



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2017 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.01.2017 - 31.12.2017

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 Langeland
Dato for fastsettelse av årsregnskapet: 15.06.2018

Grunnlag for avgivelse

År 2017: Årsregnskapet er elektronisk innlevert
År 2016: Tall er hentet fra elektronisk innlevert årsregnskap fra 2017

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	2017	2016
RESULTATREGNSKAP			
Inntekter			
Sales revenue	2	0	0
Sum inntekter		0	0
Kostnader			
Other operating expenses	4	6 000	8 000
Sum kostnader		6 000	8 000
Driftsresultat		-6 000	-8 000
Finansinntekter og finanskostnader			
Other financial income		0	1 000
Sum finansinntekter		0	1 000
Impairment of financial assets		0	1 516 000
Other financial expenses	10	454 000	420 000
Sum finanskostnader		454 000	1 936 000
Netto finans		-454 000	-1 935 000
Ordinært resultat før skattekostnad		-460 000	-1 943 000
Tax payable	13	0	0
Ordinært resultat etter skattekostnad		-460 000	-1 943 000
Årsresultat		-460 000	-1 943 000
Overføringer og disponeringer			
Transfer to other equity	11	-459 000	-1 943 000
Sum overføringer og disponeringer		-459 000	-1 943 000



Balanse

Beløp i: USD	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	6	0	0
Sum finansielle anleggsmidler		0	0
Sum anleggsmidler		0	0
Omløpsmidler			
Varer			
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	7	7 000	5 000
Sum bankinnskudd, kontanter og lignende		7 000	5 000
Sum omløpsmidler		7 000	5 000
SUM EIENDELER		7 000	5 000
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	-31 528 000	-31 069 000
Sum opptjent egenkapital		-31 528 000	-31 069 000
Sum egenkapital		-15 468 000	-15 009 000
Gjeld			



Balanse

Beløp i: USD	Note	2017	2016
Langsiktig gjeld			
Annen langsiktig gjeld			
Other long term liabilities	10	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	8 000	10 000
Current liabilities to related parties	8	5 067 000	4 604 000
Sum kortsiktig gjeld		5 075 000	4 614 000
Sum gjeld		15 475 000	15 014 000
SUM EGENKAPITAL OG GJELD		7 000	5 000



Konsernets resultatregnskap

Beløp i: USD	Note	2017	2016
RESULTATREGNSKAP			
Inntekter			
Operating revenue	2	5 922 000	2 364 000
Sum inntekter		5 922 000	2 364 000
Kostnader			
Depreciation	5	2 330 000	1 664 000
Vessel operating expenses	3	2 326 000	1 061 000
Other time charter rental expenses		4 145 000	1 003 000
Other operating expenses	4	23 000	31 000
Sum kostnader		8 824 000	3 759 000
Driftsresultat		-2 902 000	-1 395 000
Finansinntekter og finanskostnader			
Other financial income		5 000	39 000
Sum finansinntekter		5 000	39 000
Other financial expenses	10	1 269 000	982 000
Sum finanskostnader		1 269 000	982 000
Netto finans		-1 264 000	-943 000
Ordinært resultat før skattekostnad		-4 166 000	-2 338 000
Tax	13	19 000	-15 000
Ordinært resultat etter skattekostnad		-4 185 000	-2 323 000
Årsresultat		-4 185 000	-2 323 000
Overføringer og disponeringer			
Transferred to other equity	11	-4 185 000	-2 323 000
Sum overføringer og disponeringer		-4 185 000	-2 323 000



Konsernets balanse

Beløp i: USD	Note	2017	2016
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Vessels	5	52 738 000	13 322 000
Sum varige driftsmidler		52 738 000	13 322 000
Finansielle anleggsmidler			
Investering i datterselskap	6	0	0
Sum finansielle anleggsmidler		0	0
Sum anleggsmidler		52 738 000	13 322 000
Omløpsmidler			
Varer			
Inventories		47 000	49 000
Sum varer		47 000	49 000
Fordringer			
Other receivables		557 000	49 000
Sum fordringer		557 000	49 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	7	177 000	255 000
Sum bankinnskudd, kontanter og lignende		177 000	255 000
Sum omløpsmidler		781 000	353 000
SUM EIENDELER		53 519 000	13 675 000

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital



Konsernets balanse

Beløp i: USD	Note	2017	2016
Share capital	11,12	16 060 000	16 060 000
Sum innskutt egenkapital		16 060 000	16 060 000
Opptjent egenkapital			
Other equity	11	-35 634 000	-31 449 000
Sum opptjent egenkapital		-35 634 000	-31 449 000
Sum egenkapital		-19 574 000	-15 389 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt	13	287 000	356 000
Sum avsetninger for forpliktelser		287 000	356 000
Annen langsiktig gjeld			
Liabilities to financial institutions	10	3 800 000	4 960 000
Capital leases	15	38 416 000	0
Other long-term liabilities	10	16 192 000	15 400 000
Sum annen langsiktig gjeld		58 408 000	20 360 000
Sum langsiktig gjeld		58 695 000	20 716 000
Kortsiktig gjeld			
Liabilities to financial institutions	10	1 160 000	1 162 000
Capital leases	15	2 140 000	
Trade creditors		84 000	74 000
Tax payable	13	75 000	93 000
Liabilities to related parties	8	10 824 000	6 881 000
Other short-term liabilities	9	116 000	136 000
Sum kortsiktig gjeld		14 399 000	8 346 000
Sum gjeld		73 094 000	29 062 000
SUM EGENKAPITAL OG GJELD		53 520 000	13 673 000



CIRCULAR RESOLUTION OF THE BOARD OF DIRECTORS OF

SKIPSAKSJESELSKAPET GEARBULK AS

with registered address at:

Damsgårdsveien 165, 5160 Laksevåg, Norway
(the Company)

The Directors of the Company herewith confirm and agree, with reference to the Company's Articles of Association and clause 6.19 of the Norwegian Limited Liability Companies Act (1997-06-13-45), that the resolutions contained herein can be adopted by way of written Circular Resolution.

ANNUAL STATUTORY FINANCIAL STATEMENTS - 2017

It is hereby **RESOLVED** as follows:

- (i) that the Directors Report as contained within the Financial Statements 2017 is approved;
- (ii) that the Financial Statements 2017, as attached hereto as Appendix A, are approved, and
- (iii) that the net result for the period 1 January 2017 to 31 December 2017 be allocated to retained earnings.

This circular resolution was taken on **15th June 2018**.

SIGNATURE SECTION:

HANS PETTER AAS Chairman

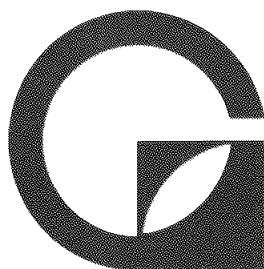
KRISTIAN JEBSEN, Director

KETIL ANDREASSEN, Director

Skipsaksjeselskapet Gearbulk AS – Annual Statutory Financial Statements 2017



**SKIPSAKSJESELSKAPET
GEARBULK
AS**



**Financial Statements
Year ended December 31, 2017**



Board of directors' report 2017

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 2017 was USD 5.9 mill compared to USD 2.4 mill in 2016. The 2017 result was a net loss of USD 4.2 mill compared to a net loss of USD 2.3 mill in 2016.

The Group's net assets are increased from USD 13.7 mill in 2016 to 53.5 mill in 2017. The liquidity position is reduced from USD 0.26 mill in 2016 to USD 0.18 mill in 2017. Current assets are USD 0.8 mill (2016: USD 0.4 mill) and short term debt is USD 14.4 mill (2016: USD 8.3 mill).

The Group's equity ratio is -36.6 % as of December 31, 2017.

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 3.7 mill compared to a net loss of USD 1.9 mill in 2016. The Company's total asset as of December 31, 2017 was USD 55.3 mill (2016: USD 15.4 mill) and the equity was negative by USD 4.1 mill (2016: negative USD 0.4 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, and 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 2017 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 notes 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 2017 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 12 mill which runs until March 2022. At December 31, 2017, 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 marked, 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 2017 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 marked condition in the segment of operation.

Bergen, June 15, 2018

Board of Skipsaksjeselskapet Gearbulk AS



Kristian Jebsen
Director



Hans Petter Aas
Chairman



Ketil Andreassen
Director



Sjur Ojerde
Managing Director



SKIPSAKSJESELSKAPET GEARBULK AS
BALANCE SHEETS
As of December 31, 2016 and 2017

(US Dollars in thousands)

SACBAS			Consolidated	
As at 31 December			As at 31 December	
2016	2017		2016	2017
		Assets		
		Fixed assets		
\$ -	\$ -	Vessels (Note 5)	\$ 13,322	\$ 52,738
-	-	Investment in subsidiary (Note 6)	-	-
<u>-</u>	<u>-</u>	Total fixed assets	<u>13,322</u>	<u>52,738</u>
		Current assets		
-	-	Inventories	49	47
-	-	Other receivables	49	557
5	7	Cash and cash equivalents (Note 7)	255	177
<u>5</u>	<u>7</u>	Total current assets	<u>352</u>	<u>781</u>
<u>\$ 5</u>	<u>\$ 7</u>	Total assets	<u>\$ 13,674</u>	<u>\$ 53,520</u>



SKIPSAKSJESELSKAPET GEARBULK AS
BALANCE SHEETS
As of December 31, 2016 and 2017
(US Dollars in thousands)

SAGBAS		Consolidated	
As at 31 December		As at 31 December	
2016	2017	2016	2017
Equity			
Paid in capital			
\$ 16,060	\$ 16,060	\$ 16,060	\$ 16,060
16,060	16,060	16,060	16,060
Retained earnings			
(31,069)	(31,528)	(31,449)	(35,634)
(31,069)	(31,528)	(31,449)	(35,634)
(15,009)	(15,468)	(15,389)	(19,574)
Liabilities			
Provisions			
-	-	356	287
-	-	356	287
Other long-term liabilities			
-	-	4,960	3,800
-	-	-	38,416
10,400	10,400	15,400	16,192
10,400	10,400	20,360	58,408
Current liabilities			
-	-	1,162	1,160
-	-	-	2,140
-	-	74	84
-	-	93	75
4,604	5,067	6,881	10,824
10	8	136	116
4,614	5,075	8,347	14,400
15,014	15,475	29,063	73,094
\$ 5	\$ 7	\$ 13,673	\$ 53,520

Kristian Jebsen
Director

December 31, 2017
Bergen, June 15, 2018

Hans Petter Aas
Chairman

Sjur Gjerde
Managing Director

Ketil Andreassen
Director



SKIPSAKSJESELSKAPET GEARBULK AS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2017

(US Dollars in thousands)

Period ended 31 December			Period ended 31 December	
2016	2017		2016	2017
		<i>Cash flows from operating activities</i>		
\$ (1,943)	\$ (459)	Loss before tax	\$ (2,338)	\$ (4,166)
-	-	Taxes paid	(Note 13) (123)	(64)
-	-	Depreciation and write-down of vessels	(Note 5) 1,399	1,495
-	-	Depreciation and write-down of dry-docking and bunkers	-	831
-	-	Depreciation and write-down of fleet performance equipment	-	3
-	-	Deferred dry docking expense	(Note 5) 265	3
1,516	-	Impairment of financial assets	(Note 6) -	-
-	-	Changes in inventories	(20)	1
-	-	Changes in receivables	(Note 8) 3,440	(518)
-	-	Changes in trade creditors	(34)	10
423	463	Change in short term liabilities to related parties	(Note 8) (2,411)	3,943
7	(2)	Changes in other current balance sheet items	(Note 9) (18)	(28)
<u>3</u>	<u>2</u>	<i>Net cash provided by operating activities</i>	<u>161</u>	<u>1,511</u>
		<i>Cash flows from investing activities</i>		
-	-	Vessels	-	(40,598)
-	-	Dry-docking and bunkers	(Note 2) (64)	(1,104)
-	-	Fleet performance equipment	-	(102)
-	-	<i>Net cash flow from investing activities</i>	<u>(64)</u>	<u>(41,804)</u>
		<i>Cash flows from financing activities:</i>		
-	-	Proceeds from increase in the revolving credit facility	(Note 10) 1,000	-
-	-	Repayment of long term loans	(Note 10) (1,160)	(368)
-	-	Proceeds from increase in capital lease	-	40,556
-	-	<i>Net cash flow from financing activities</i>	<u>(160)</u>	<u>40,188</u>
3	2	Net change in cash and cash equivalents	(63)	(105)
2	5	Cash and cash equivalents at beginning of year	303	255
-	-	Effect of changes in exchange rates	14	27
<u>\$ 5</u>	<u>\$ 7</u>	<i>Cash and cash equivalents at the end of the year</i>	<u>255</u>	<u>177</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 are 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 23% (24% in 2016) 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 2016 and 2017 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,	
	2016	2017
	(US Dollars in thousands)	
Crew cost	\$ 58	\$ 1,142
Provision and consumables	304	343
Spares and maintenance	417	443
Insurance	114	74
Other vessel operating expenses	168	324
	\$ 1,061	\$ 2,326

Skipsaksjeselskapet Gearbulk AS does not have any vessel operating expenses. 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

	Year ended December 31,	
	2016	2017
	(US Dollars in thousands)	
Audit fee	\$ 8	\$ 6
	\$ 8	\$ 6

Group

Auditor fee has been divided as follows

	Year ended December 31,	
	2016	2017
	(US Dollars in thousands)	
Audit fee	\$ 19	\$ 14
	\$ 19	\$ 14

Auditors fees are exclusive VAT.



SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS

Note 5 – Fixed assets

Group

Group	Vessels	Docking	Bunkers	Fleet		Total
				Performance		
(US Dollars in thousands)						
Cost						
Balances as at January 1, 2017	\$ 31,598	\$ 1,324				\$ 32,922
Additions	45,618	1,804	36	201		47,660
Disposals		(1,324)				(1,324)
Balances as at December 31, 2017	77,216	1,804	36	201		79,258
Depreciation						
Acc. depreciation December 31, 2017	(17,415)	(958)	(14)	(103)		(18,489)
Acc. write-downs December 31, 2017	(8,030)					(8,030)
Net carrying amount as at December 31, 2017	\$ 51,771	\$ 846	\$ 22	\$ 99		\$ 52,738
Depreciation for the year	1,495	826	6	3		2,330
Useful economic life	25 years	1.5 - 5 years	1.5 - 5 years	1.5 - 5 years		

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

Note 6 - Subsidiaries

SAGBAS

Investments in subsidiary	Location	Share ownership	Voting rights	Equity	Net profit	Book value
(US Dollars in thousands)						
Gearbulk Shipping AS	Bergen	100 %	100 %	\$ (4 106)	\$ (3 726)	\$ -

Note 7 - Bank deposit

There is no restricted cash as of December 31, 2017.

Note 8 – Related parties

SAGBAS Payables	As of December 31,	
	2016	2017
(US Dollars in thousands)		
Gearbulk Shipowning Ltd	2 831	3 284
Gearbulk Shipping AS	1 773	1 782
Total	\$ 4 604	\$ 5 067



SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS

Group Receivables	As of December 31,	
	2016	2017
	(US Dollars in thousands)	
Gearbulk Pool Ltd	-	335
Total	\$ -	\$ 335

Group Payables	As of December 31,	
	2016	2017
	(US Dollars in thousands)	
Gearbulk Shipowning Ltd	5,942	9,775
Gearbulk Pool Ltd	249	-
Gearbulk Norway AS	155	155
Gearbulk Holding AG	535	852
G2 Ocean AS	-	41
Total	\$ 6,881	\$ 10,824

Note 9 - Short term liabilities

SAGBAS	As of December 31,	
	2016	2017
	(US Dollars in thousands)	
Other short term liabilities	9	8
Total	\$ 9	\$ 8

Group	As of December 31,	
	2016	2017
	(US Dollars in thousands)	
Accrued expenses	124	103
Other short term liabilities	11	14
Total	\$ 135	\$ 116



SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS

Note 10 – Liabilities and guarantees

SAGBAS	As of December 31,	
	2016	2017
<i>Long term liabilities to related parties</i>	(US Dollars in thousands)	
Gearbulk Shipowning Ltd	\$ 10,400	\$ 10,400

Group	As of December 31,	
	2016	2017
<i>Book value of secured debts</i>	(US Dollars in thousands)	
Liabilities to financial institutions	\$ 6,122	\$ 4,960

	As of December 31,	
	2016	2017
<i>Book value of pledged assets</i>	(US Dollars in thousands)	
Vessels	\$ 13,322	\$ 11,773

	As of December 31,	
	2016	2017
<i>Long term liabilities to related parties</i>	(US Dollars in thousands)	
Gearbulk Shipowning Ltd	\$ 10,400	\$ 10,400
Gearbulk Holding AS RCF	5,000	5,000
Other liabilities	-	792

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 12 mill until March 2022. As of December 31, 2017, USD 5 mill has been drawn on the revolving credit facility



SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS

Note 11 – Equity

SAGBAS

	Share capital	Retained earnings	Total
	(US Dollars in thousands)		
Equity January 1, 2017	\$ 16,060	\$ (31,069)	\$ (15,009)
Net profit	-	(459)	(459)
Equity December 31, 2017	<u>\$ 16,060</u>	<u>\$ (31,528)</u>	<u>\$ (15,468)</u>

Group

	Share capital	Retained earnings	Total
	(US Dollars in thousands)		
Equity January 1, 2017	\$ 16,060	\$ (31,449)	\$ (15,389)
Net profit	-	(4,185)	(4,185)
Equity December 31, 2017	<u>\$ 16,060</u>	<u>\$ (35,634)</u>	<u>\$ (19,574)</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 2017 is nil.

	Year ended December 31,		
	2017		
	(US Dollars in thousands)		
<i>Tax payable cost consists of</i>			
Taxable financial income		-	
Total tax expense		<u>\$ -</u>	
	As of December 31,		
	2016	2017	Change
Deferred tax			
Financial loss carried forward	(2,377)	(5,164)	(2,787)
Basis for deferred tax	(2,377)	(5,164)	(2,787)
Deferred tax	(570)	(1,188)	(617)
Off balance sheet	(570)	(1,188)	(617)
Deferred tax in the accounts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



SKIPSAKSJESELSKAPET GEARBULK AS
NOTES TO FINANCIAL STATEMENTS

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 2017 for the Group is USD 10,673 (2016: USD 8,907).

	Year ended December 31, 2017
	(US Dollars in thousands)
<i>Tax payable consists of</i>	
Taxable financial income	-
Tax payable of profit/loss account	75
Total tax payable	\$ 75
<i>Tax expense consists of</i>	
Tax payable	75
Change in deferred tax	(69)
Too much allocated in previous year	(24)
Total tax expense	\$ (19)
Profit / (loss) account January 1	1,484
Taxable income portion	(311)
Currency impact	74
Profit / (loss) account subject to income tax	\$ 1,246

	As of December 31,		
	2016	2017	Change
	(US Dollars in thousands)		
<i>Deferred tax</i>			
Financial loss carried forward	(4,009)	(6,205)	(2,197)
Profit loss account	1,484	1,246	(238)
Basis for deferred tax	(2,525)	(4,960)	(2,435)
Deferred tax	(606)	(1,141)	(535)
Off balance sheet	(962)	(1,427)	(465)
Deferred tax in the accounts	\$ 356	\$ 287	\$ (69)

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 Company has a revolving credit facility with Gearbulk Holding AG of USD 12 mill until March 2022. As of December 31, 2017, USD 5 mill has been drawn on the revolving credit facility presented as other long-term liabilities.

Gearbulk Pool

The Group has received net pool revenues of USD 5.9 mill from Gearbulk Pool Ltd (2016: USD 2.4 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 – Capital leases

In December 2017, the subsidiary company Gearbulk Shipping AS entered into long-term bareboat charter arrangements for *Sunbird Arrow* and *Kingbird Arrow*, which were classified as capital leases.

Future minimum lease payments as of December 31, 2017 are as follows:

Capital Leases

<u>Year ended December 31,</u>	<u>Vessels</u> (US Dollars in thousands)
2018	5,347
2019	5,378
2020	5,636
2021	5,621
2022	5,621
Thereafter	34,702
	<u>\$62,306</u>
Less: amounts representing future finance cost	21,750
Present value of minimum lease payments	<u>\$40,556</u>
Less: current portion	2,140
Long-term capital lease obligations	<u><u>\$38,416</u></u>

Note 16 - Subsequent events

February 2018. The subsidiary company Gearbulk Shipping AS, took delivery of *Holly Arrow*, an open hatch vessel. The vessel was taken in on time charter agreements and will be classified as operating lease.

There are no other material events subsequent to the balance sheet date for Skipsaksjeselskapet Gearbulk AS or subsidiaries financial statements.



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 USD 459 thousands in the financial statements of the parent company and loss of USD 4 185 thousands 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 2017, 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 2017, 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.

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 2017, 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 2017, 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.

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.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



Independent Auditor's Report - Skipsaksjeselskapet Gearbulk AS

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 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 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.

(2)



Independent Auditor's Report - Skipsaksjeselskapet Gearbulk AS

- 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 and 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 or the Group'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 or the Group 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 and the going concern assumption is consistent with the financial statements and complies with the law and regulations.



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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 15 June 2018

PricewaterhouseCoopers


Marius Kaland Olsen

State Authorised Public Accountant

(4)



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

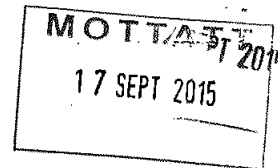
Our reference
2015/839383

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.

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Org.nr: 996250318 Telefax
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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