances for doubtful accounts.

Cash Flow

	For the Six Months Ended June 30,	
	2023	2022
Net cash used in operating activities	\$ (959,800)	\$ (3,413,300)
Net cash used in investing activities	(850,000)	-
Net cash provided by financing activities	1,393,900	-
Net decrease in cash and cash equivalents	(415,900)	(3,413,300)
Cash, cash equivalents, beginning of period	7,263,600	7,380,700
Cash, cash equivalents, end of period	<u>\$ 6,847,700</u>	<u>\$ 3,967,400</u>

Operating activities

The Company reported cash flows of \$1.0 million used in operating activities for the six months ended June 30, 2023, which was mainly attributable to collection of income tax refund of \$1.1 million from tax bureau, partially offset by payment of \$1.8 million in salary expenses, consulting expenses and IT expenses.

The Company's net cash outflow from operations was \$3.4 million for the six months ended June 30, 2022, which was mainly attributable to payment of \$1.2 million for salaries and welfare, and payment of \$1.0 million for professional fees and legal expenses with our launch of GameFi business, and \$0.5 million for the maintenance cost for the platform.

Investing activities

For the six months ended June 30, 2023, the Company reported cash flows of \$0.9 million used in investing activities, which was primarily attributable to investment in two equity investees.

For the six months ended June 30, 2022, the Company did not provide or use any cash from investing activities.

Financing activities

For the six months ended June 30, 2023, the Company had cash inflows of \$1.4 million from financing activities, which was primarily attributable to proceeds of \$1.3 million raised from private placements and capital contribution of \$0.1 million a non-controlling shareholder.

For the six months ended June 30, 2022, the Company did not provide or use any cash from financing activities.

Critical Accounting Policies, Judgments and Estimates

The Company's discussion and analysis of its financial condition and results of operations are based upon the unaudited condensed consolidated financial statements included in this report, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities at the date of the financial statements or during the applicable reporting period. In the event that actual results differ from these estimates or the Company adjusts these estimates in future periods, the Company's operating results and financial position could be materially affected. For a further discussion of Critical Accounting Policies, Judgments and Estimates, refer to Note 2 to the Company's consolidated financial statements in Item 1 of this Quarterly Report on Form 10-Q.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, as of the end of the period covered by this report, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Act of 1934. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be included in our SEC reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, relating to the Company, including our consolidated subsidiaries, and was made known to them by others within those entities, particularly during the period when this report was being prepared. Based upon that evaluation, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has concluded that, due to the material weakness described below, as of June 30, 2023, our disclosure controls and procedures were not effective.

We previously identified a material weakness in our internal control over financial reporting relating to:

- ? ineffective oversight of the Company's internal control over financial reporting relating to our tax review control for complex transactions; and
- ? lack of segregation of duties as the Company only has four (4) employees, three of whom are executive officers.

We are implementing measures designed to improve our internal control over financial reporting to remediate material weaknesses, including the following:

- ? We are in the process of enhancing our tax review control related to unusual transactions that we may encounter; and

? The Company plans to enhance the staffing and competency level within the accounting and finance department.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive officer and principal financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurances with respect to financial statement preparation and presentation. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control Over Financial Reporting

Other than as described above, there have been no changes in the internal controls over financial reporting during the most recently completed quarter ended June 30, 2023, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. To the best knowledge of management, there are no material legal proceedings pending against the Company.

ITEM 1A - RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks set forth below in this report and in the section captioned "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on March 31, 2023, before making an investment decision. If any of the risks actually occur, our business, financial condition or results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. You should read the section captioned "Special Note Regarding Forward Looking Statements" above for a discussion of what types of statements are forward-looking statements, as well as the significance of such statements in the context of this report.

In addition, you may be subject to the following additional risk factor.

We may be classified as an inadvertent investment company.

We are not engaged in the business of investing, reinvesting, or trading in securities, and we do not hold ourselves out as being engaged in those activities. Under the Investment Company Act, however, a company may be deemed an investment company under Section 3(a)(1)(C) of the Investment Company Act if the value of its investment securities is more than 40% of its total assets (exclusive of government securities and cash items) on an unconsolidated basis. Further, per the Investment Company Act of 1940 companies who are not making, and do not propose to

make, a public offering of its securities and whose outstanding securities (other than short-term paper) are beneficially owned by fewer than 100 persons are excluded from the definition of an investment company.

We have commenced digital asset mining, the output of which is Bitcoin, which the SEC has not indicated it deems a security. In the event that securities we hold, including any digital assets that may in the future be deemed securities, exceed 40% of our total assets, exclusive of cash, we would inadvertently become an investment company. An inadvertent investment company can avoid being classified as an investment company if it can rely on one of the exclusions under the Investment Company Act. One such exclusion, Rule 3a-2 under the Investment Company Act, allows an inadvertent investment company a grace period of one year from the earlier of (a) the date on which an issuer owns securities and/or cash having a value exceeding 50% of the issuer's total assets on either a consolidated or unconsolidated basis and (b) the date on which an issuer owns or proposes to acquire investment securities having a value exceeding 40% of the value of such issuer's total assets (exclusive of government securities and cash items) on an unconsolidated basis. We may be required to put in place policies that we expect will work to keep the investment securities held by us at less than 40% of our total assets, which may include acquiring assets with our cash, liquidating our investment securities or seeking a no-action letter from the SEC if we are unable to acquire sufficient assets or liquidate sufficient investment securities in a timely manner.

As Rule 3a-2 is available to a company no more than once every three years, and assuming no other exclusion were available to us, we would have to keep within the 40% limit for at least three years after we cease being an inadvertent investment company. This may limit our ability to make certain investments or enter into joint ventures that could otherwise have a positive impact on our earnings. In any event, we do not intend to become an investment company engaged in the business of investing and trading securities.

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

None.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 - EXHIBITS

The following exhibits are filed as part of this Report.

<u>Exhibit No.</u>	<u>Description</u>
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10.1	<u>Termination Agreement. Bit Digital Singapore Pte Ltd., Saving Digital Pte Ltd., and Marsprotocol Technologies Pte Ltd. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on August 9, 2023.</u>
31.1*	<u>Certifications of the Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act</u>
31.2*	<u>Certifications of the Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act</u>
32.1*	<u>Certifications of the Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act</u>
32.2*	<u>Certifications of the Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act</u>
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

SIGNATURES

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

Date: August 14, 2023

Mega Matrix Corp.

By: /s/ Yucheng Hu
Yucheng Hu
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Qin (Carol) Wang
Qin (Carol) Wang
Chief Financial Officer
(Principal Financial Officer)