

2020 BULKERS

Unaudited Condensed Consolidated Financial Statements for the three and twelve months ended December 31, 2019.

2020 Bulkers Ltd. and subsidiaries

Unaudited Condensed Consolidated Statements of Operations

(In millions of US\$ except per share data)	3 months to December 31, 2019	3 months to December 31, 2018	12 months to December 31, 2019	12 months to December 31, 2018
Operating revenues				
Time charter revenues	6.9	-	9.1	-
Total operating revenues	6.9	-	9.1	-
Operating expenses				
Vessel operating expenses	(1.8)	-	(2.1)	-
Voyage expenses	(0.2)	-	(0.2)	-
General and administrative expenses	(1.4)	(0.5)	(4.7)	(0.8)
Depreciation and amortization	(1.0)	-	(1.2)	-
Total operating expenses	(4.4)	(0.5)	(8.2)	(0.8)
Operating profit (loss)	2.5	(0.5)	0.9	(0.8)
Financial income (expense), net				
Interest expense, net of capitalised interest	(0.5)	-	(0.5)	-
Write off deferred loan costs	(0.8)	-	(0.8)	-
Interest income	0.1	-	0.1	-
Total financial income (expenses), net	(1.2)	-	(1.2)	-
Net income (loss) before income taxes	1.3	(0.5)	(0.3)	(0.8)
Income tax	(0.1)	-	(0.1)	-
Net income (loss)	1.2	(0.5)	(0.4)	(0.8)
Per share information:				
Basic earnings (loss) per share	0.06	(0.04)	(0.02)	(0.08)
Diluted earnings (loss) per share	0.06	(0.04)	(0.02)	(0.08)
Consolidated Statements of Comprehensive income (loss)				
Net profit (loss)	1.2	(0.5)	(0.4)	(0.8)
Other comprehensive income	-	-	-	-
Total comprehensive income (loss)	1.2	(0.5)	(0.4)	(0.8)

2020 Bulkers Ltd. and subsidiaries

Unaudited Condensed Consolidated Balance Sheets

(In millions of US\$)	December 31, 2019	December 31, 2018
ASSETS		
Short term assets		
Cash and cash equivalents	20.1	0.3
Restricted cash	0.1	-
Trade receivables	0.9	-
Other current assets	1.8	0.1
Total current assets	22.9	0.4
Long term assets		
Vessels and equipment, net	188.8	-
Newbuildings	69.5	68.4
Other long-term assets	1.9	-
Total long-term assets	260.2	68.4
Total assets	283.1	68.8
LIABILITIES AND EQUITY		
Current liabilities		
Short-term debt and current portion of long-term debt	8.1	-
Accounts payable	0.7	0.2
Accrued expenses	2.7	0.2
Other current liabilities	1.2	0.1
Total current liabilities	12.8	0.5
Long term liabilities		
Long-term debt	132.0	-
Other long-term liabilities	0.2	-
Total long-term liabilities	132.2	-
Commitments and contingencies		
Equity		
Common share of par value US\$1,0 per share: authorized 75,000,000 (2018:75,000,000). Issued and outstanding 22,170,906 (2018: 14,070,906)	22.2	14.1
Additional paid-in capital	120.2	55.1
Accumulated other comprehensive income	-	-
Accumulated deficit	(4.3)	(0.9)
Total shareholders' equity	138.1	68.3
Total liabilities and shareholders' equity	283.1	68.8

2020 Bulkers Ltd. and subsidiaries

Unaudited Condensed Consolidated Statement of Cash Flows

(In millions of US\$)	3 months to December 31, 2019	3 months to December 31, 2018	12 months to December 31, 2019	12 months to December 31, 2018
Net profit (loss)	1.2	(0.5)	(0.4)	(0.8)
Share based compensation	0.3	-	1.6	-
Depreciation and amortization	1.1	-	1.3	-
Write off relating to term loan facility	0.8	-	0.8	-
(Increase) decrease in accounts receivable	(0.3)	-	(0.9)	-
Increase (decrease) in accounts payable	0.2	0.1	0.5	0.1
Change in other current items related to operating activities	1.9	0.2	2.4	0.2
Change in other long-term items related to operating activities	(0.1)	-	(0.2)	-
Net cash provided by (used in) operating activities	5.1	(0.2)	5.1	(0.5)
Investing activities				
Short term loan	-	-	(0.9)	-
Additions to newbuildings	(2.1)	(21.2)	(125.4)	(59.5)
Net cash used in investing activities	(2.1)	(21.2)	(126.3)	(59.5)
Financing activities				
Proceeds, net of deferred loan costs, from issuance of long-term debt	21.6	-	86.4	-
Repayment of long-term debt	(5.9)	-	(5.9)	-
Dividends paid	(3.0)	-	(3.0)	-
Net proceeds from share issuances	-	20.2	63.6	54.2
Net cash provided by financing activities	12.7	20.2	141.1	54.2
Net increase (decrease) in cash and cash equivalents and restricted cash	15.7	(1.2)	19.9	(5.8)
Cash and cash equivalents and restricted cash at beginning of period	4.5	1.5	0.3	6.1
Cash and cash equivalents and restricted cash at end of period	20.2	0.3	20.2	0.3
Supplemental disclosure of cash flow information				
Non-cash settlement of convertible debt	-	-	(8.0)	-
Non-cash share issuance	-	-	8.0	-
Non-cash payment in respect of newbuildings	(60.8)	-	(65.1)	-
Issuance of debt as non-cash settlement for newbuild delivery instalment	60.8	-	65.1	-
Interest paid, net of capitalised interest	-	-	-	-
Income taxes paid	-	-	-	-

2020 Bulkers Ltd. and subsidiaries

Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity

	Number of shares	Share capital	Additional paid-in capital	Retained deficit	Total equity
<i>(In millions of US\$, except number of shares)</i>					
Consolidated balance as of December 31, 2017	6 151 000	6.2	8.8	(0.1)	14.9
Issue of common shares	5 793 590	5.8	28.2	-	34.0
Equity issuance costs	-	-	-	-	-
<i>Other transactions:</i>					
Total comprehensive loss for the period	-	-	-	(0.3)	(0.3)
Consolidated balance as of September 30, 2018	11 944 590	12.0	37.0	(0.4)	48.6
Issue of common shares	2 126 316	2.1	18.1	-	20.2
Equity issuance costs	-	-	-	-	-
<i>Other transactions:</i>					
Total comprehensive loss for the period	-	-	-	(0.5)	(0.5)
Consolidated balance as of December 31, 2018	14 070 906	14.1	55.1	(0.9)	68.3
Issue of common shares	8 100 000	8.1	65.1	-	73.2
Equity issuance costs	-	-	(1.6)	-	(1.6)
<i>Other transactions:</i>					
Share based compensation	-	-	1.3	-	1.3
Total comprehensive loss for the period	-	-	-	(1.6)	(1.6)
Consolidated balance as of September 30, 2019	22 170 906	22.2	119.9	(2.5)	139.6
Dividends	-	-	-	(3.0)	(3.0)
Share based compensation	-	-	0.3	-	0.3
Total comprehensive income for the period	-	-	-	1.2	1.2
Consolidated balance as of December 31, 2019	22 170 906	22.2	120.2	(4.3)	138.1

2020 Bulkera Limited and subsidiaries
Notes to Consolidated Financial Statements

1. GENERAL INFORMATION

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

2020 Bulkera is an international owner of large dry bulk newbuildings. The Group has four Newcastlemax dry bulk vessels in operation and four Newcastlemax drybulk vessels under construction at New Times Shipyard in China. The remaining newbuildings are expected to be delivered by May 2020.

Basis of presentation

Our condensed 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 condensed consolidated financial statement on February 11, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s consolidated financial statements for the year ended December 31, 2018 except for the sale lease-back transactions that required the following addition to significant accounting policies:

Each sale and lease back transaction that the Company had entered into as of December 31, 2019, involved a purchase obligation and was therefore treated as failed sale or merely a financing arrangement under ASC 842, and therefore is and will not be within the scope of sale and leaseback accounting.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

Adoption of new accounting standards

In July 2017, the FASB issued ASU No. 2017-11, Earnings Per Share, Distinguishing Liabilities from Equity, and Derivatives and Hedging, which changes the classification of certain equity-linked financial instruments with down round features. As a result, a free standing equity-linked financial instrument or an embedded conversion option would not be accounted for as a derivative liability at fair value as a result of existence of a down round feature. For freestanding equity classified financial instruments, the amendment requires the entities to recognize the effect of the down round feature when triggered in its earnings per share calculations. The standard is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2018. The adoption did not have a material impact on the Consolidated Financial Statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-07, Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share Based-Payment Accounting. This ASU intends to improve the usefulness of information provided and reducing the cost and complexity of financial reporting. A main objective of this ASU is to substantially align the accounting for share-based payments to employees and non-employees. The guidance is effective for annual reporting periods beginning after December 15, 2018 for public entities, including interim periods within that period, with early adoption permitted. The adoption did not have a material impact on the Consolidated Financial Statements and related disclosures.

Issued not effective accounting standards

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 are 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 expense for the twelve months ended December 31, 2019 is approximately US\$0.1 million. 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. REVENUES

The Company recognized revenues from four contracts (described in note 9) for Bulk Sandefjord, Bulk Santiago, Bulk Seoul and Bulk Shanghai in the fourth quarter of 2019. Trade receivables of US\$0.9 million were recognized as of December 31, 2019. The Company has invoiced US\$0.8 million to customers which is not earned as of December 31, 2019 and the amount is recognized as other current liabilities.

7. INTEREST EXPENSE

(In millions of US dollars)	3 months to December 31, 2019	3 months to December 31, 2018	12 months to December 31, 2019	12 months to December 31, 2018
Interest expense, gross	(1.7)	-	(2.0)	-
Capitalized interest, newbuildings	1.2	-	1.5	-
Total	(0.5)	-	(0.5)	-

8. EARNINGS PER SHARE

	3 months to December 31, 2019	3 months to December 31, 2018	12 months to December 31, 2019	12 months to December 31, 2018
- Basic earnings (loss) per share	0.06	(0.04)	(0.02)	(0.08)
- Diluted earnings (loss) per share	0.06	(0.04)	(0.02)	(0.08)
Issued ordinary shares at the end of the period	22 170 906	14 070 906	22 170 906	14 070 906
Weighted average number of shares outstanding - basic	22 170 906	12 925 597	18 927 774	10 323 725

9. LEASES

Lessor

The Company has the following vessels on operating lease contracts:

Vessel	Contract start	Charterer	Duration	Gross rate/day, USD
Bulk Sandefjord	13-Aug-2019	Koch Shipping	36 months	Premium to Baltic 5TC index + scrubber benefit
Bulk Santiago	21-Sep-2019	Koch Shipping	15 months, 12 months	19 525 (until 24 Dec 2020), index linked
Bulk Seoul	1-Nov-2019	Koch Shipping	14 months, 12 months	22 250 (until 31 Dec 2020), index linked
Bulk Shanghai	9-Nov-2019	Glencore	12 months	Premium to Baltic 5TC index + scrubber benefit
Bulk Shenzhen	10-Jan-2020	Glencore	12 months	Premium to Baltic 5TC index + scrubber benefit
Bulk Sydney	23-Jan-2020	Koch Shipping	36 months	Premium to Baltic 5TC index + scrubber benefit

Lessee

Effective January 1, 2019, the Company entered into a long term lease contract for an office in Oslo. This resulted in the recognition of a right-to-use asset of US\$248.5 thousand classified as other long term assets, a short term liability of US\$49.8 thousand classified as other current liabilities and a other long term liability of US\$198.7 thousand.

The amortization of right of use assets relating to office lease is presented under Depreciation and Amortization in the statement of operations.

10. VESSELS AND NEWBUILDINGS

(In millions of US\$)	Newbuildings	Vessels and equipment, net	Total
Cost as of December 31, 2017	8.9	-	8.9
Capital expenditures	59.5	-	59.5
Cost as of December 31, 2018	68.4	-	68.4
Capital expenditures	189.6	-	189.6
Capitalized interests	1.5	-	1.5
Transfers to vessels and equipment, net	(190.0)	190.0	-
Cost as of December 31, 2019	69.5	190.0	259.5
Accumulated depreciation as of December 31, 2018	-	-	-
Depreciation	-	1.2	1.2
Accumulated depreciation as of December 31, 2019	-	1.2	1.2
Balance as of December 31, 2018	68.4	-	68.4
Balance as of December 31, 2019	69.5	188.8	258.3

In August 2019, the Company took delivery of the Bulk Sandefjord, a newcastlemax dry bulk newbuilding. Upon delivery, the Company paid US\$27.5 million and entered into a deferred payment agreement with New Times Shipyard for US\$2.6 million for 12 months. The loan from the yard was repaid in November, 2019.

In September 2019, the Company took delivery of the Bulk Santiago, a newcastlemax dry bulk newbuilding. Upon delivery, the Company paid US\$28.4 million and entered into a deferred payment agreement with New Times Shipyard for US\$1.7 million for 12 months. The loan from the yard was repaid in November, 2019.

The two Newcastlemax dry bulk vessels Bulk Seoul and Bulk Shanghai were delivered from the yard on 30 October and 6 November, respectively. Please see note 13 for information on the sale lease back agreements.

11. OTHER LONG TERM ASSETS

(In millions of US\$)	December 31, 2019	December 31, 2018
Deferred loan costs	1.7	-
Right-to-use asset	0.2	-
Total	1.9	-

12. RELATED PARTY TRANSACTIONS

2020 Bulkiers 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.

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

In April 2019, the Company entered into a short term convertible debt agreement of US\$8.0 million with the shareholders Drew Holdings Ltd., Ubon AS, Titan Credit Master Fund and MH Capital AS. The convertible debt was converted to shares in the private placement completed on May 23, 2019.

In May 2019, the Company entered into a short term loan agreement of US\$360.0 thousand with MH Capital AS, a company wholly owned by Magnus Halvorsen and a large shareholder in 2020 Bulkiers Ltd. The short term loan was settled as part of MH Capital AS subscription of shares in the private placement completed on May 23, 2019.

In June 2019, the Company provided Magnus Halvorsen an interest bearing short term loan of US\$945,827 classified as other current assets.

In July 2019, the Company signed a Revolving Credit Facility Agreement of US\$5.5 million with Drew Holdings Limited (a trust established for the benefit of Tor Olav Trøim). The Revolving Credit Facility agreement was cancelled during the fourth quarter of 2019.

13. DEBT

(In millions of US\$)	December 31, 2019	December 31, 2018
<i>Secured</i>		
Term loan Tranche I ("Bulk Sandefjord"), balloon payment August 2024	29.6	-
Term loan Tranche II ("Bulk Santiago"), balloon payment September 2024	29.6	-
<i>Other long term debt</i>		
Vessel financing ("Bulk Seoul")	41.6	
Vessel financing ("Bulk Shanghai")	41.6	
Long-term debt, gross	142.4	-
Less current portion long term debt	(8.1)	-
Less deferred loan costs	(2.3)	-
Total long-term debt	132.0	-

In February 2019, the Company signed a term loan facility agreement for US\$240 million of bank financing for its newbuilding program. The term loan 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 term loan facility 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. As of December 31, 2019, we were compliant with the covenants and our obligations under our term loan facility agreement.

In August, 2019, the Company entered into a deferred payment agreement with New Times Shipyard for US\$2.6 million for 12 months. In September, 2019, the Company entered into a deferred payment agreement with New Times Shipyard for US\$1.7 million for 12 months. Both loans were repaid during the fourth quarter of 2019.

In October 2019, the Company entered into a sale and lease back arrangement with Ocean Yield for its two Newcastlemax vessels, Bulk Seoul and Bulk Shanghai. The vessels were delivered from the yard on October 30 and November 6, respectively, and were at delivery sold to Ocean Yield for a price per vessel of USD 42 million, net of a USD 5 million sellers' credit. The vessels will be chartered back to the Company on thirteen year bareboat charters which include a purchase obligation at the end of the respective charter periods and certain options to either sell or acquire the vessels during the charter periods. Since the Company have purchase obligations at the end of the charter periods, the Company has accounted for the transaction as a financing arrangement.

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 cash and financial instruments are as follows:

<u>(In millions of US\$)</u>	<u>Hierarchy</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
<i>Assets</i>			
Cash and cash equivalents		20.1	0.3
Restricted cash		0.1	-
<i>Liabilities</i>			
Short term debt and current portion of long term debt	2	8.1	-
Long term debt	2	132.0	-

Financial instruments included in the consolidated accounts within 'Level 1 and 2' of the fair value hierarchy are valued using quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency.

There have been no transfers between different levels in the fair value hierarchy during the periods presented.

Concentrations of risk

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

Guarantees

The Bank of China, Jiangsu Branch has given letters of guarantee to two, and the China Merchants Bank, Nanjing Branch to two, of the four 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. SHARE BASED PAYMENT COMPENSATION

In January 2019, the Board of Directors established a long-term incentive plan and approved a grant of 740,000 options to employees and directors. Further, 740,000 of the Company's authorized but unissued share capital was allocated to this purpose. 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 and will be reduced with any dividends paid. The total estimated cost is approximately US\$2.1 million and will be expensed over the requisite service period. US\$1.6 million have been expensed for the twelve months ended December 31, 2019.

16. COMMITMENTS AND CONTINGENCIES

As of December 31, 2019, the Company had four vessels under construction. The outstanding commitments for the four newbuildings amounted to US\$121.5 million which is due in 2020.

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.

17. SUBSEQUENT EVENTS

In January 2020, the Company took delivery of the Newcastlemax dry bulk vessels Bulk Shenzhen and Bulk Sydney.

In January 2020, the Company paid dividend of US\$0.04 per share for December 2019.

In February 2020, the Company declared a dividend of US\$0.03 per share for January 2020.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

(In millions of US dollars)	3 months to December 31, 2019	3 months to December 31, 2018	12 months to December 31, 2019	12 months to December 31, 2018
Operating profit (loss)	2.5	(0.5)	0.9	(0.8)
Depreciation and amortization	(1.0)	-	(1.2)	-
EBITDA	3.5	(0.5)	2.1	(0.8)

(In millions of US dollars)	3 months to December 31, 2019	3 months to December 31, 2018	12 months to December 31, 2019	12 months to December 31, 2018
Time charter revenues	6.9	-	9.1	-
Commission	(0.3)	-	(0.4)	-
Time charter equivalent revenues, gross	7.2	-	9.5	-
Fleet onhire days	298	-	357	-
Average time charter equivalent rate, gross	24 100	-	26 600	-

The European Securities and Markets Authority (“ESMA”) issued guidelines on Alternative Performance Measures (“APMs”) that came into force on July 3, 2016. The Company has defined and explained the purpose of the following APMs:

EBITDA, when used by the Company, means operating profit (loss) excluding depreciation and amortization. The Company has included EBITDA as a supplemental disclosure because the Company believes that the measure provides useful information regarding the Company’s ability to service debt and pay dividend and provides a helpful measure for comparing its operating performance with that of other companies.

Average time charter equivalent, gross, when used by the Company, means time charter revenues excluding commission and divided by on hire days. The Company has included Average time charter equivalent earnings, gross as a supplemental disclosure because the Company believes that the measure provides useful information regarding the fleets’ daily income performance.