

Unaudited-No assurance provided.



24X BERMUDA LIMITED
(F/K/A 24 EXCHANGE BERMUDA LIMITED)
Financial Statements

December 31, 2022

Unaudited-No assurance provided.

24X BERMUDA LIMITED
(F/K/A 24 EXCHANGE BERMUDA LIMITED)
DECEMBER 31, 2022

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Unaudited-No assurance provided.

**24X BERMUDA LIMITED
(F/K/A 24 EXCHANGE BERMUDA LIMITED)**

**BALANCE SHEET
DECEMBER 31, 2022**

ASSETS

CURRENT ASSETS:

Cash	\$ 506,560
Accounts receivable	1,167,002
Loans receivable - consultants	48,745
Prepaid expenses and other current assets	203,788

TOTAL CURRENT ASSETS 1,926,095

EQUIPMENT, NET 100,553

OPERATING LEASE RIGHT-OF-USE ASSET 115,620

OTHER ASSETS

Intangible assets, net	597,122
Due from parent and affiliates	3,467,514
Security deposit	288,938
Investment in wholly-owned subsidiary	18,337

TOTAL OTHER ASSETS 4,371,911

TOTAL ASSETS \$ 6,514,179

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 1,376,951
Operating lease liability, current portion	55,752

TOTAL CURRENT LIABILITIES 1,432,703

LONG TERM LIABILITIES

Operating lease liability, net of current portion	69,828
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TOTAL LIABILITIES 1,502,531

COMMITMENTS

STOCKHOLDER'S EQUITY:

Preferred stock, \$0.0001 par value	335
Common stock, \$0.0001 par value	946
Additional paid-in capital	17,144,189
Accumulated deficit	(12,133,822)

TOTAL STOCKHOLDER'S EQUITY 5,011,648

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY \$ 6,514,179

See Accompanying Notes to Financial Statements

24X BERMUDA LIMITED
(F/K/A 24 EXCHANGE BERMUDA LIMITED)
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2022

REVENUE	\$ 3,772,514
OPERATING EXPENSES:	
Office salaries	4,305,417
Communications and technology	1,751,925
Trading costs	1,240,391
Office expense	1,005,008
Travel and entertainment	322,500
Amortization	377,130
Advertising and promotion	325,536
Professional fees	292,742
Stock-based compensation	176,185
Depreciation	24,042
TOTAL OPERATING EXPENSES	9,820,876
LOSS FROM OPERATIONS	(6,048,362)
OTHER INCOME	
Gain on foreign currency transactions	2,807
Income in equity of wholly-owned subsidiary	23,226
TOTAL OTHER INCOME	26,033
LOSS BEFORE PROVISION FOR INCOME TAXES	(6,022,329)
PROVISION FOR INCOME TAXES	-
NET LOSS	\$ (6,022,329)

See Accompanying Notes to Financial Statements

24X BERMUDA LIMITED
(F/K/A 24 EXCHANGE BERMUDA LIMITED)
STATEMENT OF STOCKHOLDER'S EQUITY
YEAR ENDED DECEMBER 31, 2022

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance, January 1, 2022	\$ 335	\$ 946	\$ 7,354,912	\$ (6,111,493)	\$ 1,244,700
Capital contribution from Parent	-	-	9,789,277	-	9,789,277
Net loss	-	-	-	(6,022,329)	(6,022,329)
Balance, December 31, 2022	<u>\$ 335</u>	<u>\$ 946</u>	<u>\$ 17,144,189</u>	<u>\$ (12,133,822)</u>	<u>\$ 5,011,648</u>

**24X BERMUDA LIMITED
(F/K/A 24 EXCHANGE BERMUDA LIMITED)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	\$ (6,022,329)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	401,172
Amortization of operating lease right-of-use asset	53,056
Income in equity of wholly-owned subsidiary	(23,226)
Decrease (increase) in operating assets:	
Accounts receivable	(787,200)
Prepaid expenses and other current assets	34,230
Security deposit	(260,668)
Decrease in operating liabilities:	
Accounts payable and accrued expenses	(99,884)
Operating lease liability	(43,096)
NET CASH USED IN OPERATING ACTIVITIES	<u>(6,747,945)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net repayments - consultants	8,184
Advances to parent and affiliate	(2,977,279)
Purchases of property and equipment	(38,919)
Payments for intangible assets purchased in prior year	(375,000)
NET CASH USED IN INVESTING ACTIVITIES	<u>(3,383,014)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Capital contributions from parent	9,789,277
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>9,789,277</u>
NET DECREASE IN CASH	(341,682)
CASH, <i>beginning of year</i>	<u>848,242</u>
CASH, <i>end of year</i>	<u><u>\$ 506,560</u></u>
Schedule of noncash activities:	
Warrants issued or to be issued under principal trading participant agreement	\$ 235,419
Adoption of ASC 842 right-of-use operating lease asset and associated operating lease liability	168,676

24X BERMUDA LIMITED
(F/K/A 24 EXCHANGE BERMUDA LIMITED)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 - Nature of Business and Organization

24 Exchange Bermuda Limited (the “Company”) was incorporated under the laws of Bermuda in 2019. Effective in June 2023, the Company legally changed its name to 24X Bermuda Limited. The Company commenced operations in April 2020.

The Company is a technology company that operates a multi-asset class trading platform that allows market participants to exchange their exposures at the lowest possible cost. The Company's mission is to enable members to initiate the most cost-effective trades across a growing range of asset classes. The Company lowers the cost of exchanging assets in the global markets while delivering creative and unique workflows catered to each asset class. The Company is regulated by the Bermuda Monetary Authority for the purposes of conducting its digital asset business, pursuant to the Digital Asset Business Act.

On November 19, 2021, 24X Bermuda Holdings LLC (the “Parent”) executed an Exchange Agreement with all of the stockholders of the Company in which the stockholders of the Company exchanged their holdings in the Company for member interests in the Parent. As a result, the Company is now wholly-owned by the Parent.

In May 2023, the Company ceased offering spot digital asset trading on its platform.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

24X BERMUDA LIMITED
(F/K/A 24 EXCHANGE BERMUDA LIMITED)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

Investment in Wholly-Owned Subsidiary

The Company accounts for its investment in its wholly-owned subsidiary using the equity method of accounting. The equity method of accounting requires the Company to recognize its share of the earnings and losses in the investee in the periods in which they are reflected in the accounts of the investee. The balance is increased to reflect the Company's capital contributions and equity in earnings of the subsidiary. The balance is decreased for its equity in losses of the subsidiary and for distributions received that are not in excess of the carrying value amount of the investment. The Company recognizes losses in excess of the carrying value of the investment (if any) as the Company or its affiliates will provide further financial support to the subsidiary as needed.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company accounts for revenue recognition under Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers ("ASC 606"). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

In general, the Company applies the following steps when recognizing revenue from contracts with customers: (i) identify the contract, (ii) identify the performance obligations, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations and (v) recognize revenue when a performance obligation is satisfied.

24X BERMUDA LIMITED
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

The Company earns brokerage fees directly from its customers. Customers enter into user agreements enabling them to conduct certain margined transactions on the Company's trading platforms, such as foreign exchange spot, foreign exchange forwards transactions, etc. The Company primarily delivers the matching service related to the transactions described above. Revenue generated from brokerage is fully recorded as revenue "at a point in time" (at the moment of execution of the transaction). The customer then has control over the service provided (exchanging securities), hence the ability to direct the use of the service and obtaining the benefits of the service (securities are exchanged as requested).

In addition to the brokerage fees, the Company also delivers market access services. Market access services fees are fully recorded as revenue "over time" (per month). The customer is in control over the service provided during the period when it has access to the applicable market data product.

Accounts Receivable

The Company extends normal trade credit to its customers. The Company performs ongoing credit evaluations of its customers' financial condition and requires no collateral from its customers. The Company estimates its allowance for doubtful accounts based on a combination of current and historical information regarding the balances as well as the current composition of the age of such receivables. Receivable balances that management believes to be uncollectible are written off upon such determination. Recoveries of balances previously written off are credited to operations when recovered. At December 31, 2022, management believed all of the accounts receivable were fully collectable and did not provide for an allowance for doubtful accounts.

Equipment, Net

Equipment is recorded at historical cost, net of accumulated depreciation. Additions and improvements that extend the lives of the assets are capitalized, while expenditures for repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line based upon the estimated useful life of five years.

Intangible Assets

Intangible assets are amortized utilizing the straight-line method based upon the estimated useful life of three years.

24X BERMUDA LIMITED
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

Impairment of Equipment and Intangible Assets

Equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. The Company records an impairment loss if the undiscounted future cash flows are found to be less than the carrying amount of the asset. If an impairment loss has occurred, a charge is recorded to reduce the carrying amount of the asset to fair value. There was no impairment in the year ended December 31, 2022.

Advertising and Promotion

Advertising and promotion is expensed in the period incurred. Advertising and promotion totaled \$327,472 for the year ended December 31, 2022.

Income Taxes

Under the laws of Bermuda, the Company is generally not subject to income taxes. The Company files tax returns in the United States for that portion of its operations taking place in the United States.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized. The effect of a change in tax rates or laws on deferred tax assets and liabilities is recognized in operations in the period that includes the enactment date of the rate change. A valuation allowance is established to reduce the deferred tax assets to the amounts that are more likely than not to be realized from operations.

24X BERMUDA LIMITED
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

Leases

Effective January 1, 2022, the Company adopted ASU 2016-02, Leases ("ASU 2016-02") and other associated standards. The new standard establishes a right-of-use ("ROU") model requiring a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months and classified as either an operating or finance lease. The adoption of ASC 842 had a effect on the Company's balance sheet, resulting in an increase in non-current assets and both current and non-current liabilities. There was no impact to retained earnings upon adoption of the new standard. The Company did not have any finance leases (formerly referred to as capital leases prior to the adoption of ASC 842), therefore there was no change in accounting treatment required.

The Company elected the package of practical expedients as permitted under the transition guidance, which allowed it: (1) to carry forward the historical lease classification; (2) not to reassess whether expired or existing contracts are or contain leases; and, (3) not to reassess the treatment of initial direct costs for existing leases.

In accordance with ASC 842, at the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present and the classification of the lease including whether the contract involves the use of a distinct identified asset, whether the Company obtains the right to substantially all the economic benefit from the use of the asset, and whether the Company has the right to direct the use of the asset. Leases with a term greater than one year are recognized on the balance sheet as ROU assets, lease liabilities and, if applicable, long-term lease liabilities. The Company has elected not to recognize on the balance sheet leases with terms of one year or less under practical expedient in paragraph ASC 842-20-25-2. For contracts with lease and non-lease components, the Company has elected not to allocate the contract consideration and to account for the lease and non-lease components as a single lease component.

24X BERMUDA LIMITED
(F/K/A 24 EXCHANGE BERMUDA LIMITED)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected lease term. The implicit rate within our operating leases are generally not determinable and, therefore, the Company uses the incremental borrowing rate at the lease commencement date to determine the present value of lease payments. The determination of the Company's incremental borrowing rate requires judgment. The Company determines the incremental borrowing rate for each lease using our estimated borrowing rate, adjusted for various factors including level of collateralization, term and currency to align with the terms of the lease. The operating lease ROU asset also includes any lease prepayments, offset by lease incentives.

An option to extend the lease is considered in connection with determining the ROU asset and lease liability when it is reasonably certain we will exercise that option. An option to terminate is considered unless it is reasonably certain we will not exercise the option.

The impact of the adoption of ASC 842 on the balance sheet as of January 1, 2022 was to increase operating lease right-of-use asset by \$168,676, increase the current portion of operating lease liability by \$43,096 and increase the long-term portion of operating lease liability by \$125,580.

Recent Accounting Pronouncement

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13") and other associated standards, which requires an entity to assess impairment of its financial instruments based on its estimate of expected credit losses. The provisions of ASU 2016-13 and the related amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022 (January 1, 2023 for the Company). Entities are required to apply these changes through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company is still evaluating the impact of the guidance on the Company's financial statements.

Subsequent Events

The Company has evaluated subsequent events through August 29, 2023, the date that the financial statements were available to be issued.

24X BERMUDA LIMITED
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 - Equipment, Net

Equipment, net, consisted of the following as of December 31, 2022:

Computer equipment	\$	139,697
Less: accumulated depreciation		39,144
Equipment, net	\$	100,553

Depreciation expense totaled \$24,042 for the year ended December 31, 2022.

Note 4 - Intangible Assets, Net

On July 26, 2021, the Company entered into an asset purchase agreement with 11B Technologies to acquire the software technology platforms described below. The purchase price was \$1,131,389. The Company made cash payments of \$582,451 and issued 1,710,035 shares of common stock valued at \$330,188. As of December 31, 2022, the Company owes \$218,750 to the seller. See Note 5.

The intangible assets consist of software technology platforms which are execution and risk management systems for FX Spot, FX Swaps, FX NDF, Crypto Spot and Crypto NDFs. It also provides matching engine and back-office connectivity through FIX API and GUI interfaces. 11B Technology provides post-trade and third-party systems integrations with matching engines located in Equinix data centers in London and New York (LD4 and NY4).

Intangible assets, net, consisted of the following as of December 31, 2022:

Software technology platforms	\$	1,131,389
Less: accumulated amortization		534,267
Intangible assets, net	\$	597,122

Amortization expense was \$377,130 for the year ended December 31, 2022. Estimated future annual amortization is \$377,130 for 2023 and \$219,992 in 2024.

**24X BERMUDA LIMITED
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 5 - Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following as of December 31, 2022:

Accounts payable	\$	471,806
Accrued bonuses		321,204
Other accruals		365,191
Due for intangible assets acquired		218,750
		\$ 1,376,951

Note 6 - Stockholder's Equity

The Company's authorized capital stock as of December 31, 2022 consists of the following:

Preferred Stock

Preferred stock consists of the following at December 31, 2022:

	Shares Authorized	Shares Outstanding		Amount
<u>December 31, 2022</u>				
Series Seed	1,200,000	1,124,850	\$	112
Series Seed-2	1,200,000	981,214		98
Series Seed-3	600,000	571,655		57
Series Seed-4	1,300,000	681,106		68
				\$ 335

24X BERMUDA LIMITED
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NOTES TO FINANCIAL STATEMENTS
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Note 6 - Stockholder's Equity (Continued)

Series Seed Preferred Stock ("Series Seed"):

Terms of all of the Preferred Stock include the following:

1. In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company or any Deemed Liquidation Event (as defined), before any payment shall be made to the holders of Common Shares by reason of their ownership thereof, the holders of shares of Preferred Stock then outstanding must be paid out of the funds and assets available for distribution to its stockholders, an amount per share equal to the greater of (a) the Original Issue Price (as defined) for such share of Preferred Stock, plus any dividends declared but unpaid thereon, or (b) such amount per share as would have been payable had all Preferred Stock been converted into Common Shares or Non-Voting Common Shares, as applicable, immediately prior to such liquidation, dissolution or winding up or Deemed Liquidation Event.
2. If upon any such liquidation, dissolution, or winding up or Deemed Liquidation Event of the Company, the funds and assets available for distribution to the Stockholders of the Company are insufficient to pay the holders of Preferred Stock the full amount to which they are entitled under this Bye-law, the holders of Preferred Stock will share ratably in any distribution of the funds and assets available for distribution in proportion to the respective amounts that would otherwise be payable in respect of the shares of Preferred Stock held by them upon such distribution if all amounts payable on or with respect to such Preferred Stock were paid in full.

Series Seed Preferred Stock ("Series Seed")(Continued):

Terms of the Series Seed include the following:

1. The holders are entitled to one (1) vote per each Common Share into which such Series Seed shares are then convertible.
2. The holders are entitled to such dividends as the Board may from time to time declare and shall participate on an as-converted basis on any dividends declared on respect of the Common Shares.
3. Series Seed is convertible, at the option of the holder thereof, at any time, and without the payment of additional consideration by the holder thereof, into such number of fully paid Common Shares as is determined by dividing the Original Issue Price (as defined) by the Conversion Price in effect at the time of conversion.

24X BERMUDA LIMITED
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NOTES TO FINANCIAL STATEMENTS
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Note 6 - Stockholder's Equity (Continued)

Series Seed-2 Preferred Stock ("Series Seed-2"):

Terms of the Series Seed-2 include the following:

1. The holders are not be entitled to vote unless expressly set out (save where the right to vote is specifically required by the Companies Act and such right cannot be excluded), and subject thereto, one (1) vote per each Non-Voting Common Share into which such Series Seed-2 are then convertible.
2. The holders are entitled to such dividends as the Board may from time to time declare and shall participate on an as-converted basis on any dividends declared on respect of the Non-Voting Common Shares.
3. Series Seed-2 is convertible, at the option of the holder thereof, at any time, and without the payment of additional consideration by the holder thereof, into such number of fully paid Non-Voting Common Shares as is determined by dividing the Original Issue Price (as defined) by the Conversion Price in effect at the time of conversion.

Series Seed-3 Preferred Stock ("Series Seed-3"):

Terms of the Series Seed-3 include the following:

1. The holders are entitled to one (1) vote per each Common Share into which such Series Seed-3 shares are then convertible.
2. The holders are entitled to such dividends as the Board may from time to time declare and shall participate on an as-converted basis on any dividends declared on respect of the Common Shares.
3. Series Seed-3 is convertible, at the option of the holder thereof, at any time, and without the payment of additional consideration by the holder thereof, into such number of fully paid Common Shares as is determined by dividing the Original Issue Price (as defined) by the Conversion Price in effect at the time of conversion.

Series Seed-4 Preferred Stock ("Series Seed-4"):

Terms of the Series Seed-4 include the following:

1. The holders are entitled to one (1) vote per each Common Share into which such Series Seed-4 shares are then convertible.
2. The holders are entitled to such dividends as the Board may from time to time declare and shall participate on an as-converted basis on any dividends declared on respect of the Common Shares.

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NOTES TO FINANCIAL STATEMENTS
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Note 6 - Stockholder's Equity (Continued)

3. Series Seed-4 is convertible, at the option of the holder thereof, at any time, and without the payment of additional consideration by the holder thereof, into such number of fully paid Common Shares as is determined by dividing the Original Issue Price (as defined) by the Conversion Price in effect at the time of conversion.

The investment agreement for the Series Seed-4 shares includes price protection if another bona fide equity financing for capital raising purposes occurred for less than the purchase price of the Series Seed-4 shares (as defined). No such financing occurred in the year ended December 31, 2022.

Common Stock

The Company's common stock consists of the following at December 31, 2022:

	Shares Authorized	Shares Outstanding		Amount
Common shares	20,000,000	9,457,864	\$	946
Non-Voting Common Shares	1,200,000	-		-

Common Shares:

Terms of the Common Shares include the following:

1. The holders are entitled to one (1) vote per each Common Share.
2. The holders are entitled to such dividends as the Board may from time to time declare.
3. In the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganization or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company after all distributions to holders of Preferred Stock.

No shares of common stock were issued during the year ended December 31, 2022. But the Parent contributed \$9,789,277 which was classified as additional paid-in capital.

24X BERMUDA LIMITED
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 6 - Stockholder's Equity (Continued)

Common Stock (Continued)

Non-Voting Common Shares:

Terms of the Non-Voting Common Shares include the following:

1. The holders are not entitled to vote unless expressly set out (save where the right to vote is specifically required by the Companies Act and such right cannot be excluded), and subject thereto, one (1) vote per each Non-Voting Common Share.
2. The holders are entitled to such dividends as the Board may from time to time declare.
3. In the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganization or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company after all distributions to holders of Preferred Stock.

No shares of non-voting common stock were issued during the year ended December 31, 2022.

Warrants

In 2022, the Company's Parent granted a warrant to acquire its non-voting common stock to Standard Charter Bank ("SCB") as part of the fee credit (see Note 7). The exercise price of the warrant is \$0.01 and the warrant has a five-year term. In 2022, the Company issued a warrant for the purchase of 16,274 shares representing a total value of \$95,988. In 2023, a warrant will be issued for the balance of the fee credit totaling \$139,431.

Note 7 - Related Party Transactions

SCB

SCB is a stockholder of the Company and provides services to and receives services from the Company as follows:

Principal Trading Participant Agreement

SCB is a trading participant on the platform. SCB is responsible for all fees and costs related to the use of the platform and the services provided. The agreement continues unless and until terminated by SCB or the Company (1) upon 90 days' prior written notice to the other or (2) immediately upon the date that written notice of a breach of this agreement or violation of the rules becomes effective (as defined).

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NOTES TO FINANCIAL STATEMENTS
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Note 7 - Related Party Transactions (Continued)

FX Central Prime Broker Agreement

The Company and SCB have an agreement whereby SCB serves as the prime broker for the Company's customers. The agreement continues unless and until terminated by SCB or the Company (1) upon 90 days' prior written notice to the other or (2) in the event that the Company fails to perform its obligations (as defined).

Total fees incurred under both agreements totaled \$1,240,391 for the year ended December 31, 2022. At December 31, 2022, the Company owed SCB \$98,465 for such services and is included in accounts payable and accrued expenses.

Revenue

The Company provides various services to SCB. Total revenue amounted to \$243,420 for the year ended December 31, 2022. At December 31, 2022, the Company is owed by SCB \$243,420 for such services and is included in accounts receivable. Such fees were received in 2023.

Fee Credit

As per a side letter dated March 3, 2020 ("Side Letter"), during the 36 month period commencing on the date as of which at least four significant reputable financial institutions (other than SCB) participating have commenced commercial trading on the Company's trading platform (the "Start Date") (June 1, 2020), SCB was entitled to a dollar-for-dollar credit of all fees paid to the Company by SCB up to an overall cap of \$750,000. SCB had the choice whether it desired to receive the Credit as, (1) a cash refund of fees previously paid, (2) an offset against fees yet to be paid, (3) a warrant issuable in accordance with terms defined, or (4) a combination of items 1 through 3. No further credit will accrue after the third anniversary of the Start Date (May 31, 2023).

The fee credit amounted to \$235,419 for the year ended December 31, 2022. SCB elected to receive warrants for the fee credit earned for the year ended December 31, 2022. At December 31, 2022, \$317,782 is still available for use through May 31, 2023. Fee credits earned through May 31, 2023 amounted to \$199,897 and the balance of \$117,885 expired unused.

Revenue Share

As per the Side Letter, SCB was entitled to receive 10% of the Company's gross revenue received after the Start Date, up to an overall cap of \$300,000. Such cap was reached in 2021. As of December 31, 2022, the cap has not been paid and is included in accounts payable and accrued expenses on the balance sheet.

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Note 7 - Related Party Transactions (Continued)

Parent and Affiliates

The Company pays legal and other supporting expenses on behalf of the Parent and other affiliates. In addition, the Parent charges the Company for stock compensation (see Note 8) and other services. The receivables and payable are non-interest bearing and are not secured. The net receivable has been classified as noncurrent due to the absence of stipulated payment terms.

Due from parent and affiliates is as follows as of December 31, 2022:

Parent	\$	(381,214)
Other affiliates		3,848,728
	\$	3,467,514

Note 8 - Stock-Based Compensation

At various times, the Company issued stock options to its employees. In 2021, all of the outstanding options of the Company were amended as part of the Exchange Agreement such that all option holders of the Company became option holders of the Parent. The cost of these outstanding options is still charged to the Company.

In 2022, the Company's Parent granted stock options to employees to purchase shares of the Parent's common stock. These options vest ratably over a term range of zero to four years and expire on December 31, 2030.

Stock-based compensation charged by the Parent for the year ended December 31, 2022 totaled \$176,185 and is included in operating expenses.

Note 9 - Concentrations of Credit Risk

Cash

The Company maintains principally all cash balances with various financial institutions which, at times, may exceed insured limits. The exposure to the Company is solely dependent upon daily bank balances and the respective strength of the financial institutions. The Company has not incurred any losses on these accounts. At December 31, 2022, amount in excess of insured limits was approximately \$257,000.

Revenue

Revenue from two customers accounted for approximately 32% of revenue for the year ended December 31, 2022.

Accounts Receivable

At December 31, 2022, three customers accounted for approximately 70% of accounts receivable.

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NOTES TO FINANCIAL STATEMENTS
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Note 10 – Commitments

Operating Lease

In December 2021, the Company commenced renting an office in Stamford, Connecticut under a non-cancelable operating lease that expires in February 2025. The lease provides for annual minimum rent, as well as a three-month rent holiday at the commencement of the lease. Minimum rent expense is recognized on the straight-line basis and deferred rent represents the excess of cumulative straight line rent over the total amount of rent paid pursuant to the lease agreement. The lease requires that the Company maintain a security deposit of \$19,920.

Short-term Leases

In 2021, the Company commenced renting an office in Stamford, Connecticut expiring in January 2022. The monthly rent was \$3,600. The landlord held a security deposit of \$5,650, which was returned to the Company in 2022.

In March 2022, the Company commenced renting an office in Coral Gables, Florida under a non-cancelable operating lease that expires in March 2023. The lease provides for annual minimum rent, additional rent based on annual increases in real estate taxes and operating. The lease requires that the Company maintain a security deposit of \$2,700.

Future minimum annual lease payments for 2023 are \$7,100.

In August 2022, the Company commenced renting an office in New York City under a six-month operating lease that expires in January 2023. The monthly rent was \$12,122. The lease provides for bi-annual minimum rent, additional rent based on annual increases in real estate taxes and operating. The lease requires that the Company maintain a security deposit of \$27,975.

Future minimum annual lease payments for 2023 are \$12,123.

In 2022, the Company commenced renting an office in London, UK expiring in September 2023. The monthly rent is \$6,830. The landlord requires that Company maintains a security deposit of \$10,800.

Future minimum annual lease payments for 2023 are \$61,450.

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Note 10 - Commitments

The following summarizes the line items in the balance sheet which include amounts for operating leases at December 31, 2022:

Operating Lease Right-of-Use Asset	<u><u>\$ 115,620</u></u>
Current portion of operating lease liability	\$ 55,752
Operating lease liability, less current portion	<u>69,828</u>
Total Operating Lease Liability	<u><u>\$ 125,580</u></u>

The components of lease cost are as follows for the year ended December 31, 2022:

Operating lease costs	\$ 59,760
Short-term lease costs	<u>95,785</u>
	<u><u>\$ 155,545</u></u>

The following summarizes supplemental cash flow information related to operating leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of operating lease liability	<u><u>\$ 49,800</u></u>
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Weighted average lease term and discount rate are as follows at December 31, 2022:

Weighted average remaining lease term	2.17
Weighted average discount rate	4.00%

Unaudited-No assurance provided.

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NOTES TO FINANCIAL STATEMENTS
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Note 10 – Commitments (Continued)

The maturities of operating lease liabilities as of December 31, 2022 are as follows:

<u>For the Years Ending December 31,</u>		
2023		\$ 59,760
2024		59,760
2025		11,868
		<u>131,388</u>
Less: amounts representing interest		(5,808)
Present value of future minimum lease payments		<u>125,580</u>
Less: current maturity		55,752
Long-term operating lease liability		<u><u>\$ 69,828</u></u>

Note 11 - Income Taxes

The components of net income (loss) consist of the following:

United States	\$ (1,512,132)
Bermuda	(4,510,197)
Total	<u><u>\$ (6,022,329)</u></u>

The provision for income taxes for the year ended December 31, 2022, is set forth below:

Current and Deferred:	
Federal - US	\$ -
States	-
Bermuda	-
Total Provision for Income Taxes	<u><u>\$ -</u></u>

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Note 11 - Income Taxes (Continued)

The components of net deferred tax assets at December 31, 2022, are set forth below:

Net operating loss - US federal and states	\$ <u>758,000</u>
Total deferred tax assets before valuation allowance	758,000
Valuation allowance	<u>(758,000)</u>
Net deferred tax assets	<u><u>\$ -</u></u>

During the year ended December 31, 2022, the Company recorded a valuation allowance equal to its net deferred tax assets. The Company determined that due to a recent history of net losses, at this time sufficient uncertainty exists regarding the future realization of these deferred tax assets through future taxable income. If, in the future, the Company believes that it is more likely than not that these deferred tax benefits will be realized, the valuation allowances will be reduced or eliminated. With a full valuation allowance, any change in the deferred tax asset or liability is fully offset by a corresponding change in the valuation allowance. At December 31, 2022, the Company provided a valuation allowance on its net deferred tax assets of \$758,000.

As of December 31, 2022, the Company had a federal net operating loss carry forward of approximately \$2,854,000 which does not expire. In addition, the Company has net operating loss carry forwards from various states of approximately \$2,720,000 which expire from 2040 through 2042.

At December 31, 2022, the Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required. The Company does not expect that its unrecognized tax benefits will materially increase within the next twelve months. As of December 31, 2022, the Company has not recorded any provisions for accrued interest and penalties related to uncertain tax positions.

In certain cases, the Company's uncertain tax positions are related to tax years that remain subject to examination by the relevant tax authorities. The Company files US federal and state income tax returns in jurisdiction with varying statutes of limitations. The 2020 through 2022 tax years generally remain subject to examination by the various tax authorities.