

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
AND SUBSIDIARY**

CONSOLIDATED AND UNAUDITED FINANCIAL STATEMENTS

JUNE 30, 2021

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
AND SUBSIDIARY**

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**ANNUITY AND LIFE RE (HOLDINGS), LTD.
AND SUBSIDIARY**

CONSOLIDATED BALANCE SHEETS

June 30, 2021 and December 31, 2020

(Expressed in U.S. dollars)

ASSETS	UNAUDITED 2021	AUDITED 2020
Cash and cash equivalents	32,696	44,377
Investments	8,156,546	9,816,001
Debentures	2,400,000	2,400,000
Loan receivable, net of impairment allowance	-	-
Interest receivable, net of impairment allowance	270,154	155,920
Other assets	38,627	6,000
TOTAL ASSETS	10,898,023	12,422,298
LIABILITIES		
Reserve for losses and loss expenses	95,629	95,629
Loan payable	300,000	300,000
Interest payable on loans	15,372	7,794
Due to affiliates	250,000	250,000
Accounts payable and accrued expenses	664,939	680,501
TOTAL LIABILITIES	1,325,940	1,333,924
SHAREHOLDERS' EQUITY		
Share capital	5,017,500	5,017,500
Treasury stock	(18,896,796)	(18,896,796)
Additional paid-in-capital	32,583,633	32,583,633
Deficit	(9,132,254)	(7,615,963)
TOTAL SHAREHOLDER'S EQUITY	9,572,083	11,088,374
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	10,898,023	12,422,298

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

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

June 30, 2021 and December 31, 2020

(Expressed in U.S. dollars)

	UNAUDITED	AUDITED
	2021	2020
UNDERWRITING INCOME		
Premiums written	-	-
Change in unearned premiums	-	-
Net premiums earned	-	-
 UNDERWRITING EXPENSES		
Losses and loss expenses	-	-
Acquisition costs	-	-
Commutation expense	-	-
Profit commission	-	-
Total underwriting expenses	-	-
 NET UNDERWRITING INCOME (LOSS)	-	-
 NET INVESTMENT INCOME (LOSS)	(1,368,628)	2,397,120
IMPAIRMENT ON LOAN RECEIVABLE	-	(4,304,766)
INCOME (LOSS) BEFORE OPERATING EXPENSES	(1,368,628)	(1,907,646)
 OPERATING EXPENSES	(147,663)	(1,003,201)
 NET INCOME (LOSS)	(1,516,291)	(2,910,847)
 Earnings (loss) per share	\$ (0.30)	\$ (0.58)

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

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
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**CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDER'S EQUITY**

June 30, 2021 and December 31, 2020

(Expressed in U.S. dollars)

	UNAUDITED 2021	AUDITED 2020
Share capital		
Balance at beginning and end of year (5,017,500 shares at \$1 par)	5,017,500	5,017,500
<hr/>		
Treasury stock		
Balance at beginning of year	(18,896,796)	(18,896,796)
Shares purchased during the year	-	-
Balance at end of year	(18,896,796)	(18,896,796)
<hr/>		
Additional paid-in-capital		
Balance at beginning and end of year	32,583,633	32,583,633
Additional paid-in-capital during the year	-	-
Balance at end of year	32,583,633	32,583,633
<hr/>		
Deficit		
Balance at beginning of year	(7,615,963)	(4,705,116)
Change in treatment of OCI pursuant to ASU 2016-01	-	-
Net income (loss) for the year	(1,516,291)	(2,910,847)
Balance at end of year	(9,132,254)	(7,615,963)
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TOTAL SHAREHOLDER'S EQUITY	\$ 9,572,083	\$ 11,088,374

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

**ANNUITY AND LIFE RE (HOLDINGS), LTD.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and December 31, 2020

(Expressed in U.S. dollars)

1. BUSINESS ACTIVITY

Annuity and Life Re (Holdings), Ltd. (“Holdings”) was incorporated under the laws of Bermuda on December 2, 1997. Its principal activity is that of investment holding.

Holdings was wholly owned by Pope Investments II LLC, a managed limited liability company registered in Delaware. In 2013, the Board of Directors of Holdings approved the transfer of all its common shares from Pope Investments II LLC to Wilson & Co., a nominee company owned by HSBC Bermuda Custody Services for and on behalf of National Financial Services, with the intent of allowing more liquidity to the Company’s investors

The financial statements include the accounts of Holdings and its wholly owned subsidiary, Annuity and Life Reassurance, Ltd. (“ALRE”), a Class 3A and Class C insurer under the Insurance Act, 1978 of Bermuda and related regulations. ALRE has not written any long-term business since December 31, 2005 and does not intend to continue writing any long-term business in the near future. Effective August 1, 2013, ALRE entered into a commutation and release agreement with Alterra Bermuda Limited, in respect of the Property Quota Share Retrocession Agreement which both parties entered into in January 1, 2010. The commutation and release agreement mutually releases both parties from any and all past, present and future payment obligations in connection with the Retrocession agreement.

Holdings and ALRE are collectively referred to herein as the “Company.”

In 2012, the Company obtained a waiver on the qualified investor restriction, effectively allowing the Company’s listed securities to be held by the general public, subject to a few requirements imposed on regular publicly listed entities in the BSX.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

The significant accounting policies are as follows:

(a) Basis of consolidation

The consolidated financial statements include the accounts of Holdings and ALRE. All significant inter-company accounts and transactions have been eliminated upon consolidation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and December 31, 2020

(Expressed in U.S. dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Cash and cash equivalents

Cash and cash equivalents are carried at market value, and consist of money market funds and short-term investments, with original maturities of 90 days or less. The Company considers cash pledged as collateral for securities sold short to be restricted cash.

(c) Premiums written

Premiums are recognized as revenue on a pro-rata basis over the periods of the respective policies or contracts of reinsurance. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums. Premiums which are subject to adjustment are estimated based upon available information. Any variances from the estimates are recorded in the periods in which they become known.

(d) Reserve for losses and loss expenses

Long-term Business

The development of reserves for policy benefits and for claims incurred but not reported ("IBNR") for the Company's long-term products requires management to make estimates and assumptions regarding mortality, lapse, persistency, expenses and investment experience. Such estimates are primarily based on historical experience and information provided by ceding companies. Actual results could differ materially from those estimates. Management monitors actual experience and, where circumstances warrant, revises its assumptions and the related reserve estimates. In certain instances, the Company continues to be liable for claims arising on novated contracts which pre-date the novation agreement.

General Business

The liability for losses and loss adjustment expenses in relation to the Company's general reinsurance activities included an amount determined from loss reports and individual cases received from the ceding reinsurer and an amount, based on past experience and based on the study performed by an independent actuary, for losses incurred but not reported. These liabilities were commuted on August 1, 2013.

(e) Acquisition costs and profit commission

Acquisition costs, primarily commission and brokerage expenses, represent those costs which vary with and are primarily related to the acquisition of the general reinsurance contracts. These costs are deferred and are amortized over the period during which related premiums are earned.

Profit commission is accrued in accordance with the terms of the Property Quota Share retrocession agreement in an amount based upon the net income on the contract as recorded in the financial statements.

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June 30, 2021 and December 31, 2020

(Expressed in U.S. dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments

Effective January 1, 2019, with the adoption of the new FASB guidance on recognition, measurement, presentation and disclosure of financial instruments (ASU 2016-01), the Company measures investments at fair value with changes in unrealized gains and losses recognized in consolidated net income.

Prior to January 1, 2019, investments were classified as available for sale, carried at market value with unrealized gains and losses included in other comprehensive income in the consolidated statements of income and comprehensive (loss) income which is presented as a separate component of shareholder's equity.

Investments are carried at their fair value with the unrealized gain or loss reported in the consolidated statements of (loss) income.

Realized gains and losses on investments are recognized in the consolidated statements of (loss) income using the specific identification method. Interest income is recognized on an accrual basis.

Investments in non-publicly traded companies are measured at cost.

(g) Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the amounts included in the consolidated financial statements reflect the Company's best estimates and assumptions, actual results could differ from these estimates.

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3. OTHER MATTERS

In June 2014, the Company applied for a repurchase of 2,375,625 of its own shares from Wilson & Co. The application was approved and executed within the facilities of the Bermuda Stock Exchange. Total cost of the repurchase amounted to \$17,527,505. The said repurchase was funded in part through settlement of intercompany accounts between the Company and ALRE via dividend-in-specie, and settlement of intercompany accounts between the Company and Pope Investments II LLC. The repurchase is reflected as treasury stock at cost in the Company's Shareholder's equity.

In August 2014, the Company applied for another repurchase of 84,309 of its own shares from Wilson & Co. The application was approved and executed within the facilities of the Bermuda Stock Exchange. Total cost of the repurchase amounted to \$639,449. The repurchase is reflected as treasury stock at cost in the Company's Shareholder's equity.

In January 2019, the Company's Board of Directors approved and executed a repurchase of 80,800 of its common shares from US Bank for a consideration of \$518,721. An additional stock repurchase was approved in April 2019. For a consideration of \$217,183 (inclusive of BSX and Custody fees) the Company bought 25,000 of its shares from US Bank. Both transactions were executed through the facilities of the Bermuda Stock Exchange. The said repurchase was funded by a return of capital received from its subsidiary, Annuity and Life Reassurance Ltd.

On January 27, 2020, the Company has elected to convert in full, the principal and accrued interest outstanding on the Loans and Debenture provided by Tethys Petroleum Ltd of US\$4,331,840 into 13,973,677 Tethys ordinary shares.

In 2020, management deemed that the Multivir loan is impaired and has recorded an allowance of \$3,790,000 for the principal and \$514,766 for the interest. Total impairment expense recognized during the year is \$4,304,766.

The Company's assets include debentures and loan receivable from Tethys Petroleum Limited ("Tethys"), an oil and gas company incorporated in the Cayman Islands and operating within the Republic of Kazakhstan, Republic of Tajikistan and Georgia. Tethys has its primary listing on the Toronto Stock Exchange ("TSX") until March 23, 2018, when it transferred to the NEX Board of the Toronto Venture Exchange. Tethys is also listed on the Kazakhstan Stock Exchange ("KASE"). Tethys' auditors have noted in the consolidated financial statements for the year ended December 31, 2019, that without qualifying their opinion, attention is drawn to note 1 in their consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Tethys' ability to continue as a going concern. No adjustment has been made to the recorded value of the loans and debentures as a result of the going concern matter.

The Company is a petitioner to the following litigations which are currently on foot before the Supreme Court of Bermuda:

a minority shareholder proceeding under section 111 of the Companies Act 1981 brought by the Company against Full Apex (Holdings) Limited and certain shareholders of that company as Respondents (the "Full Apex matter").

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The possible contingent liabilities arising from the Full Apex matter would be adverse costs orders in favor of the Respondents if the Company were to be unsuccessful.

No proceedings for assessment of these costs have been brought against the Company as of year-end, but in December 2020, Full Apex notified the Company that it had paid the joint provisional liquidators' costs and asserted an entitlement in respects of the costs in the sum of \$620,613.

The Company was a petitioner to a litigation which was on foot before the Supreme Court of Bermuda a minority shareholder proceeding under section 111 of the Companies Act 1981 brought by the Company against Kingboard Copper Foil Holdings Limited and certain shareholders of that company as Respondents (the "Kingboard matter").

The company won the substantive hearing on November 10, 2015. In 2016, the company recognized Other Income of \$443,891 comprising the return of legal costs as awarded by the court. An appeal was heard before the Court of Appeals in Bermuda on March 27, 2017. Although the company lost the appeal, an out-of-court settlement is being negotiated. In 2017, a settlement was not reached hence the Company filed the appeal before the Privy Council.

On April 3, 2018, the Company entered into a settlement agreement and release ("Agreement") with Kingboard Copper Foil Holdings Limited ("Kingboard") and certain shareholders of Kingboard. As a result, the Company forgone its appeal before the Privy Council and sold 17,361,000 Kingboard shares for a total aggregate purchase price of S\$7,812,450 Singapore Dollars (approximately \$5,960,000 US Dollars). Kingboard also reimbursed the Company's legal costs amounting to \$1,700,000.

The Company is not aware of any new contingencies other than those previously reported on the Company's audited financial statements for the year ended December 31, 2020.