

# Financial Statements 2017

2020 Bulkers Limited - Consolidated

Org.no.: 52905

Consolidated Profit and Loss account for the period 26.09.2017 - 31.12.2017

(all figures in USD)

	Note	2017
Operating income and expenses		
Other operating expenses	4, 5	<u>-106 316</u>
Total operating expenses		-106 316
Operating result		<u>-106 316</u>
Financial income and expenses		
Financial items		<u>1 753</u>
Net financial items		1 753
Result for the period		<u>-104 563</u>
Allocations		
Loss brought forward		<u>104 563</u>
Total amount allocated		104 563

Consolidated Balance Sheet as of 31.12.2017

(all figures in USD)

	Note	2017
Assets		
Non-current assets		
Tangible fixed assets		
Vessels under construction	3, 7	<u>8 849 383</u>
Total tangible fixed assets		8 849 383
Total non-current assets		<u>8 849 383</u>
Current assets		
Debtors		
Other receivables		<u>10 148</u>
Total debtors		10 148
Bank deposit		
Bank deposit		<u>6 147 960</u>
Total bank deposits		6 147 960
Total current assets		<u>6 158 108</u>
Total assets		<u>15 007 491</u>

Consolidated Balance Sheet as of 31.12.2017

(all figures in USD)

	Note	2017
Equity and liabilities		
Equity		
Paid-in capital		
Share capital	6	6 151 000
Share premium		8 852 500
Total paid-in capital		<u>15 003 500</u>
Retained earnings		
Loss brought forward		<u>-104 563</u>
Total retained earnings		-104 563
Total equity		<u>14 898 937</u>
Liabilities		
Current liabilities		
Accounts payable		58 554
Other short term liabilities	8	<u>50 000</u>
Total short term liabilities		108 554
Total liabilities		<u>108 554</u>
Total equity and liabilities		<u>15 007 491</u>

Consolidated Statement of Changes in Equity for the period 26.09.2017 - 31.12.2017  
(all figures in USD)

	Share capital	Share premium	Retained earnings	Total equity
Incorporated 26. September 2017	1 000			1 000
Share issuance	6 150 000	8 852 500		15 002 500
Net loss			-104 563	-104 563
Balance at 31. December 2017	6 151 000	8 852 500	-104 563	14 898 937

## 2020 Bulkers Limited - Consolidated

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### Consolidated Statements of Cashflows for the period 26.09.2017 - 31.12.2017 (all figures in USD)

	Note	2017
Cash flows from operating activities		
Profit/loss before tax		-104 563
Net change in receivables		-10 148
Change in short term liabilities		-108 554
Net cash flows from operating activities		<u>-6 157</u>
Cash flows from investment activities		
Payments on Newbuildings		-8 849 383
Net cash flows from investment activities		<u>-8 849 383</u>
Cash flows from financing activities		
Issue of shares		15 003 500
Net cash flows from financing activities		<u>15 003 500</u>
Net change in cash and cash equivalents		<u>6 147 960</u>
Cash and cash equivalents at the end of the period		<u>6 147 960</u>

#### Note 1 General information

2020 Bulkera Limited is incorporated in Bermuda. The company's shares are traded on the Norwegian OTC list. 2020 Bulkera Limited is an international owner and operator of large drybulk vessels. As of December 31, 2017, the company had placed orders for four Newcastlemax drybulk vessels at New Times Shipyard in China. The four vessels are expected to be delivered between September 2019 and January 2020. In addition, the company held fixed price options for the construction of additional four units at New Times Shipyard.

The Group has four wholly owned ship owning subsidiaries incorporated in Liberia.

The annual financial statements were approved for publication by the board of directors October 2, 2018 and will be presented for approval at the annual general meeting on October 25, 2018.

#### Note 2 Summary of significant accounting policies

##### Basis of preparation

These Financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The board of directors points out that until 2020 Bulkera enters the full commercial stage, there is an uncertainty attached to the going concern assumption. 2020 Bulkera will need to raise additional capital in the future to meet its ongoing commitments.

The Financial statements comprise statements of profit or loss, of financial position, of changes in equity, of cash flows, and notes.

##### Measurement bases

The Financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

##### Estimates and judgements

Preparation of Financial statements in accordance with IFRS requires that the management makes judgements and prepares estimates and assumptions which have an impact on the recognized amounts for assets, liabilities, revenue and costs. Estimates and related assumptions have been based on the management's best knowledge of past and recent events, experience and other factors which are considered reasonable under the circumstances. Actual results may deviate from such assumptions. Estimates and underlying assumptions are subject to continuous evaluation.

Critical account estimates for 2020 Bulkera are related to vessels under construction.

#### Financial risk, capital management

The future development of the company is dependent on the development of the company's and the group's investments as well as the general market environment.

#### Market risk

The company and the group is exposed to the overall development of the drybulk shipping market.

#### Credit risk

Credit risk arising from counterparties' ability to fulfil its duties is regarded as very low.

#### Liquidity risk

The liquidity of the company is dependent on the company's ability to raise equity and debt capital in the future.

#### Summary of significant accounting policies

##### Consolidation

2020 Bulkers Limited consolidates companies in which the company has a controlling interest. A controlling interest is normally obtained when the Group holds more than 50 per cent of the voting rights or has decisive power on the entity's operational and financial management.

##### Currency

Monetary assets and liabilities denominated in foreign currency are converted using exchange rates of the balance sheet date. Revenues and expenses in foreign currency are converted using the exchange rate at the transaction date.

Assets and liabilities in foreign operations are translated into USD using the exchange rates on the balance sheet date. Expenses relating to foreign operations are translated into USD using the average exchange rate. Exchange rate differences are recognized in other comprehensive income. Translation differences previously recognized in other comprehensive income are reversed and recognized in profit and loss when the foreign operations are disposed of.

##### Vessels under construction

The carrying value of the vessels under construction, or newbuildings, represents the accumulated costs to the balance sheet date which the Company has had to pay by way of purchase instalments and other capital expenditures together with capitalized interest and associated finance costs. No charge for depreciation is made until the vessel is available for use

##### Financial liabilities

Financial liabilities and credits are initially recognized at cost, which is fair value of the received amount, less directly attributable transaction costs. After the initial recognition, the financial liabilities are measured at amortized cost using the effective interest method.

##### Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.



#### Bermuda taxation

The Minister of Finance in Bermuda has granted the Company a tax-exempt status until March 31, 2035, under which no income taxes or other taxes (other than duty on goods imported into Bermuda and payroll tax in respect of any Bermudaresident employees) are payable by the Company in Bermuda. If the Minister of Finance in Bermuda does not grant a new exemption or extend the current tax exemption, and if the Bermudian Parliament passes legislation imposing taxes on exempted companies, the Company may become subject to taxation in Bermuda after March 31, 2035. Currently, there are no withholding taxes payable in Bermuda on dividends distributed by the Company to its shareholders.

#### Cash flows

The cashflow statement has been drawn up in accordance with the indirect method and reports cash flows during the period classified by operating, investing and financing activities.

#### Note 3 Vessels under construction

	Instalments 2017	Other cost 2017	Total 2017
Hull no. 0120811	4 423 000	1 691	4 424 691
Hull no. 0120812	4 423 000	1 691	4 424 691
Total value vessels under construction	8 846 000	3 383	8 849 383

2020 Bulkera Limited has four 208,000 DWT, "Newcastlemax" drybulk vessels under construction by New Times Shipbuilding Co. Ltd in the Republic of China. The contract price for the first two vessels is USD 44,23 million and the subsequent two vessels USD 44,73 million. The vessels are expected to deliver from the yard in September 2019 and January 2020.

	Within one year	1 - 2 years	2 - 5 years
Payments due on vessels under construction	31 162 000	79 764 000	53 676 000

#### Note 4 Payroll expenses and remuneration

The group has 0 employees in 2017 and is therefore not obliged to establish a pension plan. The members of the board have not received any fee for their participation in 2017. The company has no obligations to the Board of Directors.

#### Note 5 Audit fees

No audit fees have been expensed during the start phase.

### Note 6 Share capital, shareholders information and share based options

There is one class of shares. All shares have equal rights and are freely tradable. The share capital is fully paid in. The par value of the shares is USD 1 per share.

There were 6 151 000 shares of the company outstanding on December 31, 2017.

The largest shareholders at year end and shares owned by executive and Directors of the Board:

Top 5 shareholders at December 31, 2017	Number of shares	%
Magni Partners (Bermuda) Ltd	2 459 000	40,0 %
Titan Opportunities Fund	1 230 000	20,0 %
Halvorsens Fabrikk AS	1 208 000	19,6 %
MH Capital AS	603 500	9,8 %
Danske Bank A/S	153 750	2,5 %
Other Shareholders	496 750	8,1 %
Total shareholders	6 151 000	100,0 %

Shares owned by Executives and Directors of the Board	Number of shares	Percent of shares	Held through
Magnus Halvorsen	2 459 000	9,8 %	MH Capital AS
Jens Martin Jensen	153 750	2,5 %	Danske Bank A/S

### Note 7 Guarantees

The Agriculture Bank of China has given a letter of guarantee to 2020 Bulkers I Inc. and 2020 Bulkers II Inc. for payments done prior to delivery of the vessels under the contract no. NTS-BC0120811 and NTS-BC0120812. The guarantee covers all milestone payments under the Novation Agreement between the companies and New Times Shipbuilding Co., Ltd. including interest at the rate of 5 %.

The Company has issued guarantees for payment of installments on Vessels under Construction to New Times Shipyard.

### Note 8 Related Party Transactions

2020 Bulkers entered into a USD 250,000 revolving credit facility with Magni Partners, a related party, on October 31, 2017. As of December 31, 2017 USD 50,000 was drawn under the facility.

On November 13, 2017 Magni Partners (Bermuda) Limited and Halvorsens Fabrik AS resolved to lend USD 10 million to the group. This loan was on November 27, 2017 converted into 5,000,000 shares at a price of USD 2 per share.

## Note 9 Events occurring after the balance sheet date

On January 26, 2018, the company has declared its option to build four additional vessels at New Times Shipyard in China. The four option vessels are expected to deliver from the yard between February 2020 and May 2020.

On February 2, 2018, the USD 50,000 drawn under the revolving credit facility was repaid in full and the credit facility was subsequently cancelled.

On April 25, 2018 the company declared its option with New Times Shipyard to have all its vessels delivered with scrubbers.

Between December 31, 2017 and the resolution of these financial statements, the company has raised a total of USD 34,0 million in new equity, bringing the total equity raised since the incorporation of the company up to USD 49,0 million.

Between December 31, 2017 and the resolution of these financial statements, the company has made milestone payments to New Times Shipyard totaling USD 42,2 million, bringing the total yard instalments paid to date under the newbuilding program to USD 46,6 million

Between December 31, 2017 and the resolution of these consolidated financial statements, there has not been any other event which have had any noticeable impact on 2020 Bulkera Limited's result for 2017 or the value of the company's assets and liabilities at December 31, 2017.



To the General Meeting of 2020 Bulkers Limited

## *Independent Auditor's Report*

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### *Opinion*

We have audited the financial statements of 2020 Bulkers Limited and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2017 and consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement for the period from incorporation at 26 September 2017 to 31 December 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the period from incorporation at 26 September 2017 to 31 December 2017 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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### *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 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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### *Responsibilities of the Board of Directors for the Financial Statements*

The Board of Directors are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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### *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



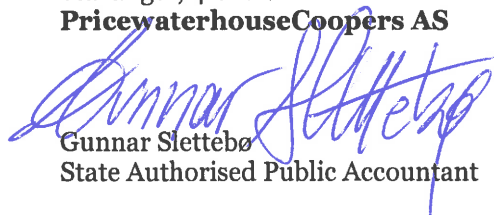
aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.
- 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 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 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 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.

Stavanger, 4 October 2018  
**PricewaterhouseCoopers AS**

  
Gunnar Slettebø  
State Authorised Public Accountant