

Consolidated Financial Statements of 2020 Bulkers Ltd

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2020 Bulkera Ltd**Consolidated Statements of Operations for the year ended December 31, 2018 and the period from September 26, 2017 (date of incorporation) to December 31, 2017***(in thousands of US\$ except per share data)*

	2018	Sept. 26 - Dec. 31, 2017
Operating expenses		
General and administrative expenses	(736.9)	(106.4)
Total operating expenses	(736.9)	(106.4)
Net operating loss	(736.9)	(106.4)
Other income (expenses)		
Other financial items	(31.6)	1.8
Net other (expenses) income	(31.6)	1.8
Net (loss) income before income taxes	(768.5)	(104.6)
Income tax expense (credit)	6.8	—
Net loss	(775.3)	(104.6)
Per share information:		
Loss per share: basic and diluted	\$ (0.075)	\$ (0.056)

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

2020 Bulkera Ltd

Consolidated Statements of Other Comprehensive Loss for the year ended December 31, 2018 and the period from September 26, 2017 (date of incorporation) to December 31, 2017

(in thousands of US\$, except per share data)

	2018	Sept. 26 - Dec. 31, 2017
Comprehensive loss, net		
Net loss	(775.3)	(104.6)
Other comprehensive income	—	—
Comprehensive loss, net	(775.3)	(104.6)

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

2020 Bulkera Ltd**Consolidated Balance Sheets as of December 31, 2018 and 2017***(in thousands of US\$)*

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	282.7	6,148.0
Other receivables	104.5	10.1
Total current assets	387.2	6,158.1
Newbuildings	68,383.6	8,849.4
Total assets	68,770.8	15,007.5
LIABILITIES AND EQUITY		
Current liabilities		
Trade accounts payables	169.1	58.6
Accrued expenses	248.5	—
Other current liabilities	59.6	50.0
Total current liabilities	477.2	108.6
Total liabilities	477.2	108.6
Commitments and contingencies		
Equity		
Share capital (2018: 14,070,906 shares. 2017: 6,151,000 shares. All shares are issued and outstanding at par value US\$1.00)	14,070.9	6,151.0
Additional paid in capital	55,102.6	8,852.5
Accumulated other comprehensive income	—	—
Retained deficit	(879.9)	(104.6)
Total equity	68,293.6	14,898.9
Total liabilities and equity	68,770.8	15,007.5

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

2020 Bulkera Ltd**Consolidated Statements of Cash Flows for the year ended December 31, 2018 and the period from September 26, 2017 (date of incorporation) to December 31, 2017***(in thousands of US\$)*

	2018	Sept. 26 - Dec. 31, 2017
Net loss	(775.3)	(104.6)
Adjustments to reconcile net loss to net cash used in operating activities:		
<i>Changes in operating assets and liabilities:</i>		
Other receivables	(94.4)	(10.1)
Trade accounts payables	110.5	—
Accrued expenses	248.5	—
Other current liabilities	9.6	108.6
Net cash used in operating activities	(501.1)	(6.1)
Investing activities		
Additions to newbuildings	(59,534.2)	(8,849.4)
Net cash used in investing activities	(59,534.2)	(8,849.4)
Financing activities		
Proceeds from issuance of convertible loan from shareholders	—	10,000.0
Net proceeds from share issuances	54,170.0	5,003.5
Net cash provided by financing activities	54,170.0	15,003.5
Net change in cash and cash equivalents	(5,865.3)	6,148.0
Cash and cash equivalents at beginning of year	6,148.0	—
Cash and cash equivalents at end of year	282.7	6,148.0
Supplemental disclosure of cash flow information:		
Interest paid, net of capitalized interest	—	—
Income taxes paid	—	—

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

2020 Bulkers Ltd

Consolidated Statements of Changes in Equity for the year ended December 31, 2018 and the period from September 26, 2017 (date of incorporation) to December 31, 2017

(in thousands of US\$, except number of shares)

	Number of shares	Share capital	Additional paid in capital	Other Compre- hensive Income	Retained Deficit	Total equity
Consolidated balance at September 26, 2017 (date of incorporation)	1,000	1.0	-	-	-	1.0
Issue of common shares	1,150,000	1,150.0	3,852.5	-	-	5,002.5
Equity issuance cost	-	-	-	-	-	-
<i>Other transactions:</i>						
Debt conversion	5,000,000	5,000.0	5,000.0	-	-	10,000.0
Total comprehensive loss for the period	-	-	-	-	(104.6)	(104.6)
Consolidated balance at December 31, 2017	6,151,000	6,151.0	8,852.5	-	(104.6)	14,898.9
Issue of common shares	7,919,906	7,919.9	46,280.1	-	-	54,200.0
Equity issuance costs	-	-	(30.0)	-	-	(30.0)
<i>Other transactions:</i>						
Total comprehensive loss for the period	-	-	-	-	(775.3)	(775.3)
Consolidated balance at December 31, 2018	14,070,906	14,070.9	55,102.6	-	(879.9)	68,293.6

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

2020 Bulkers Limited
Notes to Consolidated Financial Statements

1. ORGANIZATION AND BUSINESS

Historical Structure and business of the Company

2020 Bulkers Limited (the “Company” and , together with its subsidiaries, the “Group” or “2020 Bulkers”) is a limited liability company incorporated in Bermuda on 26 September 2017. The Company’s shares are traded on the Norwegian OTC list under the ticker “2020”.

2020 Bulkers is an international owner of large drybulk newbuildings. The Group currently has eight Newcastlemax drybulk vessels under construction at New Times Shipyard in China. The Vessels are expected to be delivered from the Yard between September 2019 and May 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the assets and liabilities of the parent company and wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. Subsequent events have been reviewed from period end to issuance of the consolidated financial statement on January 28, 2019.

Use of estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires us to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Actual results could differ from those estimates.

Going concern

The financial statement have been prepared on a going concern basis. The Group is dependent on equity issues to finance the remaining obligations under the current newbuilding contracts for the vessels and working capital requirements which raises substantial doubt about the Company’s ability to continue as a going concern. Given completion of our bank facility term sheet (refer to note 16), current plans to raise more equity and our track record in terms of raising equity, we believe we will be able to meet our anticipated liquidity requirements for our business for at least the next twelve months as of the date of these financial statements.

Fair values

We have determined the estimated fair value amounts presented in these consolidated financial statements using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in these consolidated financial statements are not necessarily indicative of the amounts that we could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Reporting and functional currency

The Company and the majority of its subsidiaries use the US\$ as their functional currency because the majority of their revenues and expenses are denominated in US\$. Accordingly, the Company’s reporting currency is also US\$. For subsidiaries that maintain their accounts in currencies other than US\$, the Company uses the current method of translation whereby the statements of operations are translated using the average exchange rate for the period and the assets and liabilities are translated using the period end exchange rate. Foreign currency gains or losses on consolidation are recorded as a separate component of other comprehensive income in shareholders’ equity.

Transactions in foreign currencies during the year are translated into United States dollars at the rates of exchange in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated using rates of exchange at the balance sheet date. Foreign currency non-monetary assets and liabilities are translated using historical rates of exchange. Foreign currency transaction gains or losses are included in the consolidated statements of operations.

Revenue and expense recognition

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASC 606"), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. Under ASC 606, an entity is required to perform the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations of the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfied a performance obligation. Additionally, the guidance requires improved disclosures as to the nature, amount, timing and uncertainty of revenue that is recognized.

Our shipping revenues will be primarily generated from time charters and voyage charters. In a time charter voyage, the vessel is hired by the charterer for a specified period of time in exchange for consideration which is based on a daily hire rate. The charterer has the full discretion over the ports visited, shipping routes and vessel speed. In a time charter contract, we are responsible for all the costs incurred for running the vessel such as crew costs, vessel insurance, repairs and maintenance and lubes. The charterer bears the voyage related costs such as bunker expenses, port charges, canal tolls during the hire period. The performance obligations in a time charter contract are satisfied over term of the contract beginning when the vessel is delivered to the charterer until it is redelivered back to the Group. The time charter contracts are considered operating leases and therefore do not fall under the scope of ASC 606 because (i) the vessel is an identifiable asset (ii) we do not have substantive substitution rights and (iii) the charterer has the right to control the use of the vessel during the term of the contract and derives the economic benefits from such use. Time charter contracts continue to be accounted as operating leases in accordance with ASC 840 Leases and related interpretations and the implementation of the new revenue standard therefore did not have an effect on income recognition from such contracts.

In a voyage charter contract, which we consider in scope of ASC 606, the charterer hires the vessel to transport a specific agreed-upon cargo for a single voyage. The consideration in such a contract is determined on the basis of a freight rate per metric ton of cargo carried or occasionally on a lump sum basis. Estimates and judgments are required in ascertaining the most likely outcome of a particular voyage and actual outcomes may differ from estimates. In a voyage charter contract, the performance obligations begin to be satisfied once the vessel begins loading the cargo.

We have determined that our voyage charter contracts consist of a single performance obligation of transporting the cargo within a specified time period. Therefore, the performance obligation is met evenly as the voyage progresses, and the revenue is recognized on a straight line basis over the voyage days from the commencement of loading to completion of discharge.

The new guidance also specifies revised treatment for certain contract related costs, being either incremental costs to obtain a contract, or cost to fulfill a contract. Under the new guidance, an entity shall recognize as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs. The guidance also provides a practical expedient whereby an entity may recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less. Cost to fulfill a contract must be capitalized if they meet certain criteria.

In a voyage contract, the Company bears all voyage related costs such as fuel costs, port charges and canal tolls. These costs are considered contract fulfillment costs because the costs are direct costs related to the performance of the contract and are expected to be recovered. The costs incurred during the period prior to commencement of loading the cargo, primarily bunkers, are deferred as they represent setup costs and recorded as a current asset and are subsequently amortized on a straight-line basis as we satisfy the performance obligations under the contract.

We adopted the provisions of ASC 606 on January 1, 2018 using the modified retrospective approach. Whilst no revenue is recognized in the year to December 31, 2018, these policies will be applied to all revenue contracts with customers as the contracts begin. As such, no comparative information has been restated.

Contract assets with regards to voyage revenues are reported as "Voyages in progress" as the performance obligation is satisfied over time. When voyage revenues become billable, the receivable is recognized as "Trade accounts receivable, net". If at the reporting period the billable amount under the charter party exceeds the accrued revenue for a specific ongoing voyage, such an amount, or contract liability, would be recognized as deferred charter revenue under other current liabilities.

Newbuildings

The carrying value of the vessels under construction ("Newbuildings") represents the accumulated costs to the balance sheet date which we have had to pay by way of purchase installments and other capital expenditures together with capitalized interest. No charge for depreciation is made until the vessel is available for use.

Impairment of newbuildings

The carrying values of the Company's newbuildings may not represent their fair market value at any point in time since the market prices of second-hand vessels and the cost of newbuildings tend to fluctuate with changes in charter rates. Historically, both charter rates and vessel values tend to be cyclical. The carrying amounts of newbuildings under construction are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular vessel or newbuilding may not be fully recoverable. Such indicators may include depressed spot rates and depressed second-hand vessel values. The Company assesses recoverability of the carrying value of each asset or newbuilding on an individual basis by estimating the future undiscounted cash flows expected to result from the asset, including any remaining construction costs for newbuildings and disposal. If the future net undiscounted cash flows are less than the carrying value of the asset, or the current carrying value plus future newbuilding commitments, an impairment loss is recorded equal to the difference between the asset's or newbuildings carrying value and fair value. Fair value is estimated based on values achieved for the sale/purchase of similar vessels and appraised valuations.

In developing estimates of future cash flows, the Company must make assumptions about future performance, with significant assumptions being related to charter rates, ship operating expenses, utilization, drydocking requirements, residual value and the estimated remaining useful lives of the vessels. These assumptions are based on historical trends as well as future expectations. Specifically, in estimating future charter rates, Management takes into consideration rates currently in effect for existing time charters and estimated daily time charter equivalent rates for each vessel class for the unfixed days over the estimated remaining lives of each of the vessels. The estimated daily time charter equivalent rates used for unfixed days are based on a combination of (i) trading exchange forecasts for five years and (ii) estimate of implied charter rates based on the broker values received from third party brokers. The implied rate is a calculated rate for each vessel based on the charter rate the vessel would need to achieve, given the Company's expected future operating costs and discount factors that once discounted would equate to the average broker values. The Company then uses the resultant undiscounted cash flows in its model. Recognizing that the transportation of dry bulk cargoes is cyclical and subject to significant volatility based on factors beyond the Company's control, Management believes the use of estimates based on the combination of internally forecasted rates and calculated average rates as of the reporting date to be reasonable. The Company believes that the estimated future undiscounted cash flows expected to be earned by each of its vessels over their remaining estimated useful life will exceed the vessels' carrying value as of December 31, 2018, and accordingly, has not recorded an impairment charge.

Estimated outflows for operating expenses and drydocking requirements are based on historical and budgeted costs and are adjusted for assumed inflation. Finally, utilization is based on historical levels achieved and estimates of residual value are consistent with the pattern of scrap rates used in Management's evaluation of salvage value.

The more significant factors that could impact Management's assumptions regarding cash flows include (i) loss or reduction in business from significant customers, (ii) unanticipated changes in demand for transportation of dry bulk cargoes, (iii) greater than anticipated levels of newbuilding orders or lower than anticipated levels of vessel scrapping, and (iv) changes in rules and regulations applicable to the dry bulk industry, including legislation adopted by international organizations such as the IMO and

the European Union or by individual countries. Although Management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate at the time they were made, such assumptions are highly subjective and likely to change, possibly materially, in the future. There can be no assurance as to how long charter rates and vessel values will remain at their current low levels or whether they will improve by a significant degree. If charter rates were to remain at depressed levels future assessments of vessel impairment would be adversely affected.

Drydocking

Maintenance of class certification requires expenditure and can require taking a vessel out of service from time to time for survey, repairs or modifications to meet class requirements. When delivered, the Group's vessels can generally be expected to have to undergo a class survey once every five years. The Group's vessels are being built to the classification requirements of ABS and the Liberian Ship Register. Normal vessel repair and maintenance costs are expensed when incurred. We recognize the cost of a drydocking at the time the drydocking takes place. The Group capitalises a substantial portion of the costs incurred during drydocking, including the survey costs and depreciates those costs on a straight-line basis from the time of completion of a drydocking or intermediate survey until the next scheduled drydocking or intermediate survey.

Earnings per share

Basic earnings per share is computed based on the income available to common stockholders and the weighted average number of shares outstanding. Diluted earnings per share includes the effect of the assumed conversion of potentially dilutive instruments.

Cash and cash equivalents

All demand and time deposits and highly liquid, low risk investments with original maturities of three months or less at the date of purchase are considered equivalent to cash.

Receivables

Other receivables are presented net of allowances for doubtful balances. Losses from uncollectible receivables are accrued when collection of the invoiced is not assured. We make a judgment with regards to whether or not this should be recognized as income and if collection is not reasonably assured, no revenue will be recognized until cash has been received. These conditions are considered in relation to individual receivables or in relation to groups of similar types of receivables. Interest income on interest bearing receivables is recognized on an accrual basis using prevailing contractual interest rates.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

Accounting Standards Updates, not yet adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, Leases (ASC 842), which requires lessees to recognize most leases on their balance sheet. This is expected to increase both reported assets and liabilities. For public companies, the standard will be effective for the first interim reporting period within annual periods beginning after December 15, 2018, although early adoption is permitted. Lessees and lessors will be required to apply the new standard at the beginning of the earliest period presented in the financial statements in which they first apply the new guidance, using a modified retrospective transition method. The requirements of this standard include a significant increase in required disclosures.

Also, in July 2018, the FASB issued ASU 2018-11, Leases (ASC 842), which updates requirements related to transition relief on comparative reporting at adoption and separating components of a contract for lessors. This update provides another transition method in addition to the existing transition method by allowing entities to initially apply the new leases standard at the adoption date (January 1, 2019, for calendar year-end public business entities) and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. In addition, this update provides lessors with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead, to account for those components as a single component if the nonlease components otherwise would be accounted for under the new revenue guidance (ASC 606) and both of the following are met: (1) the timing and pattern of transfer of the nonlease components and associated lease component are the same; and (2) the lease component, if accounted for separately, would be classified as an operating lease. If lease and nonlease components are aggregated under this practical expedient, a lessor would account for the combined component as follows: if the nonlease components associated with the lease component are the predominant component

of the combined component, an entity is required to account for the combined component in accordance with the new revenue guidance; otherwise, the entity must account for the combined component as an operating lease in accordance with the new leases guidance. If elected, the practical expedient will need to be applied consistently as an accounting policy by class of underlying asset. Additional disclosures are also required. For entities that have not adopted ASC 842 before the issuance of this update, the effective date and transition requirements for the amendments in this update related to separating components of a contract are the same as the effective date and transition requirements in ASU 2016-02. There was no impact of the adoption of ASC 842 on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which revises guidance for the accounting for credit losses on financial instruments within its scope. The new standard introduces an approach, based on expected losses, to estimate credit losses on certain types of financial instruments and modifies the impairment model for available-for-sale debt securities. The guidance will be effective January 1, 2020, with early adoption permitted. Entities are required to apply the standard’s provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. We are in the process of evaluating the impact of this standard update on our consolidated financial statements and related disclosures.

4. INCOME TAXES

Bermuda

We were incorporated in Bermuda. Under current Bermuda law, we are not required to pay taxes in Bermuda on either income or capital gains. We have received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, we will be exempted from taxation until March 31, 2035.

Other Jurisdictions

Our subsidiary in Norway is subject to income tax. The estimate income tax payable for 2018 is US\$6.8 thousand. We do not have any unrecognized tax benefits, accrued interest or penalties relating to income taxes. Based upon review of applicable laws and regulations, and after consultation with counsel, we do not believe we are subject to material income taxes in any jurisdiction.

5. SEGMENT INFORMATION

Our chief operating decision maker, or the CODM, measures performance based on our overall return to shareholders based on consolidated net income. The CODM does not review a measure of operating result at a lower level than the consolidated group and we only have one reportable segment. Our vessels will operate worldwide and therefore management will not evaluate performance by geographical region as this information is not meaningful.

6. EARNINGS PER SHARE

The computation of basic loss per share (“EPS”) is based on the weighted average number of shares outstanding during the period. There were no dilutive instruments as of December 31, 2018 and December 2017.

<i>(in thousands of US\$)</i>	2018	2017
Basic loss per share	(0.075)	(0.056)
Diluted loss per share	(0.075)	(0.056)
	2018	2017
Issued ordinary shares at the end of the period	14,070,906	6,151,000
Weighted average number of shares outstanding - basic	10,323,725	1,866,054

7. LEASES

Currently, the Company does not have any material commitments from lease contracts.

In July 2018, the Company entered into a three-year charter party with a multinational conglomerate. The charter is based on a premium to the Baltic 5TC Index. In addition, the charter includes a profit sharing mechanism for the economic benefit derived from the Vessel being scrubberfitted and able to operate on heavy fuel oil after the IMO low sulphur regulations take effect on 1 January 2020. The charterparty has a starting date between January and March 2020 at the Company's option.

8. OTHER RECEIVABLES

<i>(in thousands of US\$)</i>	2018	2017
Fee receivables	104.5	-
Other	-	10.1
	104.5	10.1

Other receivables are presented net of allowances for doubtful accounts amounting to nil and nil as of December 31, 2018 and December 31, 2017.

9. NEWBUILDINGS

The carrying value of newbuildings represents the accumulated costs we have paid by way of purchase instalments and other capital expenditures. The carrying value of newbuildings at December 31, 2018 relates to eight Newcastlemax dry bulk newbuildings (December 31, 2017: Two Newcastlemax dry bulk newbuildings).

Movements in the two years ended December 31, 2018 are summarized as follows:

(in thousands of US\$)

Balance at September 26, 2017	-
Instalments and newbuilding supervision fees paid	8,849.4
Balance at December 31, 2017	8,849.4
Instalments and newbuilding supervision fees paid	59,534.2
Balance at December 31, 2018	68,383.6

During 2018 the Company declared its option to build four additional vessels at New Times Shipyard in China, taking the total to eight newbuilding contracts with the yard. The contract price for the first two vessels to be delivered is approximately US\$ 46,3 million and the subsequent six vessels is approximately US\$ 46,8 million. All contract prices include scrubber installation. The vessels are scheduled for delivery from the yard from September 2019 until May 2020.

During 2018, we paid and capitalized in aggregate pre-delivery installments of US\$58,831.5 thousand and other capitalized costs of US\$702.7 thousand. During 2017, we paid and capitalized in aggregate pre-delivery installments of US\$8,846.0 thousand and other capitalized costs of US\$3.4 thousand.

10. ACCRUED EXPENSES

<i>(in thousands of US\$)</i>	2018	2017
General and administrative expenses	248.5	-
	248.5	-

11. OTHER CURRENT LIABILITIES

<i>(in thousands of US\$)</i>	2018	2017
Revolving credit facility	—	50.0
Tax and social security	37.0	—
Other	22.6	—
	59.6	50.0

12. SHARE CAPITAL

<i>(number of shares of US\$1.00 par value each)</i>	2018	2017
75 million common shares of \$1.00 par value	75,000,000	75,000,000
Issued and fully paid share capital:		
<i>(number of shares of US\$1.00 each)</i>	2018	2017
Balance at start of year	6,151,000	-
Shares issued re:		
- on incorporation	—	1,000
- private placements	7,919,906	1,150,000
- debt conversion (See Note 13)	—	5,000,000
Balance at end of year	14,070,906	6,151,000

During 2018 the Company issued 7,919,906 shares for net consideration of US\$54,170 million.

13. RELATED PARTY TRANSACTIONS

2020 Bulkers entered into a US\$250,000 revolving credit facility with Magni Partners, a related party, on October 31, 2017. As of December 31, 2017 US\$50,000 was drawn under the facility. No interest was accrued. The revolving credit facility was repaid and subsequently cancelled early in 2018.

On November 13, 2017 Magni Partners (Bermuda) Limited and Halvorsens Fabrikk AS resolved to lend US\$10 million to the group. No interest was accrued. This loan was on November 27, 2017 converted into 5,000,000 shares at a price of US\$2 per share. This conversion was a non cash financing activity.

MH Capital AS, a company wholly owned by Magnus Halvorsen (CEO in 2020 Bulkers Management AS effective January 1, 2019) and a large shareholder in 2020 Bulkers, provided the group with management services amounting to US\$166,667 during 2018.

14. FINANCIAL ASSETS AND LIABILITIES

Foreign currency risk

The majority of our transactions, assets and liabilities are denominated in United States dollars, our functional currency. However, we incur expenditure in currencies other than the functional currency, mainly in Norwegian Kroner. There is a risk that currency fluctuations in transactions incurred in currencies other than the functional currency will have a negative effect of the value of our cash flows. We are then exposed to currency fluctuations and we may enter into foreign currency swaps to mitigate such risk exposures.

Fair values

The guidance for fair value measurements applies to all assets and liabilities that are being measured and reported on a fair value basis. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The same guidance requires that assets and liabilities carried at fair value should be classified and disclosed in one of the following three categories based on the inputs used to determine its fair value:

Level 1: Quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data;

Level 3: Unobservable inputs that are not corroborated by market data.

The carrying value and estimated fair value of our financial instruments at December 31, 2018 and December 31, 2017 are as follows:

<i>(in thousands of \$)</i>	2018	2018	2017	2017
	Fair	Carrying	Fair	Carrying
	Value	Value	Value	Value
Assets				
Cash and cash equivalents (Level 1)	282.7	282.7	6,148.0	6,148.0

There have been no transfers between different levels in the fair value hierarchy in 2018 and 2017.

Concentrations of risk

There is a concentration of credit risk with respect to cash and cash equivalents to the extent that all of the amounts are carried with DnB. However, we believe this risk is remote, as DNB is an established and reputable financial institution.

Guarantees

The Bank of China, Jiangsu Branch has given letters of guarantee to six, and the Agricultural Bank of China, Jiangsu Branch to two, of the eight Liberian subsidiaries of the group for payments made prior to delivery of the vessels under each of their respective newbuilding contracts. The guarantees cover all milestone payments under the Novation Agreements between the subsidiaries and New Times Shipbuilding Co., Ltd. including interest at the rate of 5%.

The Company has issued guarantees to New Times Shipyard for payment of instalments on all the newbuilding contracts.

15. COMMITMENTS AND CONTINGENCIES

As of December 31, 2018, we had eight vessels under construction. The outstanding commitments for the eight newbuildings amounted to US\$305.9 million of which US\$155.3 million and US\$150.6 million are due in 2019 and 2020, respectively.

To the best of our knowledge, there are no legal or arbitration proceedings existing or pending which have had or may have significant effects on our financial position or profitability and no such proceedings are pending or known to be contemplated.

16. SUBSEQUENT EVENTS

In January, 2019, the Company signed a term-sheet for US\$240 million of bank financing for its newbuilding program. The facility carries an interest of Libor+250 bps, has an 18-year repayment profile for the principle amount and a balloon repayment after five years. The bank facility term-sheet contains financial covenants for the Group (i) value adjusted equity shall be equal to or higher than 30% of value adjusted total assets, working capital (defined as consolidated current assets minus consolidated current liabilities (excluding current portion of long term debt and subordinated shareholder loans)) shall at all times be no less than US\$0 and free and available cash shall at all times be higher of (a) US\$1,25 million per delivered vessel and (b) 5% of total debt.

In January 2019, the Board established a long-term incentive plan for the employees and directors (the “LTI Plan”) and allocated 740,000 of the Company's authorised but unissued share capital as settlement of the exercised options granted under the LTI Plan. On January 10, 2019 the Board approved a grant of options to employees and directors under the terms of the LTI Plan. The share options will have a five-year term and will vest equally one quarter every six months commencing on June 30, 2019 over a two year vesting period. The exercise price is US\$10.0.



To the General Meeting of 2020 Bulkers Limited

Independent auditor's report

Opinion

We have audited the consolidated financial statements of 2020 Bulkers Limited and its subsidiaries (the Group), which comprise the consolidated balance sheets as at 31 December 2018 and 2017, the consolidated statements of operations, the consolidated statements of other comprehensive loss, the consolidated statements of cash flows and the consolidated statements of changes in equity for the year ended 31 December 2018 and the period from incorporation at September 26, 2017 to December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Group as at 31 December 2018 and 2017, and its financial performance and its cash flows for the year ended 31 December 2018 and the period from incorporation at September 26, 2017 to December 31, 2017 in accordance with the accounting principles generally accepted in the United States of America.

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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company requires equity financing and completion of debt financing in order to meet the remaining obligations under the current newbuilding contracts for the vessels and working capital requirements during the twelve months from the date of these financial statements. As stated in Note 2, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the accounting principles generally accepted in the United States of America, 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.



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.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to <https://revisorforeningen.no/revisjonsberetninger>

Stavanger, 29 January 2019
PricewaterhouseCoopers AS

A handwritten signature in blue ink, appearing to read 'Gunnar Slettebø', written in a cursive style.

Gunnar Slettebø
State Authorised Public Accountant