SONGA BULK

Songa Bulk ASA
Financial Report Q4 2017

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SONGA BULK

Fourth Quarter 2017 Highlights, Events, Results and Fleet

FOURTH QUARTER 2017 HIGHLIGHTS

The Company's (Songa Bulk ASA with subsidiaries) net result in Q4 2017 increased compared to Q3 2017 as the Company took delivery of three vessels in the current quarter and vessels were chartered out on higher time charter (TC) rates. The highlights below are a comparative summary of Q4 2017 versus Q3 2017.

- EBITDA was $6.7 million in Q4 2017, compared to $2.5 million in Q3 2017. Included in EBITDA for Q4 2017 is gain on sale of vessel, amounting to $2.0 million.
- Average time charter equivalent (TCE[1]) in Q4 2017 was $10 391 per day, compared to $9 069 per day in Q3 2017.
- Total time charter equivalent earnings[1] were $12.2 million in Q4 2017, up from $8.1 million in Q3 2017.
- Net profit was $3.0 million ($0.085 per share) in Q4 2017, compared to a net loss of $0.7 million ($0.020 per share) in Q3 2017.
- Total operating days[1] were 1 190 in Q4 2017, while operating days in Q3 2017 were 903.
- Net ship operating expenses (OPEX[1]) in Q4 2017 were $5 585 per day, compared to $5 178 per day in Q3 2017. For the full year 2017 OPEX were $5 294 per day.
- Cash break-even per vessel in Q4 2017, calculated on the basis of a fully delivered fleet of 15 vessels, was $7 505 per day.
- The Board of Directors will propose to pay a dividend of $0.10 per share, subject to approval by the shareholders in an extraordinary general meeting.

FOURTH QUARTER 2017 EVENTS

VESSEL DELIVERIES:

- On 10 October 2017, the Company took delivery of a Kamsarmax bulk carrier, the Songa Moon. The purchase price of $20.50 million was paid during the third quarter 2017. The vessel was built at Tsuneishi in 2012 and has a deadweight of 82 188 tons.
- On 15 November 2017, the Company took delivery of a Kamsarmax bulk carrier, the Songa Hirose. The purchase price was $19.20 million, of which $3.84 million was paid during the third quarter 2017 and $15.36 million during the fourth quarter 2017. The vessel was built at Sanoyas in 2011 and has deadweight of 83 494 tons.
- On 27 November 2017, the Company took delivery of a Kamsarmax bulk carrier, the Songa Sky. The purchase price was $18.28 million, of which $3.66 million was paid during the third quarter 2017 and $14.62 million during the fourth quarter 2017. The vessel was built at Universal Shipbuilding in 2010 and has a deadweight of 81 466 tons.

VESSEL SALE:

- On 17 October 2017, the Company delivered the Supramax bulk carrier Songa Marlin to its new owners. The sales price was $13.80 million, and the recognized gain in fourth quarter 2017 was $2.0 million. The vessel was built at Tsuneishi Zhoushan in 2009 and has a deadweight of 58 693 tons.

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[1] Please see Note 8

SUBSEQUENT EVENTS:

- The Capesize bulk carrier Songa Claudine was delivered 25 January 2018. The difference between the purchase price and deposit paid, $27.45 million, was settled on delivery of the vessel.

FOURTH QUARTER 2017 RESULTS

in $ thousands Financial performance	Q4 2017	Q3 2017
Operating revenue	13 880	8 118
Other operating income (-expenses)	283	-37
Operating expenses	9 715	7 333
Operating profit	**4 448**	**748**
Net profit (-loss)	**3 049**	**-716**
Earnings per share, $ per share	0.085	-0.020
Financial position	31 December 2017	30 September 2017
Total assets	316 888	314 327
Cash and cash equivalents	41 017	60 338
Total equity	174 171	171 834
Cash flow statement	Q4 2017	Q3 2017
Net cash flow from operating activities	2 475	743
Net cash flow used in investing activities	-20 929	-112 727
Net cash flow from financing activities	-867	62 871
Net change in cash and cash equivalents	-19 321	-49 113

Financial performance

The Company increased operating profit by $3.7 million, from $0.7 million in Q3 2017 to $4.4 million in Q4 2017. The Company reports a net profit of $3.0 million in Q4 2017, compared to a net loss in Q3 2017 of $0.7 million. The Company sold one vessel in Q4 2017 with a recognized gain of $2.0 million. In addition, delivery of three more vessels led to an increase in operating days which contributes positively on net profit.

Operating revenue increased from $8.1 million in Q3 2017 to $13.9 million in Q4 2017. During Q4 2017, the Company took delivery of three vessels, adding to the twelve vessels previously delivered. TC out days[2] increased from 891 in Q3 2017 to 1 173 in Q4 2017. TCE was $10 391 per day in Q4 2017, compared to $9 069 per day in Q3 2017.

Due to the fleet growth in Q4 2017, the operating expenses were $9.7 million compared to $7.3 million in Q3 2017. The rise in operating expenses relates mainly to ship operating expenses and depreciation, since operating days increased from 903 in Q3 2017 to 1 190 in Q4 2017.

Net financial expenses were $2.1 million in Q4 2017, up from net financial expenses of $1.5 million in Q3 2017. Q4 2017 was the first quarter where interests were calculated on the entire bond amount for a full quarter, which explains the increase in financial expenses.

Financial position

The Company's total assets amounted to $316.9 million at 31 December 2017, up from $314.3 million at 30 September 2017. Non-current assets, which comprise of vessels delivered, held for sale and paid deposits on vessels for future deliveries, increased from $232.7 million at 30 September 2017 to $269.8 million at 31 December 2017. This was mainly due to the Company's net fleet growth of two vessels.

Total equity and total interest-bearing debt were stable during the quarter.

[2] Please see Note 8

Cash flow

Net cash flow from operating activities was $2.5 million in Q4 2017. Net cash flow from financing activities was -$0.9 million. $20.9 million were used in investment activities this quarter, being the net spend on purchase and sale of vessels. Net change in cash and cash equivalents from 30 September 2017 to 31 December 2017 was -$19.3 million. Cash and cash equivalents at the end of Q4 2017 were $41.0 million.

THE FLEET

By the end of the fourth quarter 2017, the fleet consisted of 14 bulk carriers:

Vessel Name	Ex Name	Type	DWT	Built	Yard
Songa Glory	Equinox Glory	Supramax	58 680	2012	Nantong Cosco
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 Hirose	Harbor Hirose	Kamsarmax	83 494	2011	Sanoyas
Songa Maru	Ten Maru	Kamsarmax	82 687	2008	Tsuneishi Zhoushan
Songa Moon	Atlantic Moon	Kamsarmax	82 188	2012	Tsuneishi Japan
Songa Sky	Midland Sky	Kamsarmax	81 466	2010	Universal Shipbuilding
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 fourth quarter 2017, were 1 173 days. There were 11 handover days in Q4 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 all have been delivered and 1 vessel (Songa Marlin) has been sold.

MARKET

Market, Outlook, Strategy and Forward-Looking Statements

DRY BULK MARKET IN Q4 2017

The positive development witnessed during the third quarter of 2017 continued through the last quarter of 2017. Strong demand for all major bulk commodities combined with increased sailing distances and more waiting time in port contributed favourably. This combined with a slower pace of newbuilding deliveries ensured higher utilization of the dry bulk fleet and subsequent higher earnings.

Again, the biggest impact was on the bigger sizes where cape spot rates peaked in the middle of December at USD 30 475 per day. The average spot rate for the fourth quarter was USD 22 995 an improvement of 57% compared with the previous quarter. Panamax and Supramax also witnessed improved levels although at a lesser pace with quarterly gains of around 17% and 16% respectively.

China imported a total of 258 million tons of iron ore during fourth quarter 2017. This was slightly below the previous quarter, however, in terms of ton mile demand this was more than compensated for by increased Brazilian exports which reached the highest quantity ever during this quarter. Same picture was witnesses on coal with healthy increase in US and Colombian exports to the Far East.

Grain shipments from the major export countries was just 1 million tons short of the third quarter figure mainly due to delay in the shipments from the US. However, the year on year increase posted a solid gain of 9,4%.

Below are the average Q4 TC spot rates per day gross compared with the previous quarter:

- Supramax (SM6TC): $10 742 per day in Q4 compared to $9 243 in Q3
- Panamax (PC4TC): $11 924 per day in Q4 compared to $10 135 in Q3
- Capesize (CS5TC): $22 995 per day in Q4 compared to $14 654 in Q3

Q4 represented another period of very modest fleet growth with only 1.7 million dwt added to the fleet. This was less than half of the rate compared to the previous quarter. Overall the dry bulk fleet grew by 3,1 % in 2017 of which more than 75% was delivered during first half year.

Compared to the previous quarter, Q4 demand grew by 3.1 %. Year on year growth was about 4.7%. The utilization rate of the dry bulk fleet gained another 2% and reached 86,1% during the quarter. Looking into the main commodities, this can be broken down as follows:

- Iron ore: + 2.5% compared to the previous quarter and + 1,8% year on year
- Coal: + 0,3% compared to the previous quarter and + 3.9% year on year
- Grain / soya: - 0.9% compared to the previous quarter and + 9.3% year on year
- Others: + 0.7% compared to the previous quarter and + 4.6% year on year

Despite the positive development in freight earnings, vessel values are still lagging behind. Supramaxes have seen more buying interest which has pushed secondhand price marginally up. Panamaxes/Kamsarmaxes are basically unchanged whereas capesize values have dropped slightly.

A five-year-old Supramax (56 000 dwt) was worth $17.0 million by the end of fourth quarter compared to $16.5 million at the end of third quarter.

A five-year-old Panamax (76 000 dwt) was worth $18.5 million by the end of fourth quarter unchanged from the previous quarter.

A five-year-old Capesize (180 000 dwt) was worth $33.0 million at the end of fourth quarter, a drop of USD 1.0 million from the previous quarter.

More ordering has taken place and the overall order book now stands around 9.6% of the existing fleet. This is still very low seen in a historic perspective.

OUTLOOK AND STRATEGY

From the time of the startup of the Company through the initial equity raise back in November 2016 the pronounced strategy was to actively manage the cyclicality of the dry bulk market by investing at historically low levels and subsequently focus on returning capital to shareholders through asset sales and/or dividends as the market recovers. Further it was stated that Songa Bulk should use the first 12 months to invest in modern and liquid assets through a lean and low cost management structure.

Following the delivery of three kamsramaxes during fourth quarter of 2017, the sale of one supramax same quarter plus the delivery of one capesize in January 2018 the Company is pleased with the composition of its fleet for now.

It was important for Songa Bulk to put money at work sooner than initially anticipated due to the fact the market improved at a steady pace and with greater strength than most analysts following the dry bulk market forecasted.

During 2017 demand growth surprised on the upside and outperformed supply growth with a healthy premium and was the main reason for the fundamental change

With a sailing fleet of 15 vessels with an average age of seven years, Songa Bulk is well positioned with its robust business model and low cash break even. For 2018 the cash breakeven is estimated to be around $7 350 per day. This includes Opex, G&A and interest expenses, but does not include dry dockings.

The chartering strategy was initially to employ the majority of the fleet at fixed TC rates for short to medium periods with duration up to a year. Given the improved market environment Songa Bulk has gradually increased its spot exposure.

Out of the 15 vessels, 3 vessels are employed on index related rates, with two more entering the same scheme in March/April this year. In addition, the 3 Capesizes are all employed trading spot in the CCL Pool.

For the first quarter of 2018 the Company has covered 82% of its original capacity at an average rate of $10 830 net per day. From second quarter onwards Songa Bulk has limited coverage.

The focus going forward will be on earnings rather than growth unless there are accretive opportunities.

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.

RISK FACTORS

Risk Factors

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.

FINANCIAL INFORMATION

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

in $ thousands	Note	Q4 2017	YTD Q4 2017	Q4 2016 / YTD Q4 2016
		(Unaudited)	(Unaudited)	(Audited)
Voyage charter revenue		670	1 577	-
Time charter revenue		11 236	24 822	117
Gain from sale of vessels and other revenue		1 975	2 036	-
Total operating income		**13 880**	**28 435**	**117**
Other operating income (-expenses)		**283**	**246**	**-**
Voyage expenses		-	220	45
Ship operating expenses		6 887	16 629	117
General and administrative expenses		620	2 488	779
Depreciation	3	2 208	5 450	37
Total operating expenses		**9 715**	**24 787**	**978**
Operating profit (-loss)		**4 448**	**3 894**	**-861**
Interest income		190	562	24
Interest expenses		-2 305	-3 967	-3
Other financial income (-expenses)		5	-94	-325
Net financial income (-expenses)		**-2 110**	**-3 500**	**-304**
Profit (-loss) before taxes		**2 338**	**394**	**-1 165**
Tax expense		-712	-	870
Net profit (-loss)		**3 049**	**394**	**-2 036**
Total comprehensive income (-loss)		**3 049**	**394**	**-2 036**
Basic and diluted earnings – $ per share		**0.085**	**0.012**	**-0.349**

CONDENSED STATEMENT OF FINANCIAL POSITION

in $ thousands	Note	31 December 2017	31 December 2016
		(Unaudited)	(Audited)
Vessels		266 775	11 108
Deposit vessels		3 055	3 855
Total non-current assets	**3**	**269 830**	**14 963**
Inventories		2 233	26
Trade receivables		1 312	3
Other receivables		2 496	133
Cash and cash equivalents		41 017	57 688
Total current assets		**47 058**	**57 850**
TOTAL ASSETS		**316 888**	**72 813**
Share capital		21 620	9 085
Share premium		153 619	63 756
Other paid-in capital		574	400
Retained earnings		-1 642	-2 036
Total equity	**4**	**174 171**	**71 205**
Interest-bearing debt	6	136 776	-
Financial liabilities at fair value through profit or loss		490	327
Total non-current liabilities		**137 266**	**327**
Trade payables		1 745	682
Income taxes payable		-	393
Other liabilities		3 706	206
Total current liabilities		**5 451**	**1 281**
Total liabilities		**142 717**	**1 608**
TOTAL EQUITY AND LIABILITIES		**316 888**	**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	-	-2 848	-	-	-2 848
Warrants issued to employees	-	-	174	-	174
Net loss	-	-	-	394	394
Equity 31 December 2017	**21 620**	**153 619**	**574**	**-1 642**	**174 171**

CONDENSED STATEMENT OF CASH FLOWS

in $ thousands	YTD Q4 2017	YTD Q4 2016
	(Unaudited)	(Audited)
Profit (-loss) before taxes	394	-1 166
Depreciation	5 450	37
Gain on sale of vessel	-1 968	-
Change in inventories	-2 207	-26
Net change in trade receivables/payables	-247	679
Employee benefit expenses in connection with issuance of warrants	174	400
Change in financial liabilities at fair value through profit or loss	163	327
Net change in other current items	1 454	-404
Net cash flow from operating activities	**3 214**	**-153**
Sale of vessel	13 615	-
Purchase of vessels	-268 512	-10 000
Paid deposit on vessels	-3 055	-3 855
Dry-docking paid	-397	-
Net cash flow used in investment activities	**-258 349**	**-13 855**
Proceeds from share issuance	105 246	73 129
Share issuance costs	-2 848	-1 432
Proceeds from issuance of debt	137 625	-
Debt issuance costs	-1 559	-
Net cash flow from financing activities	**238 464**	**71 697**
Net change in cash and cash equivalents	**-16 671**	**57 688**
Cash and bank deposits at beginning of period	57 688	-
Cash and bank deposits at end of period	**41 017**	**57 688**

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 Non-current assets

in $ thousands	Q4 2017	YTD Q4 2017	2016
Closing balance previous period total non-current assets	**232 740**	**14 963**	**-**
Purchase price vessels delivered in the period	59 493	272 375	11 145
Paid deposits previous periods on vessels delivered in the period	-11 595	-3 855	-
Paid deposits on vessels for delivery in future periods	3 055	3 055	3 855
Book value of vessels sold in the period	-11 655	-11 655	-
Dry-docking in the period	-	397	-
Depreciation in the period	-2 208	-5 450	-37
Closing balance total non-current assets	**269 830**	**269 830**	**14 963**

As of 31 December 2017, the Company is the owner of a total of fourteen bulk carrier vessels. During fourth quarter 2017, the Company took delivery of three vessels and entered into a memorandum of agreement for the purchase of one more bulk carrier vessel. The vessel was delivered in first quarter of 2018.

In fourth quarter 2017, the Company sold one vessel. The recognized gain from the sale was $2.0 million which is classified as other revenue.

As of 31 December 2017, management has assessed impairment indicators and concluded that there are no impairment indicators for any vessel.

Note 4 Share capital and shareholders

As of 31 December 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 31 December 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 2017 was $174 thousand, the amount in fourth quarter 2017 was $0.

Granted warrants as at 31 December 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	6.48	0.79	164 531	6.29	0.79	164 531	5.18	0.63
31 January 2017	11 250	6.24	0.76	11 250	6.26	0.76	11 250	4.88	0.59
17 February 2017	48 750	6.13	0.75	48 750	6.12	0.75	48 750	4.74	0.58

Valuation date is 31 December 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 31 December 2017, was $490 thousand. The recognized net expense in 2017 was $163 thousand. The amount in Q4 2017 was an expense of $7 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	31 December 2017	31 December 2016
Nominal value of issued bond	138 000	-
Debt issuance cost	-1 224	-
Interest-bearing debt	136 776	-

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. Distribution is permitted if the Vessel LTV Ratio is below 50% and is also 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.

	31 December 2017		31 December 2016	
In USD	Carrying amount	Fair value	Carrying amount	Fair Value
Financial assets:				
Trade receivables	1 312	1 312	3	3
Other receivables*	1 741	1 741	78	78
Cash and cash equivalents	41 017	41 017	57 688	57 688
Financial liabilities:				
Interest-bearing debt**	138 000	138 000	-	-
Financial liabilities at fair value through profit or loss	490	490	327	327
Trade payables	1 745	1 745	682	682
Income taxes payable	-	-	393	393
Other current liabilities*	2 665	2 665	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 Alternative performance

Financial performance	Q4 2017	Q3 2017
Time charter equivalent revenue[1], $ in thousands	12 189	8 081
Time charter out days (TC Out days[2])	1 173	891
Time charter equivalent (TCE[3]), $ per day	**10 394**	**9 069**
Net ship operating expenses[4], $ in thousands	6 646	4 676
Operating days[5]	1 190	903
Net ship operating expenses per day (OPEX[6]), $ per day	**5 585**	**5 178**

[1] **Time charter equivalent revenue** is voyage charter revenue, time charter revenue 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 and tonnage tax. Startup costs are expenses related to delivery of new vessels, which cannot 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 9 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 10 Subsequent events

The Capesize bulk carrier Songa Claudine was delivered 25 January 2018. The difference between the purchase price and deposit paid, $27.45 million, was settled prior to delivery of the vessel.