SONGA BULK

Songa Bulk ASA
Financial Report Q3 2017

CONTENTS

SONGA BULK

Third Quarter 2017 Highlights, Events, Results and Fleet

THIRD QUARTER 2017 HIGHLIGHTS

The Company's (Songa Bulk ASA with subsidiaries) net result in Q3 2017 increased compared to Q2 2017 as the Company took delivery of four vessels in the current quarter and vessels were chartered out on higher time charter (TC) rates. The highlights below are a comparative summary of Q3 2017 versus Q2 2017.

- EBITDA was $2.5 million in Q3 2017, compared to $0.8 million in Q2 2017.
- Average time charter equivalent (TCE[1]) in Q3 2017 was $9 069 per day, compared to $8 043 per day in Q2 2017.
- Total time charter equivalent earnings[1] were $8.1 million in Q3 2017, up from $4.9 million in Q2 2017.
- Net loss was $0.7 million ($0.020 per share) in Q3 2017, compared to a net loss of $0.1 million ($0.003 per share) in Q2 2017.
- Total operating days[1] were 903 in Q3 2017, while operating days in Q2 2017 were 627.
- Net ship operating expenses (OPEX[1]) in Q3 2017 were $5 178 per day, compared to $4 987 per day in Q2 2017.
- Cash break-even per vessel was $7 391 in Q3 2017, with only 10 sailing vessels on average. The target for the fully delivered fleet was about $7 250 per day.

THIRD QUARTER 2017 EVENTS

VESSEL DELIVERIES:

- On 20 July 2017, the Company took delivery of a Capesize bulk carrier, the Songa Mountain. The purchase price was $27.95 million, of which $5.59 million were paid during second quarter 2017 and $22.36 million during third quarter 2017. The vessel was built at Hyundai Heavy Industries in 2009 and has a deadweight of 179 147 tons. The vessel is currently trading in a spot Capesize Pool (CCL).
- On 3 August 2017, the Company took delivery of a Kamsarmax bulk carrier, the Songa Grain. The purchase price was $14.14 million, of which $1.41 million were paid during first quarter 2017 and $12.73 million during third quarter 2017. The vessel was built at Tsuneishi in 2008 and has a deadweight of 82 672 tons. The vessel is currently on time charter contract with expected redelivery during third quarter 2018.
- On 17 August 2017, the Company entered into a purchase agreement for a Kamsarmax bulk carrier, the Songa Devi. The purchase price was $22.75 million. The Company took delivery of the vessel on 14 September 2017, and the full purchase price was paid during third quarter 2017. The vessel was built at Tsuneishi in 2014 and has a deadweight of 81 918 tons. The vessel is currently on a time charter contract and is expected to redeliver during first quarter 2018.
- On 12 September 2017, the Company took delivery of a Capesize bulk carrier, the Songa Opus. The purchase price was $28.85 million, of which $2.89 million were paid during second quarter 2017 and $25.96 million during third quarter 2017. The vessel was built at STX in 2009 and has a deadweight of 180 716 tons. The vessel is currently on a time charter contract with expected redelivery during second or third quarter 2018.

VESSEL ADDITIONS AND SALE:

- On 7 August 2017, the Company entered into a purchase agreement for a Kamsarmax bulk carrier, the Songa Sky. The purchase price was $18.28 million, of which $3.66 million were paid during third quarter 2017. The vessel was delivered on 30 November 2017.The vessel was built at Universal Shipbuilding in 2010 and has a deadweight of 81 466 tons.
- On 18 August 2017, the Company entered into a purchase agreement for a Kamsarmax bulk carrier, the Songa Hirose. The purchase price was $19.20 million, of which $3.84 million were paid during third quarter 2017. The

[1] Please see Note 9

vessel was built at Sanoyas in 2011 and has a deadweight of 83 494 tons. The vessel was delivered on 15 November 2017.

- On 21 September 2017, the Company entered into a purchase agreement for a Kamsarmax bulk carrier, the Songa Moon. The purchase price was $20.50 million, of which the deposit of $4.10 million and the final amount of $16.4 million were paid during third quarter 2017. The vessel was built at Tsuneishi in 2012 and has a deadweight of 82 188 tons. The vessel was delivered on 10 October 2017.
- On 21 September 2017, the Company entered into a purchase agreement for a Capesize bulk carrier, the Songa Claudine. The purchase price was $30.50 million. The vessel was built at STX in 2017 and has a deadweight of 181 258 tons. The vessel is expected to be delivered during January 2018.
- On 22 September 2017, the Company entered into a sale agreement for a Supramax bulk carrier, the Songa Marlin. The sale price was $13.80 million, and estimated gain on sale is $2 million which will be recognized in fourth quarter of 2017. The vessel was built at Tsuneishi Zhoushan in 2009 and has a deadweight of 58 693 tons. The vessel delivered to her new owners in October 2017.

CORPORATE:

- On 23 August 2017, the Company completed a tap issue of $45 million. The total nominal amount outstanding in the bond following the tap issue will be $120 million of the borrowing limit of $150 million. The bond has a floating interest rate of LIBOR plus a margin of 4.50%, and the final maturity is 13 June 2022.
- On 29 September 2017, the Company completed a tap issue of $18 million. The total nominal amount outstanding in the bond following the tap issue will be $138 million of the borrowing limit of $150 million. The bond has a floating interest rate of LIBOR plus a margin of 4.50%, and the final maturity on 13 June 2022.
- On 29 September 2017, the Company listed a new bond issue on Oslo Stock Exchange. Issued amount was $138 million with maturity date 13 June 2022. The bond has a floating interest rate of LIBOR plus a margin of 4.5%

SUBSEQUENT EVENTS:

- The deposit of $3.6 million for above mentioned purchase agreement for the Songa Claudine, was paid during fourth quarter. Expected delivery during January 2018.
- The Kamsarmax bulk carrier Songa Moon, was delivered 10 October 2017. The total purchase price of $20.50 million, was settled by the end of third quarter of 2017.
- The Songa Marlin, mentioned under vessel additions and sale above, was delivered to new owners on 17 October 2017. A surplus on sale of estimated $2 million will be recognized during fourth quarter of 2017.
- The Kamsarmax bulk carrier Songa Hirose, was delivered 15 November 2017. The difference between the purchase price and deposit paid, $15.36 million, was settled prior to delivery of the vessel.
- The Kamsarmax bulk carrier Songa Sky, was delivered 27 November 2017. The difference between the purchase price and deposit paid, $14.62 million, was settled prior to delivery of the vessel.

THIRD QUARTER 2017 RESULTS

in $ thousands Financial performance	Q3 2017	Q2 2017
Operating revenue	8 118	4 866
Other operating income (-expenses)	-37	-
Operating expenses	7 333	5 207
Operating profit (-loss)	**748**	**-341**
Net loss	**-716**	**-126**
Earnings per share, $ per share	-0.020	-0.003
Financial position	30 September 2017	30 June 2017
Total assets	314 327	250 283
Cash and cash equivalents	60 338	109 451
Total equity	171 834	172 550
Cash flow statement	Q3 2017	Q2 2017
Net cash flow from operating activities	743	466
Net cash flow used in investing activities	-112 727	-81 858
Net cash flow from financing activities	62 871	74 062
Net change in cash and cash equivalents	-49 113	-7 330

Financial performance

The Company increased operating profit by $1.1 million in Q3 2017, from a loss of $0.3 million in Q2 2017 to a profit of $0.7 million in Q3 2017. The Company reports a net loss of $0.7 million in Q3 2017, compared to a net loss in Q2 2017 of $0.1 million. The decline is a result of higher interest expenses due to bond issued in the last four months.

Operating income increased from $4.9 million in Q2 2017 to $8.1 million in Q3 2017. During Q3 2017, the Company took delivery of four vessels, adding to the eight vessels previously delivered. TC out days[2] increased from 605 in Q2 2017 to 891 in Q3 2017. TCE was $9 069 per day in Q3 2017, compared to $8 043 per day in Q2 2017.

Due to the fleet growth in Q3 2017, the operating expenses were $7.3 million compared to $5.2 million in Q2 2017. The rise in operating expenses relates mainly to ship operating expenses and depreciation, since operating days increased from 627 in Q2 2017 to 903 in Q3 2017.

Net financial loss was $1.5 million in Q3 2017, down from a net financial income of $0.2 million in Q2 2017. The increase in financial expenses relates mainly to interest of bonds issued during Q2 2017 and Q3 2017.

Financial position

The Company's total assets amounted to $314.3 million at 30 September 2017, up from $250.3 million at 30 June 2017. Non-current assets, which comprise of vessels delivered, held for sale and paid deposits on vessels for future deliveries, increased from $138.2 million at 30 June 2017 to $232.7 million at 30 September 2017. This was mainly due to the Company taking delivery of four vessels in the third quarter.

Total equity remained stable during the quarter, while interest-bearing debt increased from $74.1 million at 30 June 2017 to $136.5 million at 30 September 2017 through issuance of bond.

Cash flow

Net cash flow from operating activities was $0.7 million in Q3 2017. Net cash flow from financing activities was $62.9 million, which were the net proceeds from debt issuance during the quarter. $112.7 million were used in investment activities this quarter, hereunder the purchase of additional vessels. Net change in cash and cash equivalents from 30 June 2017 to 30 September 2017 was -$49.1 million. Cash and cash equivalents at the end of Q3 2017 were $60.3 million.

[2] Please see Note 9

THE FLEET

By the end of the third quarter 2017, the delivered fleet consists of 12 bulk carriers:

Vessel Name	Ex Name	Type	DWT	Built	Yard
Songa Glory	Equinox Glory	Supramax	58 680	2012	Nantong Cosco
Songa Marlin	Tenki Maru	Supramax	58 693	2009	Tsuneishi Zhoushan
Songa Wave	Xing Fu Hai	Ultramax	61 491	2017	Dalian Cosco
Songa Delmar	Delmar	Kamsarmax	81 501	2011	Hyundai Samho HI
Songa Devi	Goddess Santosh Devi	Kamsarmax	81 918	2014	Tsuneishi Japan
Songa Flama	Flama	Kamsarmax	80 448	2011	STX South Korea
Songa Genesis	Maverick Genesis	Kamsarmax	80 705	2010	STX South Korea
Songa Grain	Nord Navigator	Kamsarmax	82 672	2008	Tsuneishi Japan
Songa Hadong	Hanjin Hadong	Kamsarmax	82 158	2012	Tsuneishi Japan
Songa Maru	Ten Maru	Kamsarmax	82 687	2008	Tsuneishi Zhoushan
Songa Mountain	Mount Meru	Capesize	179 147	2009	Hyundai HI Korea
Songa Opus	Golden Opus	Capesize	180 716	2010	STX South Korea

Total TC out days during third quarter 2017, were 891 days. There were 12 handover days in Q3 2017. Handover days is the time from delivery of the vessels to the Company until vessels delivery to charterers.

At the date of this report, the Company has acquired 16 vessels of which 12 have been delivered and 1 vessel (Songa Marlin) has been sold.

MARKET

Market, Outlook, Strategy and Forward-Looking Statements

DRY BULK MARKET IN Q3 2017

Following a slow start at the beginning of July the dry cargo market developed positively during third quarter. Healthy demand for both iron ore and coal combined with a significant reduction in newbuilding delivery rate ensured improvement in freight rates for all segments. As always, volatility was most pronounced in the cape segments where TC rates increased from $6 300 per day (10 July) to $22 450 per day on 25 September.

World steel production performed well in third quarter generating demand for iron as well as coking coal. At the same time also steam coal shipments increased, of which long haul trade from Atlantic to Far East gave a further boost to overall demand. China, the major importer of iron ore, posted record levels in September with 102 million tons iron ore, the highest figure ever. In addition, coal imports recorded healthy growth in third quarter with September reaching 27.1 million tons, the highest import figure since December 2014. Grain shipments was seasonally weaker during this quarter and helped to explain the relatively modest increase in Supramax rates.

Below are the average TC spot rates per day gross compared with the previous quarter:

- Supramax (SM6TC): $9 243 per day in Q3 compared to $8 603 in Q2
- Panamax (PC4TC): $10 135 per day in Q3 compared to $8 801 in Q2
- Capesize (CS5TC): $14 654 per day in Q3 compared to $12 041 in Q2

Third quarter represented another period of very modest fleet growth. Whereas second quarter saw the dry bulk fleet grow by a net figure of 6.6 million dwt, the corresponding figure for the third quarter was only 2.7 million dwt net.

Compared to the previous quarter, the third quarter demand grew by 1.4%, year on year growth was about 6.2%. The utilization of the dry bulk remained steady at 84%. Looking into the main commodities, this can be broken down as follows:

- Iron ore: + 2.8% compared to the previous quarter and + 2.7 % year on year
- Coal: + 2.3% compared to the previous quarter and + 3.0% year on year
- Grain / soya: - 2.1% compared to the previous quarter and + 8.1% year on year
- Others: + 0.6% compared to the previous quarter and + 0.2% year on year

Despite the positive development in spot freight levels, this has not translated into the same improvement in the longer term TC levels. Subsequently, secondhand values have been relatively static posting only minor improvements so far.

A five-year-old Supramax (56 000 dwt) was worth $16.5 million by the end of third quarter compared to $16 million at the end of second quarter.

A five-year-old Panamax (76 000 dwt) was worth $18.5 million by the end of third quarter compared to $18 million at the end of second quarter.

A five-year-old Capesize (180 000 dwt) was worth $34 million at the end of third quarter, up $0.5 million from the previous quarter.

Even though ordering of new vessels has accelerated during the last few months, the official order book still makes up for only 8% of the existing fleet. This is very low sseen in a historic perspective.

OUTLOOK AND STRATEGY

Third quarter was an active quarter for Songa Bulk ASA. The Company took delivery of two Kamsarmax vessels and two Capesize vessels. In addition, the Company entered into purchase agreements for three Kamsarmax vessels and one Capesize vessel. Furthermore, one Supramax vessel was sold, which enabled the Company to purchase the last Capesize vessel, the Cape Claudine. When this vessel is delivered, which is expected to take place during January 2018, the Company will own a fleet of 15 vessels with an average age of 6 years.

Following the last tap issue, the Company has a loan to value (LTV) of 40% based on latest valuation. The low cash breakeven of about $7 000 per day based on 15 sailing vessels excluding dry docking costs, will make the Company profitable ahead of Management's expectations.

The FFA market (synthetic freight market) is still in backwardation. This is mainly due to seasonality related to first quarter 2018 and uncertainty in connection with environmental measures in China. The increased focus on pollution from the Chinese Authorities is not necessarily negative for the seagoing transportation of dry bulk commodities from a quality perspective. The price spread between high and low quality iron ore has widened lately which will favor Brazilian iron ore with three times the sailing distance compared with Australia. (The majority of potential added capacity of high quality iron ore over the next three years is coming from Brazil with long sailing distances.)

Even though the Company has witnessed more orders being placed lately, it is still at comfortable levels compared to the existing fleet. The nominal order book stands at 8%, but in reality some analysts believe it could be just below 7% and in line with number of vessels older than 20 years.

The Company has 1 170 available days[3] in fourth quarter out of which 77% is covered at $9 715 TC net[4] per day. Two Kamsarmaxes are fixed on index charters (Songa Grain and Songa Genesis) against the daily Panamax 4 TC published by the Baltic Exchange. These two vessels and Songa Mountain participating in the CCL Spot Pool are not considered as covered. From second quarter of 2018, Songa Bulk ASA has presently full exposure to the prevailing spot market.

The Company will continue its present market strategy with a majority of its fleet employed at fixed TC rates with durations depending on the prevailing market at any given time.

The Board of Songa Bulk is pleased with the rapid growth of the Company. Going forward the focus is on earnings and in combination with its low costs, simple structure and alignment the main objective is to create shareholder values.

FORWARD-LOOKING STATEMENTS

Forward-looking statements presented in this report are based on various assumptions. The assumptions were reasonable when made, but are subject to uncertainties and contingencies that are difficult or impossible to predict. Songa Bulk ASA cannot give assurances that expectations regarding the outlook will be achieved or accomplished.

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[3] Available days are all days the vessels are generating income and calculated on basis of total operating days less any off-hire during the period.
[4] Total expected income divided by available days.

RISK FACTORS

Risk Factors and Responsibility Statement

MAIN RISK FACTORS

The Company is through its operations exposed to a variety of market, operational and financial risks.

The most significant risk for the Company is the market risk related to the cyclical dry bulk market. Changes in national and international economic conditions, including for example interest rate levels, inflation, employment levels, may influence the valuation of real and financial assets. In turn, this may impact the demand for goods, services and assets globally and thereby the macro economy. The current macroeconomic situation is uncertain and there is a risk of negative developments. Such changes and developments – none of which will be within the control of the Company – may negatively impact the Company's investment activities, realization opportunities and overall investor returns.

The demand for, and the pricing of the underlying assets are outside of the Company's control and depend, among other things, on the global economy, the global trade growth, as well as the prices of oil and gas. On the supply side there are uncertainties tied to the ordering of new vessels and scope of future scrapping. The actual residual value of the vessels in the underlying investments, and/or their earnings after expiration of the fixed contract terms, may be lower than the Company estimates.

In view of operational risk, the Company is considering different factors such as misdelivery of cargoes, cargo claims, off hire due to technical reasons, as well as arrests and/or hijacking of vessels. However, the Company is taking measures to minimize the exposure and the probability of such risks.

The Company is exposed to credit risk and time charter contract risk in the case that receivables from customers and other parties are not paid and time charter contracts are early terminated. The customers are in general large companies with excellent credit rating. For new customers, a credit evaluation is performed.

Liquidity risk may arise if the Company is not able to pay its financial obligations at due date. The Company applies cash flow forecasting to ensure that the activities are adequately financed at all times. Cash flows from operations and from financing activities are considered sufficient to settle all financial obligations.

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 September 2017 have been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Company's assets, liabilities, financial position and profit as a whole.

We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the second quarter of the financial year and their impact on the set of financial statements, and a description of the main risks and uncertainties going forward.

Oslo, 30 November 2017

The Board of Directors of Songa Bulk ASA

Arne Blystad	Herman Alf Billung	Magnus Leonard Roth
Chairman	CEO	Director

Christine Rødsæther	Vibeke Gwendoline Fængsrud
Director	Director

FINANCIAL INFORMATION

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

in $ thousands	Note	Q3 2017	YTD Q3 2017
		(Unaudited)	(Unaudited)
Voyage charter revenue		906	906
Time charter revenue		7 212	13 587
Other revenue		-	62
Total operating income		**8 118**	**14 555**
Other operating income (-expenses)		**-37**	**-37**
Voyage expenses		124	220
Ship operating expenses		4 909	9 742
General and administrative expenses		543	1 868
Depreciation	3	1 757	3 242
Total operating expenses		**7 333**	**15 072**
Operating profit (-loss)		**748**	**-554**
Interest income		146	373
Interest expenses		-1 451	-1 662
Other financial income (-expenses)		-159	-100
Net financial income		**-1 464**	**-1 389**
Loss before taxes		**-716**	**-1 943**
Tax expense		-	712
Net loss		**-716**	**-2 655**
Total comprehensive loss		**-716**	**-2 655**
Basic and diluted earnings – $ per share		**-0.020**	**-0.082**

CONDENSED STATEMENT OF FINANCIAL POSITION

in $ thousands	Note	30 September 2017	31 December 2016
		(Unaudited)	
Vessels		209 490	11 108
Deposit vessels		11 595	3 855
Vessels held for sale	8	11 655	-
Total non-current assets	**3**	**232 740**	**14 963**
Inventories		2 724	26
Trade receivables		75	3
Other receivables		18 450	133
Cash and cash equivalents		60 338	57 688
Total current assets		**81 587**	**57 850**
TOTAL ASSETS		**314 327**	**72 813**
Share capital		21 620	9 085
Share premium		154 331	63 756
Other paid-in capital		574	400
Retained earnings		-4 691	-2 036
Total equity	**4**	**171 834**	**71 205**
Interest-bearing debt	6	136 477	-
Financial liabilities at fair value through profit or loss		483	327
Total non-current liabilities		**136 960**	**327**
Trade payables		1 529	682
Income taxes payable		425	393
Other liabilities		3 579	206
Total current liabilities		**5 533**	**1 281**
Total liabilities		**142 493**	**1 608**
TOTAL EQUITY AND LIABILITIES		**314 327**	**72 813**

CONDENSED STATEMENT OF CHANGES IN EQUITY

in $ thousands	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Incorporation	3	-	-	-	3
Share issuance	9 082	65 188	-	-	74 270
Share issuance costs	-	-1 432	-	-	-1 432
Warrants issued to employees	-	-	400	-	400
Net loss	-	-	-	-2 036	-2 036
Equity 31 December 2016	**9 085**	**63 756**	**400**	**-2 036**	**71 205**
Share issuance	12 535	92 711	-	-	105 246
Share issuance costs	-	-2 136	-	-	-2 136
Warrants issued to employees	-	-	174	-	174
Net loss	-	-	-	-2 655	-2 655
Equity 30 September 2017	**21 620**	**154 331**	**574**	**-4 691**	**171 834**

CONDENSED STATEMENT OF CASH FLOWS

in $ thousands	YTD Q3 2017
	(Unaudited)
Loss before taxes	-1 943
Depreciation	3 242
Change in inventories	-2 698
Net change in trade receivables/payables	775
Employee benefit expenses in connection with issuance of warrants	174
Change in financial liabilities at fair value through profit or loss	156
Net change in other current items	1 033
Net cash flow from operating activities	**739**
Purchase of vessels	-212 882
Paid deposit and prepayments of vessels	-24 141
Dry-docking paid	-397
Net cash flow used in investment activities	**-237 420**
Proceeds from share issuance	105 244
Share issuance costs	-2 846
Proceeds from issuance of debt	137 625
Debt issuance costs	-692
Net cash flow from financing activities	**239 331**
Net change in cash and cash equivalents	**2 650**
Cash and bank deposits at beginning of period	57 688
Cash and bank deposits at end of period	**60 338**

NOTES

Note 1 Accounting policies

These interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed consolidated interim financial reporting should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with IFRS, as adopted by the EU.

New accounting policies since annual financial statements

Interest-bearing debt

Interest-bearing debt is initially recognized at its fair value less transaction costs. After initial recognition, interest-bearing debt is measured at amortized cost using the effective interest method.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale.

Other income (expenses)

Net income as a result of the revenue sharing agreement for the Capesize vessel is presented as other operating income (expenses).

New or amendments to standards

The following new or amendments to standards and interpretations have been issued and become effective during the current period. These include:

- Amendments to IAS 12 – Income taxes regarding recognition of deferred tax assets for unrealised losses, for periods beginning on or after 1 January 2017
- Amendments to IAS 7 – Cash flow statements, for periods beginning on or after 1 January 2017

The above pronouncements did not have a material impact on the financial statements of the Company, beyond disclosures.

The following new or amendments to standards and interpretations have been issued and become effective in years beginning on or after 1 January 2018, assuming European Union adoption. The Company is evaluating the impact of these changes on the financial statements of the Company:

- IFRS 15 – Revenue from contracts with customers, for periods beginning on or after 1 January 2018. The current practice of recognizing revenue on a discharge-to-discharge basis is not in line with IFRS 15. The model for recognition is likely to be that revenue is to be recognized on a load-to-discharge basis, with voyage expenses incurred prior to loading to be capitalized as mobilization costs and amortized over the associated period for which revenue is recognized, whilst voyage expenses incurred as repositioning for non-committed freight contract to be expensed as incurred. The voyage charter to which voyage charter revenue was earned in Q3 2017 will be completed prior to year-end and the expectation is that the vessel will be employed on time charter. When contracts begin and complete in the same period there is no effect on adoption of IFRS 15. The expectation is that if all vessels are on time charter during and at the period end Q4 2017, there will not be any effect on adoption of IFRS 15.

- IFRS 9 – Financial instruments, for periods beginning on or after 1 January 2018
- IFRS 16 – Leases, for periods beginning on or after 1 January 2019

Note 2 Segment information

The Company operates within one single segment, which is the shipping dry-bulk segment.

Note 3 Vessels and deposit vessels

in $ thousands	Q3 2017	YTD Q3 2017	2016
Closing balance previous period vessels and deposit vessels	**138 171**	**14 963**	**-**
Purchase price vessels delivered in the period	94 628	212 882	11 145
Paid deposits previous periods on vessels delivered in the period	-9 897	-3 855	-
Paid deposits on vessels for delivery in future periods	11 595	11 595	3 855
Reclassification of vessel held for sale	-11 655	-11 655	-
Dry-docking in the period	-	397	-
Depreciation in the period	-1 757	-3 242	-37
Closing balance vessel and deposit vessels	**221 085**	**221 085**	**14 963**
Vessel held for sale	11 655	11 655	-
Closing balance vessel held for sale	**11 655**	**11 655**	**-**
Closing balance total non-current assets	**232 740**	**232 740**	**14 963**

As of 30 September 2017, the Company is the owner of a total of twelve bulk carrier vessels. During third quarter 2017, the Company took delivery of four vessels, and entered into a memorandum of agreements for purchase of another four bulk carrier vessels. Three of the vessels will be delivered in fourth quarter of 2017, and one vessel in first quarter of 2018.

As of 30 September 2017, management has assessed impairment indicators and concluded that there are no impairment indicators for any vessel.

For specifications of vessels held for sale, see note 8.

Note 4 Share capital and shareholders

As of 30 September 2017, the Company's share capital consists of 35 860 000 shares, each at a nominal value of $0.60 (NOK 5). All issued shares are fully paid.

In a board meeting on 31 January 2017, the Board of Directors resolved to issue 1 000 000 new shares under a proxy from the general meeting. Total gross proceeds from the share issuance were $5 million. It was also resolved to issue 75 000 warrants to the founding shareholders. For further information, see note 5.

In an extraordinary general meeting on 17 February 2017, it was resolved to issue 20 000 000 new shares. Total gross proceeds from the share issuance were $100.2 million (the subscription price was fixed at NOK 42 per share). It was also resolved to issue 325 000 warrants to the founding shareholders. For further information, see note 5.

Note 5 Warrants

In connection with the two share issuances taking place in first half year 2017, as mentioned in note 4, warrants have been granted to the founding shareholders. Warrants are granted under the same warrant agreement as mentioned in note 8 to the annual report.

Granted warrants as at 30 September 2017 to shareholders that are also employed by the Company:

	Tranche 1			Tranche 2			Tranche 3		
Share issue	No of warrants	Value per warrant (NOK)	Value per warrant (USD)	No of warrants	Value per warrant (NOK)	Value per warrant (USD	No of warrants	Value per warrant (NOK)	Value per warrant (USD)
4 November 2016	201 094	5.87	0.72	201 094	5.84	0.71	201 094	4.54	0.56
31 January 2017	13 750	7.53	0.90	13 750	7.87	0.94	13 750	6.37	0.76
17 February 2017	59 583	6.85	0.82	59 583	6.99	0.84	59 583	5.52	0.66

Valuation date is on the date of the respective share issuance. Subscription price is NOK 40.89 for warrants issued on 4 November 2016, NOK 41.63 for warrants issued on 31 January 2017 and NOK 42.00 for warrants issued on 17 February 2017. Warrants are accounted for as employee benefit expenses with a corresponding increase in equity. Total recognized amount in first three quarters of 2017 was $174 thousand, the amount in third quarter 2017 was $0.

Granted warrants as at 30 September 2017 to shareholder that is not employed by the Company:

	Tranche 1			Tranche 2			Tranche 3		
Share issue	No of warrants	Value per warrant (NOK)	Value per warrant (USD)	No of warrants	Value per warrant (NOK)	Value per warrant (USD	No of warrants	Value per warrant (NOK)	Value per warrant (USD)
4 November 2016	164 531	6.25	0.78	164 531	6.29	0.79	164 531	4.93	0.62
31 January 2017	11 250	6.02	0.76	11 250	5.99	0.75	11 250	4.65	0.58
17 February 2017	48 750	5.91	0.74	48 750	5.84	0.73	48 750	4.49	0.56

Valuation date is 30 September 2017. These warrants are recognized as financial liabilities, since the strike price is not in the functional currency of the entity, and valued at fair value through profit or loss. The fair value of all issued warrants to shareholder not employed by the Company as of 30 September 2017, was $483 thousand. The recognized net expense in first three quarters of 2017 was $156 thousand. The amount in Q3 2017 was an expense of $129 thousand. The items are classified as other financial income.

Note 6 Interest-bearing debt

On 30 May 2017, the Company issued a $75 million senior secured bond with a total borrowing limit of $150 million. The bond has floating interest rate, of LIBOR plus a margin of 4.50%. Settlement was 13 June 2017 and the bond shall be repaid in full on the maturity date which is 13 June 2022.

On 23 August 2017, the Company completed a tap issue of $45 million. The total nominal amount outstanding in the bond following the tap issue will be $120 million of the borrowing limit of $150 million. The bond has a floating interest rate of LIBOR plus a margin of 4.50%, and the final maturity is 13 June 2022.

On 29 September 2017, the Company completed a tap issue of $18 million. The total nominal amount outstanding in the bond following the tap issue will be $138 million of the borrowing limit of $150 million. The bond has a floating interest rate of LIBOR plus a margin of 4.50%, and the final maturity 13 June 2022.

in $ thousands	30 September 2017	31 December 2016
Nominal value of issued bond	138 000	-
Debt issuance cost	-1 523	-
Interest-bearing debt	136 477	-

The following financial covenants exist under the bond terms:

- Vessel Loan to Value ratio shall at all times be below 75.0%
- The liquidity of the Company shall at all times exceed the sum of the interest payments falling due on the four following interest payment dates (interest payments are quarterly).

In addition, the earliest distribution is in 2018, and distribution is permitted if the Vessel LTV Ratio are below 50% and are limited to the Issuer's consolidated adjusted net Profit of the previous calendar year. Depreciation made on the vessels and sale of vessels is not included in adjusted net Profit.

Note 7 Financial instruments

Set out below is a comparison by category for carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements. The estimated fair value amounts of the financial instruments have been determined using appropriate market information and valuation techniques.

	30 September 2017		31 December 2016	
In USD	Carrying amount	Fair value	Carrying amount	Fair Value
Financial assets:				
Trade receivables	75	75	3	3
Other receivables*	711	711	78	78
Cash and cash equivalents	60 338	60 338	57 688	57 688
Financial liabilities:				
Interest-bearing debt**	138 000	138 000	-	-
Financial liabilities at fair value through profit or loss	483	483	327	327
Trade payables	1 529	1 529	682	682
Income taxes payable	425	425	393	393
Other current liabilities*	2 902	2 902	115	115

*The difference between the balance sheet item other receivables and other receivables in the table above is prepaid expenses which are not considered a financial instrument. The difference between the balance sheet item other current liabilities and other current liabilities in the table above is prepaid revenues which are not considered a financial instrument.

**The difference between the balance sheet item Interest-bearing debt and the table above is the debt issuance costs as detailed in note 6.

Fair value estimation

The different levels for fair value estimation have been defined as follows:

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

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable input for the asset or liability

Fair value equals carrying value for all financial instruments. Cash and cash equivalents are valued at level 1, Financial liabilities at fair value through profit or loss, which are warrants issued to shareholder, are valued at level 3.

Note 8 Assets classified as held for sale

in $ thousands	30 September 2017	31 December 2016
Vessels	11 655	-
Total assets classified as held for sale	11 665	-

On 22 September 2017, the Company signed a Memorandum of Agreement to sell Songa Marlin, a Supramax bulk carrier. The Supramax will be delivered to its new owner within 15 November 2017.

As of 30 September 2017, the Company classified the Supramax as held for sale. The vessel is valued at the lower of the carrying amount and fair value less costs to sell, which in this case is the carrying amount.

The vessel is not depreciated or amortized while it is classified as held for sale.

The estimated gain on sale is $2 million, which will be recognized in Q4 2017.

Note 9 Alternative performance

Financial performance	Q3 2017	Q2 2017
Time charter equivalent revenue[1], $ in thousands	8 081	4 866
Time charter out days (TC Out days[2])	891	605
Time charter equivalent (TCE[3]), $ per day	**9 069**	**8 043**
Net ship operating expenses[4], $ in thousands	4 676	3 126
Operating days[5]	903	627
Net ship operating expenses per day (OPEX[6]), $ per day	**5 178**	**4 987**

[1] **Time charter equivalent revenue** is operating income and other operating income (-expenses).

[2] **Time Charter Out days (TC Out days)** are calculated on a vessel by vessel basis and represent operating days less handover days, dry-dock and unscheduled repairs.

[3] **Time Charter Equivalent (TCE)** is calculated by dividing time charter equivalent revenue by TC Out days during a reporting period.

[4] **Net Ship Operating Expenses** are the ship operating expenses less startup costs. Startup costs are expenses related to delivery of new vessels, which can not be activated.

[5] **Operating days** are the number of days calculated from the day the Company takes delivery of the vessel, until end of the reporting period.

[6] **Net Ship Operating Expenses per day (OPEX)** is calculated by dividing net ship operating expenses by operating days during a reporting period.

Note 10 Related party transactions

The Company has purchased corporate services from Arne Blystad AS under the corporate service agreement as mentioned in the annual report for 2016.

The Company has purchased technical management services from Songa Shipmanagement Ltd for the vessel Songa Maru under the technical management agreement as mentioned in the annual report for 2016. In addition, the Company has entered into technical management agreements with Songa Shipmanagement Ltd for the rendering of technical management services for the vessels Songa Genesis, Songa Marlin, Songa Delmar, Songa Hadong, Songa Opus, Songa Devi, Songa Mountain, Songa Sky and Songa Claudine.

Note 11 Subsequent events

- The deposit of $3.6 million for above mentioned purchase agreement for the Songa Claudine, was paid during fourth quarter. Expected delivery during January 2018.
- The Kamsarmax bulk carrier Songa Moon, was delivered 10 October 2017. The total purchase price of $20.50 million, was settled by the end of third quarter of 2017.
- The Songa Marlin, mentioned under vessel additions and sale above, was delivered to new owners on 17 October 2017. A surplus on sale of estimated $2 million will be recognized during fourth quarter of 2017.
- The Kamsarmax bulk carrier Songa Hirose, was delivered 15 November 2017. The difference between the purchase price and deposit paid, $15.36 million, was settled prior to delivery of the vessel.
- The Kamsarmax bulk carrier Songa Sky, was delivered 27 November 2017. The difference between the purchase price and deposit paid, $14.62 million, was settled prior to delivery of the vessel.