



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2016 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 989 761 617
Organisasjonsform: Aksjeselskap
Foretaksnavn: SKIPSAKSJESELSKAPET GEARBULK AS
Forretningsadresse: Damsgårdsveien 165
5160 LAKSEVÅG

Regnskapsår

Årsregnskapets periode: 01.01.2016 - 31.12.2016

Konsern

Mørselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Anders Nes Hagen
Dato for fastsettelse av årsregnskapet: 11.04.2017

Grunnlag for avgivelse

År 2016: Årsregnskapet er elektronisk innlevert
År 2015: Tall er hentet fra elektronisk innlevert årsregnskap fra 2016

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 02.11.2020



Resultatregnskap

Beløp i: USD	Note	2016	2015
RESULTATREGNSKAP			
Sales revenue	2		
Kostnader			
Other operating expenses	4	8 000	8 000
Sum kostnader		8 000	8 000
Driftsresultat		-8 000	-8 000
Finansinntekter og finanskostnader			
Other financial income		0	1 000
Sum finansinntekter		0	1 000
Impairment of financial assets		1 516 000	1 428 000
Other financial expenses	10	419 000	374 000
Sum finanskostnader		1 935 000	1 802 000
Netto finans		-1 935 000	-1 801 000
Ordinært resultat før skattekostnad		-1 943 000	-1 809 000
Tax payable	13		
Ordinært resultat etter skattekostnad		-1 943 000	-1 809 000
Årsresultat		-1 943 000	-1 809 000
Overføringer og disponeringer			
Transfer to othr equity	6	-1 943 000	-1 809 000
Sum overføringer og disponeringer		-1 943 000	-1 809 000



Balanse

Beløp i: USD	Note	2016	2015
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	6	0	1 516 000
Sum finansielle anleggsmidler		0	1 516 000
Sum anleggsmidler		0	1 516 000
Omløpsmidler			
Varer			
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	7	5 000	2 000
Sum bankinnskudd, kontanter og lignende		5 000	2 000
Sum omløpsmidler		5 000	2 000
SUM EIENDELER		5 000	1 518 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	11,12	16 060 000	16 060 000
Sum innskutt egenkapital		16 060 000	16 060 000
Opptjent egenkapital			
Other equity	11	-31 069 000	-29 126 000
Sum opptjent egenkapital		-31 069 000	-29 126 000
Sum egenkapital		-15 009 000	-13 066 000
Gjeld			



Balanse

Beløp i: USD	Note	2016	2015
Langsiktig gjeld			
Annen langsiktig gjeld			
Other long-term liabilities	10,15	10 400 000	10 400 000
Sum annen langsiktig gjeld		10 400 000	10 400 000
Sum langsiktig gjeld		10 400 000	10 400 000
Kortsiktig gjeld			
Other current liabilities	9	10 000	3 000
Current liabilities to related parties	8	4 604 000	4 181 000
Sum kortsiktig gjeld		4 614 000	4 184 000
Sum gjeld		15 014 000	14 584 000
SUM EGENKAPITAL OG GJELD		5 000	1 518 000



Konsernets resultatregnskap

Beløp i: USD	Note	2016	2015
RESULTATREGNSKAP			
Inntekter			
Operating revenue	2	2 364 000	2 776 000
Sum inntekter		2 364 000	2 776 000
Kostnader			
Depreciation	5	1 664 000	1 667 000
Vessel operating expenses	3	2 064 000	2 186 000
Other operating expenses	4	31 000	26 000
Sum kostnader		3 759 000	3 879 000
Driftsresultat		-1 395 000	-1 103 000
Finansinntekter og finanskostnader			
Other financial income		39 000	
Sum finansinntekter		39 000	
Other financial expenses	10	982 000	863 000
Sum finanskostnader		982 000	863 000
Netto finans		-943 000	-863 000
Ordinært resultat før skattekostnad		-2 338 000	-1 966 000
Tax payable	13	-15 000	-157 000
Ordinært resultat etter skattekostnad		-2 323 000	-1 809 000
Årsresultat		-2 323 000	-1 809 000
Overføringer og disponeringer			
Transfer to other equity	6	-2 323 000	-1 809 000
Sum overføringer og disponeringer		-2 323 000	-1 809 000



Konsernets balanse

Beløp i: USD	Note	2016	2015
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Vessels	5	13 322 000	14 923 000
Sum varige driftsmidler		13 322 000	14 923 000
Sum anleggsmidler		13 322 000	14 923 000
Omløpsmidler			
Varer			
Inventory		49 000	29 000
Sum varer		49 000	29 000
Fordringer			
Other receivables		49 000	21 000
Sum fordringer		49 000	21 000
Investeringer			
Loan to related parties	8	0	3 468 000
Sum investeringer		0	3 468 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	7	255 000	306 000
Sum bankinnskudd, kontanter og lignende		255 000	306 000
Sum omløpsmidler		353 000	3 824 000
SUM EIENDELER		13 675 000	18 747 000

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital



Konsernets balanse

Beløp i: USD	Note	2016	2015
Share capital	11,12	16 060 000	16 060 000
Sum innskutt egenkapital		16 060 000	16 060 000
Opptjent egenkapital			
Other equity	11	-31 447 000	-29 124 000
Sum opptjent egenkapital		-31 447 000	-29 124 000
Sum egenkapital		-15 387 000	-13 064 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt	13	356 000	455 000
Sum avsetninger for forpliktelser		356 000	455 000
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	10,15	4 960 000	5 460 000
Other long-term liabilities	10,15	15 400 000	14 400 000
Sum annen langsiktig gjeld		20 360 000	19 860 000
Sum langsiktig gjeld		20 716 000	20 315 000
Kortsiktig gjeld			
Liabilities to financial institutions	10	1 162 000	1 820 000
Leverandørgjeld		74 000	108 000
Tax payable	13	93 000	123 000
Liabilities to related parties	8	6 881 000	9 292 000
Other current liabilities	9	136 000	153 000
Sum kortsiktig gjeld		8 346 000	11 496 000
Sum gjeld		29 062 000	31 811 000
SUM EGENKAPITAL OG GJELD		13 675 000	18 747 000



Norwegian Directorate of Taxes

Inquiries to
Torstein Kinden Helleland

Your date
24.08.2015

Our date
16.09.2015

Telephone
22078139

Your reference
Anders Hagen

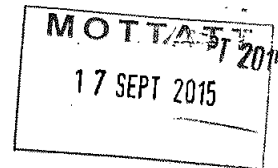
Our reference
2015/839383

GEARBULK POOL LTD
Postboks 1925 Damsgård
5828 BERGEN

Permission to prepare the annual accounts and directors' report in English language

With reference to your letter of 28 August 2015, you apply for permission to keep annual accounts and directors' report in English language. The application in question concerns the following companies;

Gearbulk Bergen AS	org. nr. 996 210 065
Gearbulk Ltd	org. nr. 929 784 308
Gearbulk Management Ltd	org. nr. 914 961 939
Gearbulk Norway AS	org. nr. 996 101 061
Gearbulk Pool Ltd	org. nr. 914 961 858
Gearbulk Shipping AS	org. nr. 961 999 960
Skipsaksjeselskapet Gearbulk AS	org. nr. 989 761 617



Conclusion

Based on a total evaluation, the view of The Directorate of Taxes is that the companies mentioned above may make the directors' report and annual accounts in English language according to the Norwegian Accounting Act § 3-4 third paragraph. The exemption requires that the information that the decision is based on, does not change significantly.

A copy of this letter must be sent to the Register of Company Accounts in Brønnøysund together with the financial statements. It is incumbent on the company to document by this letter that the permit is granted.

Background

The companies in the Gearbulk Holding Group are owned by Gearbulk Holding Ltd, Bermuda. The Gearbulk Holding Group is an international group of companies which owns and operates a modern fleet of open hatch vessels. The Group is highly international in the sense that it operates throughout the world. The Group uses English as working language. The annual report and financial statements are required to be prepared each year in the Norwegian language only in order to satisfy the requirements of the Norwegian Accounting Act.

Postal address
Postboks 9200 Grønland
0134 Oslo

Visiting address: Telephone
See www.skatteetaten.no 800 80 000
Org.nr: 996250318 Telefax
E-mail: skatteetaten.no/sendepost 22 17 08 80



Permission to make the annual accounts and the directors' report in Norway in English language

According to the Norwegian Accounting Act § 3-4, third paragraph shall *"the directors' report and annual accounts ... be in Norwegian. The Ministry can in an individual decision decide that the directors' report and/or annual accounts may be in another language"*.

Ot. prp. nr. 42 (1997-1998) About Act about annual accounts etc., says the following about the purpose of the Accounting Act, refer section 1.1:

"The aim of the Government with respect to the Accounting Act is that it shall contribute towards providing informative accounts for different users of accounts. The users of accounts include investors and creditors which provide capital for the companies. Other groups include those who have an interest in knowing how the companies are operated, for example employees and the local community. The information to the capital market is an important basis for the correct pricing of financial instruments. The correct pricing of stocks is an important factor in securing the best possible allocation of resources in the economy. High quality accounts will also make it more difficult for market participants to obtain speculative gains as a result of non-publicly available information."

Hence, one of the main aims of the Accounting Act is to contribute to "informative accounts for different users of accounts". The users of the accounts will include investors, creditors, employees and the local community.

Hence, it is the view of the Ministry that it is crucial that the question of dispensation from the general rule that the annual accounts and/or directors' report should be prepared in Norwegian, not in any significant way deviate from the consideration of users of the accounts.

As mentioned above it is particularly the consideration of the users of the account information which has to be taken into consideration when considering the application for permission. In this assessment, the Directorate of Taxes has emphasized that the companies are owned by a foreign company. The working language is English, and English is the preferred language for internal and external communication. Further, the companies operate in an international branch.

Please state "our reference" (see above) in all written communication with The Norwegian Tax Authorities.

Best regards

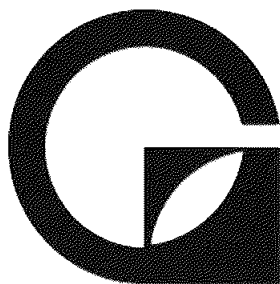
Rune Tystad
Senior Adviser
Rettsavdelingen, foretaksskatt
Norwegian Directorate of Taxes

Torstein Kinden Helleland

This document has been electronically approved and contains therefore no handwritten signatures



**SKIPSAKSJESELSKAPET
GEARBULK
AS**



**Financial Statements
Year ended December 31, 2016**



Board of directors' report 2016

Skipsaksjeselskapet Gearbulk AS

Address: Damsgårdsveien 165, 5160 LAKSEVÅG

Org.nr: 989761617 MVA

The business

Skipsaksjeselskapet Gearbulk AS ("SAGBAS") is undertaking shipping related activities and is the owner of the vessel owning company Gearbulk Shipping AS. The Company's office is located in Bergen.

Financial result and development

Skipsaksjeselskapet Gearbulk Group's revenue in 2016 was USD 2.4 mill compared to USD 2.8 mill in 2015. The 2016 result was a net loss of USD 2.3 mill compared to a net loss of USD 1.8 mill in 2015.

The Group's net assets are reduced from USD 18.7 mill in 2015 to 13.7 mill in 2016. The liquidity position is reduced from USD 0.31 mill in 2015 to USD 0.26 mill in 2016. Current assets is USD 0.4 mill (2015: USD 3.8 mill) and short term debt is USD 8.3 mill (2015: USD 11.5 mill).

The Group's equity ratio is -112.5 % as of December 31, 2016.

Skipsaksjeselskapet Gearbulk AS is a Holding company for the vessel owning company Gearbulk Shipping AS. The Company's net result was a net loss of USD 1.9 mill compared to a net loss of USD 1.8 mill in 2015. The Company's total asset as of December 31, 2016 was USD 5 thousand and the equity was negative by USD 15.0 mill.

Going concern assumption

In accordance with the section 3-3 of the Norwegian Accounting Act, we confirm that the financial statements have been prepared under the assumption of going concern. The equity is negative, however the financing is to a large extent through long term financing which consist of an external credit facility and debt to Gearbulk Group companies. The going concern assumption has been based on an assessment of the following factors; the instalment profile for the long term debt, the projected cash flow from operation in combination with the letter of financial support from Gearbulk Holding AG for at least one year from the date of signing the 2016 financial statement.

The Board considers that the annual accounts give an accurate description of Skipsaksjeselskapet Gearbulk AS' assets and liabilities, financial position and result.

The Board note that the share capital in the Company has been lost. The Company has received a letter of financial support from Gearbulk Holding AG which will continue to support the Company in the future and at least one year from the date of signing the 2016 financial statement.

Liquidity and financing

The Group has an external credit facility of USD 6.1 mill secured in the vessel owned by the Group. Further, the Group has a revolving credit facility with Gearbulk Holding AG of USD 10 mill which runs until end 2017. As of December 31, 2016 USD 5 mill has been drawn on the facility.

Differences between net operation result and the cash flow from operational activities is mainly resulting from depreciations of fixed assets, changes in receivable and changes in short time liabilities to related parties.



The liquidity position and the financing of the company for the next 12 months are assessed to be covered based on the cash flow and the available credit facilities.

Financial risk

The Group is exposed to risks related to the market, availability of financing, interest, credit, exchange rate, fluctuations in the bunker price and operational risk through its engagement as a vessel owner.

The risks related to the market, fluctuations in the bunker price, currency and credit are sought to be reduced through commercial agreement with Gearbulk Pool Ltd whereby the vessel is operated as part of the pool run by Gearbulk Pool Ltd.

Operational risk is sought to be reduced through technical management agreement with Gearbulk Norway AS which operates as the technical manager for the vessels in the Gearbulk Group.

The financial risk is reduced through the Group's financial structure and the available credit facilities.

Work environment, equal opportunities and discrimination

The company has no employees and there are no female representatives in the Board of Directors. The company's ambition is to exercise full gender equality and has incorporated a policy aiming to avoid any discrimination.

The external environment

Shipping activity in general may lead to pollution or other accidents. The Group's vessel is equipped in accordance with international legislation and requirements. There have not been any material accidents or events during 2016 which has caused pollution.

Statement regarding the outlook for the company

The Group's vessel is operated within the pool of vessels run by Gearbulk Pool Ltd. The revenue in Gearbulk Pool Ltd is depending of the market condition in the segment of operation.

Bergen, April 11th, 2017
Board of Skipsaksjeselskapet Gearbulk AS



Kristian Jebsen
Director



Hans Petter Aas
Chairman



Ketil Andreassen
Director



Sjur Gjerde
Managing Director



SKIPSAKSJESELSKAPET GEARBULK AS
BALANCE SHEETS
As of December 31, 2015 and 2016

(US Dollars in thousands)

SAGBAS			Consolidated	
As at 31 December			As at 31 December	
2015	2016		2015	2016
		Assets		
		Fixed assets		
\$ -	\$ -	Vessels (Note 5)	\$ 14,923	\$ 13,322
1,516	-	Investment in subsidiary (Note 6)	-	-
<u>1,516</u>	<u>-</u>	Total fixed assets	<u>14,923</u>	<u>13,322</u>
		Current assets		
-	-	Inventories	29	49
-	-	Other receivables	21	49
-	-	Loan to related parties (Note 8)	3,468	-
2	5	Cash and cash equivalents (Note 7)	306	255
<u>2</u>	<u>5</u>	Total current assets	<u>3,824</u>	<u>352</u>
<u>\$ 1,518</u>	<u>\$ 5</u>	Total assets	<u>\$ 18,747</u>	<u>\$ 13,674</u>




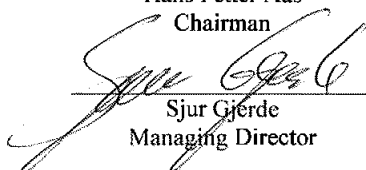
SKIPSAKSJESELSKAPET GEARBULK AS
BALANCE SHEETS
As of December 31, 2015 and 2016
(US Dollars in thousands)

SAGBAS			Consolidated	
As at 31 December			As at 31 December	
2015	2016		2015	2016
		Equity		
		Paid in capital		
\$ 16,060	\$ 16,060	Share capital (Note 11,12)	\$ 16,060	\$ 16,060
16,060	16,060	Total paid in capital	16,060	16,060
		Retained earnings		
(29,126)	(31,069)	Other equity (Note 11)	(29,124)	(31,447)
(29,126)	(31,069)	Total retained earnings	(29,124)	(31,447)
		Total equity	(13,064)	(15,387)
		Liabilities		
		Provisions		
-	-	Deferred tax liability (Note 13)	455	356
-	-	Total Provisions	455	356
		Other long-term liabilities		
-	-	Liabilities to financial institutions (Note 10,15)	5,460	4,960
10,400	10,400	Other long-term liabilities (Note 10,15)	14,400	15,400
10,400	10,400	Total other long-term liabilities	19,860	20,360
		Current liabilities		
-	-	Liabilities to financial institutions (Note 10)	1,820	1,162
-	-	Trade creditors	108	74
-	-	Tax payable (Note 13)	123	93
4,181	4,604	Liabilities to related parties (Note 8)	9,292	6,881
3	10	Other short-term liabilities (Note 9)	154	136
4,184	4,614	Total current liabilities	11,497	8,347
14,584	15,014	Total liabilities	31,812	29,063
\$ 1,518	\$ 5	Total equity and liabilities	\$ 18,747	\$ 13,676

Bergen, April 11th, 2017
 Board of Skipsaksjeselskapet Gearbulk AS


 Kristian Jebsen
 Director


 Hans Petter Aas
 Chairman


 Sjur Gjerde
 Managing Director


 Ketil Andreassen
 Director



SKIPSAKSJESELSKAPET GEARBULK AS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2016

(US Dollars in thousands)

SAGBAS			Consolidated	
Period ended 31 December			Period ended 31 December	
2015	2016		2015	2016
		<i>Cash flows from operating activities</i>		
\$ (1,809)	\$ (1,943)	Loss before tax	\$ (1,966)	\$ (2,338)
-	-	Taxes paid	(Note 13) (182)	(123)
-	-	Depreciation of vessels	(Note 5) 1,402	1,399
-	-	Deferred dry docking expense	(Note 5) 265	265
1,428	1,516	Impairment of financial assets	(Note 6) -	-
-	-	Changes in inventories	37	(20)
-	-	Changes in receivables	(Note 8) (1,270)	3,440
-	-	Changes in trade creditors	55	(34)
-	-	Effect of changes in exchange rates	42	14
384	423	Change in short term liabilities to related parties	(Note 8) 2,244	(2,411)
(5)	7	Changes in other current balance sheet items	(Note 9) 75	(18)
<u>(2)</u>	<u>3</u>	<i>Net cash provided by operating activities</i>	<u>701</u>	<u>175</u>
		<i>Cash flows from investing activities</i>		
-	-	Vessel dry-docking	(Note 2) -	64
<u>-</u>	<u>-</u>	<i>Net cash flow from investing activities</i>	<u>-</u>	<u>64</u>
		<i>Cash flows from financing activities:</i>		
-	-	Proceeds from increase in the revolving credit facility	(Note 10) 1,000	1,000
-	-	Repayment of long term loans	(Note 10) (1,820)	(1,160)
<u>-</u>	<u>-</u>	<i>Net cash flow from financing activities</i>	<u>(820)</u>	<u>(160)</u>
(2)	3	Net change in cash and cash equivalents	(119)	(49)
4	2	Cash and cash equivalents at beginning of year	422	303
<u>\$ 2</u>	<u>\$ 5</u>	<i>Cash and cash equivalents at the end of the year</i>	<u>\$ 303</u>	<u>255</u>



**SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Accounting principles

The annual accounts have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles.

a) Basis for consolidation

The consolidated financial statements comprise the parent company Skipsaksjeselskapet Gearbulk AS and the subsidiary Gearbulk Shipping AS. The consolidated accounts are prepared such that the group of companies is presented as a single economic entity. Intercompany transactions have been eliminated from the consolidated accounts. The consolidated accounts are prepared according to the same accounting principles for both parent and subsidiary.

b) Subsidiaries and investment in associate

Subsidiaries and investments in associates are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends / group contribution exceeds withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

c) Operating revenue

Operating revenues are recognised as income at the time of delivery and the risk and control has been transferred. Freight revenues from voyages are recognised on the basis of number of days the voyage lasts.

d) Balance sheet classification

Current assets and current liabilities relates to items which is due within one year from the date of purchase. Other balance sheet items are classified as fixed assets / long-term liabilities.

Current assets are valued at the lower of historical cost and fair value. Current liabilities are carried at nominal value at the date of issue. Fixed assets are valued at historical cost, but are written down to recoverable amount in the event of impairment which is not deemed to be temporary. Long-term liabilities are recognized at nominal value.

e) Trade and other receivables

Trade receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful debts. Provisions for doubtful debts are calculated on the basis of individual assessments.

f) Inventories

Inventories of lub oil and paint are valued at the lowest of cost (on the basis of the FIFO method) and net selling price.



SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS

g) Currency

Functional currency for the Company and the subsidiary in the Group is US Dollar. Transactions in foreign currency are translated at the rate applicable at the time of the transaction. Monetary items in foreign currency are translated into USD using the year-end exchange rate.

h) Fixed assets

Fixed assets are valued at historical cost less accumulated depreciation. Depreciation is recognised on a straight line basis over the remaining expected useful life of each asset, adjusted for the residual value. If changes in the depreciation plan occur the effect is distributed over the remaining depreciation period.

Improvements are capitalised and depreciated in pace with the asset involved. Docking costs are capitalised and depreciated over the period to the next scheduled dry-docking.

If carrying value of fixed assets exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realisable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are discounted and used.

i) Income tax

Tax expenses in the profit and loss account comprise both tax payable for the accounting period and changes in deferred tax. Deferred tax is calculated on all differences between the book value and the tax value of assets and liabilities at the year end. Deferred tax is calculated as 24% (25% in 2015) of temporary differences and the tax effect of tax losses carried forward.

Deferred tax assets are recorded in the balance sheet to the extent it is more likely than not that the tax assets will be utilized.

The Company is subject to the Norwegian tonnage tax scheme pursuant to chapter 8 of the Taxation Act.

j) Use of estimates

The management has used estimates and assumptions in the preparation of the financial statements that have effect on the reported amounts in the profit and loss statement, the measurement of assets and liabilities and the disclosure of contingent assets and liabilities on the balance sheet date in accordance with the generally accepted accounting principles in Norway.

Contingent losses that are probable and quantifiable are expensed as occurred.

k) Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term highly liquid placement with original maturities of three months or less.



SKIPSAKSJESELSKAPET GEARBULK AS NOTES TO FINANCIAL STATEMENTS

Note 2 – Operating revenue

The operating revenue in 2015 and 2016 is net pool revenues based on the Group's vessel participation Gearbulk Group's pooling of vessel, managed by Gearbulk Pool Ltd.

Note 3 – Vessel Operating expenses

	As of December 31,	
	2015	2016
	(US Dollars in thousands)	
Crew cost	\$ 1,078	\$ 1,061
Provision and consumables	357	304
Spares and maintenance	472	417
Insurance	127	113
Other vessel operating expenses	151	169
	<u>\$ 2,186</u>	<u>\$ 2,064</u>

The technical management for the Group's vessel is provided by Gearbulk Norway AS.

Note 4 - Payroll, auditor's remuneration, other operating expenses

The Company has no employees.

Management remuneration

There has not been any remuneration to leading employees. No loans or guarantees have been given to the Managing Director or Board of Directors.

SAGBAS

Auditor fee has been divided as follows

Audit fee

Year ended December 31,	
2015	2016
(US Dollars in thousands)	
\$ 8	\$ 8
<u>\$ 8</u>	<u>\$ 8</u>

Group

Auditor fee has been divided as follows

Audit fee

Year ended December 31,	
2015	2016
(US Dollars in thousands)	
\$ 19	\$ 19
<u>\$ 19</u>	<u>\$ 19</u>

Auditors fees are exclusive VAT.



SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS

Note 5 – Fixed assets

Group

	<u>Vessels</u>	<u>Docking</u>	<u>Total</u>
	(US Dollars in thousands)		
Cost			
Balances as at January 1, 2016	\$ 31,534	\$ 1,324	\$ 32,858
Disposals	64	-	64
Balances as at December 31, 2016	<u>31,598</u>	<u>1,324</u>	<u>32,922</u>
Depreciation			
Acc. depreciation December 31, 2016	(10,641)	(728)	(11,369)
Acc. write-downs December 31, 2016	<u>(8,230)</u>	<u>-</u>	<u>(8,230)</u>
Net carrying amount as at December 31, 2016	<u>\$ 12,726</u>	<u>\$ 596</u>	<u>\$ 13,322</u>
Depreciation for the year	\$ 1,399	\$ 265	1,664
Useful economic life	25 years	1.5 - 5 years	

Recoverable amount of vessels and docking is based on value in use.

Note 6 - Subsidiaries

SAGBAS

<u>Investments in subsidiary</u>	<u>Location</u>	<u>Share ownership</u>	<u>Voting rights</u>	<u>Equity</u>	<u>Net profit</u>	<u>Book value</u>
(US Dollars in thousands)						
Gearbulk Shipping AS	Bergen	100 %	100 %	\$ (380)	\$ (1,896)	\$ -

Note 7 - Bank deposit

There is no restricted cash as of December 31, 2016.

Note 8 – Related parties

SAGBAS

Payables

Gearbulk Shipowning Ltd
Gearbulk Shipping AS
Total

	<u>As of December 31,</u>	
	<u>2015</u>	<u>2016</u>
(US Dollars in thousands)		
	2,412	2,831
	1,769	1,773
	<u>\$ 4,181</u>	<u>\$ 4,604</u>



SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS

Note 8 – Related parties

Group Receivables	As of December 31,	
	2015	2016
(US Dollars in thousands)		
Gearbulk Pool Ltd	3,468	0
Total	\$ 3,468	\$ 0

Group Payables	As of December 31,	
	2015	2016
(US Dollars in thousands)		
Gearbulk Shipowning Ltd	9,028	5,942
Gearbulk Pool Ltd	0	249
Gearbulk Norway AS	0	155
Gearbulk Holding AG	264	535
Total	\$ 9,292	\$ 6,881

Note 9 - Short term liabilities

SAGBAS	As of December 31,	
	2015	2016
(US Dollars in thousands)		
Other short term liabilities	3	9
Total	\$ 3	\$ 9

Group	As of December 31,	
	2015	2016
(US Dollars in thousands)		
Accrued expenses	80	124
Other short term liabilities	74	11
Total	\$ 154	\$ 135

Note 10 – Liabilities and guarantees

SAGBAS	As of December 31,	
	2015	2016
(US Dollars in thousands)		
<i>Long term liabilities to related parties</i>		
Gearbulk Shipowning Ltd	\$ 10,400	\$ 10,400



SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS

Note 10 – Liabilities and guarantees

Group	As of December 31,	
	2015	2016
<i>Book value of secured debts</i>	(US Dollars in thousands)	
Liabilities to financial institutions	\$ 7,280	\$ 6,122
Liabilities to financial institutions which is due after five years	\$ 0	\$ 0
	As of December 31,	
	2015	2016
<i>Book value of pledged assets</i>	(US Dollars in thousands)	
Vessels	\$ 14,923	\$ 13,322
	As of December 31,	
	2015	2016
<i>Long term liabilities to related parties</i>	(US Dollars in thousands)	
Gearbulk Shipowning Ltd	\$ 14,400	\$ 15,400

Mortgage Debt

In July 2016, the Group amended key terms and conditions of its bank debt facility. In relation to this it was agreed to extend the maturity of the loan from 2017 to 2020, to convert the revolving credit facility to a term loan, and to replace the existing Liquidity Ratio covenant with three new financial covenants. The loan repayment schedule was also changed from semiannual to quarterly repayments.

Other long term liabilities

The Group has a revolving credit facility with Gearbulk Holding AG of USD 10 mill until end 2017. December 2016, the Group amended terms and conditions of this credit facility. In relation to this it was agreed to extend the maturity of the loan from 2017 to 2022. As of December 31, 2016, USD 5 mill has been drawn on the revolving credit facility

Note 11 – Equity

SAGBAS

	Share capital	Retained earnings	Total
	(US Dollars in thousands)		
Equity January 1, 2016	\$ 16,060	\$ (29,126)	\$ (13,066)
Net profit	-	(1,943)	(1,943)
Equity December 31, 2016	\$ 16,060	\$ (31,069)	\$ (15,009)



Group

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
	(US Dollars in thousands)		
Equity January 1, 2016	\$ 16,060	\$ (29,124)	\$ (13,064)
Net profit	-	(2,323)	(2,323)
Equity December 31, 2016	<u>\$ 16,060</u>	<u>\$ (31,447)</u>	<u>\$ (15,387)</u>

Note 12 - Share capital and shareholder information

Share capital consists of 1,000,000 shares at NOK 6.00. The share capital is accounted for in USD at the prevailing rate at the time of the investment. All of the shares are owned by Gearbulk Holding AG.

Note 13 - Taxes

SAGBAS

The Company is subject to the Norwegian tonnage tax rules in accordance with Chapter 8 of the Taxation Act. Payable tonnage tax for 2016 is nil.

SAGBAS

	<u>Year ended December 31,</u> <u>2016</u>		
	(US Dollars in thousands)		
<i>Tax payable cost consists of</i>			
Tax payable of financial income		-	
Financial loss carried forward		-	
Total tax expense		\$ 0	

	<u>As of December 31,</u>		
	<u>2015</u>	<u>2016</u>	<u>Change</u>
<i>Deferred tax</i>			
Financial loss carried forward	(2,354)	(2,377)	(23)
Basis for deferred tax	<u>(2,354)</u>	<u>(2,377)</u>	<u>(23)</u>
Deferred tax asset	(589)	(570)	18
Off balance sheet	(589)	(570)	18
Deferred tax asset in the accounts	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>



SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS

Note 13 - Taxes

Group

Gearbulk Shipping AS and Skipsaksjeselskapet Gearbulk AS are both subject to the Norwegian tonnage tax rules in accordance with Chapter 8 of the Taxation Act. Payable tonnage tax for 2016 for the Group is USD 8,907.

	<u>Year ended December 31,</u>		
	<u>2016</u>		
	(US Dollars in thousands)		
<i>Tax payable consists of</i>			
Taxable financial income		\$ 100	
Tax payable of financial income		-	
Tax payable of profit/loss account		93	
Total tax payable		<u>\$ 93</u>	
<i>Tax expense consists of</i>			
Tax payable		93	
Change in deferred tax		(99)	
Too much allocated in previous year		(9)	
Total tax expense		<u>\$ (15)</u>	
Profit / loss account January 1		1,819	
Currency impact		37	
Profit / loss account subject to income tax		<u>\$ 1,856</u>	
	<u>As of December 31,</u>		
	<u>2015</u>	<u>2016</u>	<u>Change</u>
	(US Dollars in thousands)		
<i>Deferred tax</i>			
Financial loss carried forward	(4,053)	(4,010)	43
Profit loss account	1,819	1,484	(335)
Basis for deferred tax	(2,234)	(2,526)	(292)
Deferred tax in the accounts	<u>\$ 455</u>	<u>\$ 356</u>	<u>\$ (99)</u>

The Group's tax asset related to the financial loss carried forward has not been recorded.



**SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS**

Note 14 – Transactions with related parties

Gearbulk Holding AG

The Group has a revolving credit facility with Gearbulk Holding AG of USD 10 mill until end 2017. December 2016, the Group amended terms and conditions of this credit facility. In relation to this it was agreed to extend the maturity of the loan from 2017 to 2022. As of December 31, 2016, USD 5 mill has been drawn on the revolving credit facility

Gearbulk Pool

The Group has received net pool revenues of USD 2.4 mill from Gearbulk Pool Ltd (2015: USD 2.8 mill) for the commercial operation of the vessel.

Gearbulk Norway AS

Gearbulk Norway AS has been responsible for the technical management of the vessel and the administrative operation of the Group. The management fee Gearbulk Norway AS has received for the service provided is based on a cost plus principle and is considered to be in accordance with the arm's length principle.

Note 15 - Subsequent event

In February 2017, the Group took delivery of *Bulk Polaris*, a Conventional Bulk vessel. The vessel was taken in on time charter agreements and will be classified as an operating lease.

In March 2017, Gearbulk Holding AG established a new company, G2 Ocean A.S. ("G2 Ocean"). This followed the approval from the relevant competition authorities, and the announcement on October 19, 2016 that Gearbulk and Grieg Star intend to enter into a joint venture to establish a highly versatile and customer orientated worldwide dry bulk shipping company. The joint venture will combine the Companies' global resources and expertise to operate the parties' combined fleet of open hatch, semi-open hatch and conventional bulk vessels

Note 16 – Commitments

In 2015 the Group committed to take two new vessels on Long-Term Time Charter. The first vessel will be delivered in Q1 2017 and the second will be delivered in Q1 2018. The first vessel has a charter period of 9 years and the second vessel has a charter period of 10 years.



To the General Meeting of Skipsaksjeselskapet Gearbulk AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Skipsaksjeselskapet Gearbulk AS showing a loss of TUSD 1,943 in the financial statements of the parent company and loss of TUSD 2,323 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement, and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016 and income statement, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Auditor's Report - Skipsaksjeselskapet Gearbulk AS

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The

(2)



Independent Auditor's Report - Skipsaksjeselskapet Gearbulk AS

risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption is consistent with the financial statements and complies with the law and regulations.

(3)




Independent Auditor's Report - Skipsaksjeselskapet Gearbulk AS

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 12 April 2017
PricewaterhouseCoopers


Marius Kaland Olsen
State Authorised Public Accountant