



Annual report 2017

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DIRECTORS' REPORT

SONGA BULK

Songa Bulk ASA (the Company) was incorporated in August 2016. Songa Bulk ASA and its subsidiaries (The Group or Songa Bulk) was formed during fourth quarter the same year. Songa Bulk operates within the dry bulk shipping market. As at 31 December 2017 the Group owned 14 modern dry bulk vessels. The business is run from Oslo. The shares of the Company are traded on Oslo Axess, a platform on Oslo Stock Exchange.

THE BUSINESS

Songa Bulk was founded primarily as an investment vehicle to take exposure to fluctuating asset values of dry bulk vessels. This was done based on the belief, that asset values were at a cyclically low level, and that opportunities were present to make gains from increasing asset values over a period following the Company's foundation. Songa Bulk owns modern and flexible tonnage, operated on short-term time charter contracts and in the spot market. The Company has an efficient and low-cost setup and a conservative leverage profile.

The fleet

Following the one vessel delivered in the start-up year of 2016, 2017 was the year for building a fleet to the desired level. A total of 14 vessels were delivered to the Group in 2017, one of them was sold in October the same year, leading to a net fleet growth of 13 vessels during 2017. All vessels owned by the Group are modern vessels built on reputable shipyards.

The composition of the fleet as at 31 December 2017:

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

Vessel additions in 2017:

- The supramax bulk carrier Songa Marlin, purchased in 2016, was delivered on 23 January 2017. The purchase price was \$11.85 million of which \$2.37 million was paid as a deposit in 2016.
- The supramax bulk carrier Songa Glory, purchased in 2016, was delivered on 1 February 2017. The purchase price was \$14.85 million of which \$1.49 million was paid as a deposit in 2016.
- The kamsarmax bulk carrier Songa Genesis was purchased through an auction in January 2017. The vessel was delivered on 22 February 2017. The purchase price was \$13.15 million.
- The kamsarmax bulk carrier Songa Flama was purchased on 8 February 2017. The vessel was delivered on 18 April 2017. The purchase price was \$14.78 million.
- The kamsarmax bulk carrier Songa Delmar was purchased on 17 March 2017. The vessel was delivered on 12 May 2017. The purchase price was \$18.70 million.
- The kamsarmax bulk carrier Songa Grain was purchased on 23 March 2017. The vessel was delivered on 3 August 2017. The purchase price was \$14.14 million.
- The kamsarmax bulk carrier Songa Hadong was purchased on 29 March 2017. The vessel was delivered on 27 April 2017. The purchase price was \$20.05 million.
- The ultramax bulk carrier Songa Wave was purchased on 30 March 2017. The vessel was delivered on 20 April 2017. The purchase price was \$23.30 million.
- The cape size bulk carrier Songa Mountain was purchased on 12 April 2017. The vessel was delivered on 20 July 2017. The purchase price was \$27.95 million.
- The cape size bulk carrier Songa Opus was purchased on 14 June 2017. The vessel was delivered on 12 September 2017. The purchase price was \$28.85 million.
- The kamsarmax bulk carrier Songa Sky was purchased on 7 August 2017. The vessel was delivered on 27 November 2017. The purchase price was \$18.28 million.
- The kamsarmax bulk carrier Songa Devi was purchased on 17 August 2017. The vessel was delivered on 14 September 2017. The purchase price was \$22.75 million.
- The kamsarmax bulk carrier Songa Hirose was purchased on 18 August 2017. The vessel was delivered on 15 November 2017. The purchase price was \$19.20 million.
- The kamsarmax bulk carrier Songa Moon was purchased on 21 September 2017. The vessel was delivered on 10 October 2017. The purchase price was \$20.50 million.
- The cape size bulk carrier Songa Claudine was purchased on 21 September 2017. The purchase price was \$30.50 million. A deposit of \$3.05 million was paid in 2017. The vessel was delivered in January 2018.

Vessel sale in 2017:

- The supramax bulk carrier Songa Marlin was sold on 22 September 2017. The vessel was delivered to new owners on 17 October 2017. The sales price was \$13.80 million.

Equity financing:

Songa Bulk was pleased with the great reception from shareholders during the equity raise of \$74.3 million in 2016 to finance the first vessel acquisitions. As 2017 was underway, the Group saw further potential for growth in what still was considered an attractive market. To finance the acquisitions of more vessels Songa Bulk raised \$105.2 million in gross cash proceeds in the beginning of 2017.

- On 31 January 2017, 1 million new shares were issued in a private placement. Total gross proceeds were \$5 million.
- On 17 February 2017, 20 million new shares were issued in a private placement. Total gross proceeds were \$100.2 million.

Loan financing:

Following the communicated strategy to take on moderate leverage Songa Bulk issued a senior secured bond on 30 May 2017 with a total borrowing limit of \$150 million. The bond has floating interest of LIBOR + a margin of 4.50%. The Board is pleased with the positive response received from bond investors during the year. The bond was raised on what Board of Directors consider very competitive terms, and to high quality investors. Prior to completion of the bond issue Songa Bulk had received multiple offers from reputable banks for bank financing at attractive terms. However, the Board of Directors was, and still is, confident that the bond issue will provide Songa Bulk with an increased flexibility at a very

attractive cost. Two tap issues, following the initial bond issue, has brought total loan amount up to \$138 million. Consequently, the Board of Directors consider the Group's debt to asset ratio to be sensible. The following events have occurred:

- On 30 May 2017 the Group issued a \$75 million senior secured bond with a total borrowing limit of \$150 million. The bond has floating interest rate of LIBOR + a margin of 4.50%. The bond was settled on 13 June 2017 and final maturity is 13 June 2022.
- On 23 August 2017 the Group completed a tap issue of \$45 million. The interest rate is LIBOR + a margin of 4.50% and final maturity is 13 June 2022.
- On 29 September 2017 the Group completed a tap issue of \$18 million. The interest rate is LIBOR + a margin of 4.50% and final maturity is 13 June 2022. Following the tap issue it was unconditionally and irrevocable confirmed from Songa Bulk to the bondholders that no more tap issues will be performed under the bond terms.

Operations:

Through 2017, the fleet has operated on short to medium term time charter parties, either on fixed hire rates or on hire rates related to dry bulk indexes. One vessel has operated in a pool. Total TC-out days were 2 909 which equates to a full year employment of 7.97 vessels.

The fleet has performed satisfactory with no major incidents. One ship passed her special survey in dry-dock and was off-hire for 13 days. All charterers have lived up to their obligations and no legal disputes did occur.

THE MARKET

The dry bulk market in 2017 was characterized by an overall healthy increase in demand combined with a moderate growth in tonnage supply. The result was that demand outpaced supply, setting the stage for considerable improvements in freight rates.

First quarter was expected to be weak, with seasonally lower demand and high influx of newbuilding deliveries. However, high iron ore activity together with an early start of the grain season created healthy demand and subsequent stronger rates than anticipated. This clearly boosted the market sentiment, and ensured a solid hike in secondhand values. Whereas first quarter surprised on the upside, second quarter came in below expectations as demand slowed down after the high shipping activity in first quarter. It was only by the middle of July the overall activity really started to show strength. Iron ore combined with strong demand for coal lifted the cape rates, and coal together with strong increase in grain shipments contributed positively to panamax and supramax.

Looking at 2017 as a whole, total seaborne trade ended up with growth of 3.7%. As result of slightly longer sailing distances the ton mile equivalent came in at around 4% increase:

- | | |
|------------|---------------------------|
| • Iron ore | 1.54 billion tons (+3.6%) |
| • Coal | 1.24 billion tons (+6.4%) |
| • Grain | 0.50 billion tons (+6.6%) |
| • Others | 1.14 billion tons (+0.2%) |

Total newbuilding deliveries added up to 38.2 million dwt in 2017. Total deletions were 14.0 million dwt creating a net growth of 24.2 million dwt, an increase of 3.1%.

As is often the case, cape size rates experienced high volatility ranging between \$4 650 per day in mid February and \$30 475 per day in mid December. Panamax and Supramax experienced more stable rates, but both segments posted healthy improvements:

- Spot time charter rates for cape size vessels averaged \$15 129 per day for the whole of 2017, more than a doubling of the average in 2016.
- Average spot time charter rates for panamax vessels came in at \$9 766 per day for the year representing an increase of 73% compared with 2016.
- Spot time charter rates for supramax vessels averaged \$9 171 per day, an improvement on 2016 of 47%.

Second hand values experienced a substantial increase during first quarter of 2017. However, asset prices stayed more or less unchanged for the remainder of the year. We saw the following development in values of which almost all took place during the first four months of the year:

- 5 year old Supramax estimated worth \$17.0 million by the end of 2017, up 21% compared with end 2016.
- 5 year old Panamax estimated worth \$18.5 million by the end of 2017, up 32% compared with end 2016.
- 5 year old Cape Size estimated worth \$33.0 million by the end of 2017, up 37% compared with end 2016.

FINANCIALS

As the Group was formed during fourth quarter 2016, some of the numbers commented on in this section lack comparatives.

Financial performance

The Group reports a net profit of \$388 thousand for the year 2017.

Total operating revenue and other operating income was \$28.7 million for the year. A gain of \$2.0 million came from sale of one vessel, while \$26.7 million was time and voyage charter revenue from fleet operations. 14 vessels were delivered to the Group throughout the year, adding to the one vessel delivered in 2016. Total TC-out days¹ in 2017 was 2 909 days, compared to total operating days¹ of 2 975. This equals 98.5%. Due to vessels being delivered to the Group throughout the year, operating days equal only 54% of possible operating days for a fully delivered fleet of 15 vessels for a whole year. Furthermore, average time charter equivalent¹ in 2017 was \$9 159 per day.

Total operating expenses were \$24.8 million in 2017. Net ship operating expenses¹ were \$5 294 per vessel per day. General and administrative expenses equal \$2.5 million for the year. The Group has been able to upscale operations without adding significant general and administration expenses. Depreciation were \$5.5 million. Operating profit were \$3.9 million, leading to an EBITDA of \$9.4 million in 2017. Given the fact this has been the start-up year for the Group, with fleet operations in average right above 50 percent of the days and extra start-up expenses, it is satisfactory to see that operations have been profitable right from the beginning.

Net financial expenses were \$3.5 million. Mainly, this consist of interest expenses on the bonds issued in June 2017, with additional tap issues in August and September.

Financial position

The Group's main focus through 2017 was to build a fleet of intended size, as well as optimizing the financial structure. Total assets increased from \$72.8 million per 31 December 2016 to \$316.9 million per 31 December 2017. Total non-current assets, which comprise of vessels delivered and paid deposit on vessel for future delivery, increased by \$254.9 million from year end 2016 to year end 2017. This was through a net fleet growth of 13 vessels during the financial year. The Board of Directors are pleased with the fleet composition; 14 top modern vessels built at reputable shipyards weighted sensibly across the segments. Also, the Group's ability to build a strong fleet in a short period of time in a competitive market, is seen as favourable.

Total equity was \$174.2 million as at 31 December 2017, up from \$71.2 million a year earlier. A total of \$105.2 million was paid in through private placements during the year, adding to the \$74.3 million from the private placement in 2016.

Interest bearing debt was \$136.8 million at year end 2017. Interest bearing debt consists in its entirety of a bond loan with an outstanding amount of \$138.0 million, reduced with debt issuance costs to be expensed over the bond maturity, which is June 2022. The bond was issued in June 2017 at a very competitive interest rate of LIBOR + 4.5%. Following the bond issue of \$75 million, two additional tap-issues were carried out in August and September, respectively \$45 million and \$18 million, to finance additional vessel acquisitions.

The Board of Directors is satisfied that the Group has been able to finance its vessels with a healthy mix of equity and debt at competitive terms. This financing strategy has resulted in a conservative leverage just above 40%.

¹ Please see note 23

Cash flows

The balance of cash and cash equivalents was reduced from \$57.7 million at year end 2016, to \$41.0 million as at 31 December 2017. \$3.2 million was generated through operations, and \$238.5 million through equity and debt financing. \$258.3 million was the net spending on investing in the fleet.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

The Company's objective is to ensure safe and secure operations. The business operates in compliance with national and international requirements and regulations. There have been few work-related accidents to personnel on Board in 2017 and only one resulting in sick leave. There have not been any pollution incidents related to the Company's vessels in 2017.

The working environment is considered good.

The Company focus continuously on being a workplace free from discrimination on the basis of gender, race or religion on matters such as pay, promotion and recruitment. Songa Bulk offer equal opportunities to men and women. At year end 2017, the Group had 3 employees onshore, two men and one woman.

CORPORATE GOVERNANCE

The Company focus continuously on having good corporate governance to support achievement of the Company's core objectives on behalf of its shareholders and to create a strong sustainable company. The Board of Directors believe that good corporate governance involves openness and a trustful cooperation between shareholders, the Board, executive management, employees, customers, suppliers, public authorities and society in general.

The Company endorses the NUES code. The NUES Code is based on a "comply or explain" principle, which entails that listed companies must comply with the NUES Code or explain why an alternative approach has been chosen. The Company complies with the NUES Code, with the following deviations:

- The Company has not appointed a nomination committee and does not expect to appoint a nomination committee. The Board works continuously to constructively engage with shareholders to ensure that the interests of the shareholder base are taken into account in regards by the board composition.
- The Company has not appointed a remuneration committee. The Board determines the remuneration and compensation scheme of the Group in accordance with applicable law.
- The Company does not have an absolute limit for the performance-related remuneration of the CEO and other members of the Company's Management. The grounds for the deviation is that the warrants already issued are not capped and no cap has subsequently been agreed. The Company notes that the warrant structure in the Company is aligned with shareholders' interest.
- Songa Shipholding AS, a company controlled by Arne Blystad, has been granted warrants to subscribe for additional shares in the Company. The Company notes that the warrant structure in the Company is aligned with the shareholders' interest.
- The Company has not established guiding principles for how the Board of Directors will act in the event of a take-over bid. However, should such event occur, the Board of Directors will act in accordance with the NUES code and applicable law.

Internal control

The Company has implemented internal control and risk management systems appropriate to the size and nature of the Group's activities. The CFO reports to the CEO on a regular basis and as directed.

Corporate governance guidelines

The Company's corporate governance guidelines, as adopted by the Board of Directors, can be found on the company website: <http://www.songabulk.no/corporate-governance>

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company has adopted a code of conduct for business, ethics and corporate social responsibility to facilitate that the Group shall enjoy an invaluable reputation for corporate trustworthiness around the world. The CSR approach is based on consistently conducting business with integrity and in compliance with the laws and regulations governing its activities.

Board members and employees of the Group must practice fair dealing, honesty and integrity in every aspect in dealing with other employees, business relations and customers, the public, the business community, shareholders, suppliers, competitors and government authorities. The Group's corporate values and commitment to act responsibly, ethically and trustworthy in all activities they do, whether it be towards colleagues, customers, suppliers, the society or the environment, shall be reflected, promoted and implemented in policies, decisions and actions.

BOARD OF DIRECTORS

Name	Arne Blystad	Magnus Roth	Christine Rødsæther	Vibeke Gwendoline Fængsrud
Position:	Chairman	Board member	Board member	Board member
Born:	1955	1956	1964	1978
Nationality:	Norway	Sweden	Norway	Norway
Gender:	Male	Male	Female	Female
Member of board since:	September 2016	December 2016	May 2017	May 2017
Attendance board meetings in 2017 (since appointed to the BOD):	15/15	15/15	9/9	9/9
Independent of executive management and significant business contacts:	No	Yes	Yes	Yes
Independent of largest shareholders:	No	No	Yes	Yes
Member of audit committee	Yes	No	No	Yes

Presentation of the Board of Directors

Arne Blystad

Mr. Blystad is an independent investor and co-founder of the Company. The Blystad Group, which is 100% owned and controlled by Mr. Arne Blystad and his immediate family, has a long history in international shipping. His companies have historically been active in the sale and purchase market. In addition to shipping, the Group has investments in heavy-lift, a securities portfolio and real estate. Mr. Blystad resides in Oslo, Norway.

Magnus Roth

Mr. Roth studied engineering at Linköping University between 1975 and 1977. Between 1977 and 1981 he was educated in the Royal Swedish Navy and left as a Captain in 1981. He received a Diploma in Shipping from London School of Foreign trade in 1982. From 1982 to 1983 Mr. Roth was self-employed in Oberon Overseas AB in Stockholm, a company offering Supercargo service to shipping clients. In 1984 Mr. Roth joined the Volvo Groups food sector, Witte International AS where he started up their fish trading in Ålesund, Norway. In 1989, the management did an MBO and established Scandsea International AS/AB, which became one of the world's leading in fish trading. In 1997 Mr. Roth part-founded Ocean Trawlers, which became one of the leading vertically integrated seafood companies, which he departed from when selling his shares in April 2016. Mr. Roth resides in Switzerland.

Christine Rødsæther

Ms. Rødsæther is a partner with the law firm Simonsen Vogt Wiig AS with more than 25 years' experience assisting international financial institutions, funds, project brokers, shipowners, shipyards and equipment suppliers with transactional work, contract negotiation, financing and restructuring. She has held a number of board positions within the maritime sector. She is also a member of the advisory board to the Norwegian Ministry of Trade, Industry and Fisheries on maritime development and a member of the Marshall Islands' flag's Quality Council. She graduated from the University of Bergen in 1989, with a master of laws in transnational business practice from University of the Pacific, California. Ms. Rødsæther resides in Bærum, Norway.

Vibeke Gwendoline Fængsrud

Ms. Fængsrud is the founder, owner and CEO of House of Math AS, Norway's largest private tutoring company within the natural sciences and economics. The company was inspired by her education in Mathematics and Physics at the University of Oslo. House of Math is currently holding 100 employees. Ms. Fængsrud has written 11 books on mathematics, as well as 16 compendia. In addition, Ms. Fængsrud has an Executive Bachelor of Management from BI Norwegian Business School, specializing in International business, Leadership and board competence. Ms. Fængsrud has her board experience from academia. Ms. Fængsrud resides in Oslo, Norway.

GOING CONCERN

The consolidated financial statements of Songa Bulk ASA have been prepared on basis of the going concern assumption and according to the International Financial Reporting Standards (IFRS) as adopted by the European Union. The Board of Directors confirms that the assumption is valid.

RISK FACTORS

The Group is exposed to a variety of risks including market risk, credit risk, liquidity risk and interest rate risk. To reduce and manage these risks, management periodically assesses the Group's financial market risk in general, as well as evaluating hedging strategies for specific exposures as they arise. For 2017, the Group did not have any hedging contracts or other derivative instruments.

The most significant risk for the Group 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, global trade growth, as well as oil and gas prices. On the supply side there are uncertainties tied to 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.

The Group is exposed to credit risk in the case that receivables from customers and other parties are not paid. The customers are in general large companies with excellent credit rating. The Group had no losses on receivables in 2017.

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

The Group's issued bond has floating interest (LIBOR) + a fixed margin which means a change in LIBOR will have a direct effect on the Groups cash flow.

OUTLOOK

We believe the market will develop positively also in 2018 with supply growth leveling off and demand holding, although growing at a slightly lower pace than seen in 2017. But overall the tonnage balance should tilt more in owner's favour increasing the fleet utilization and ultimately improve freight rates.

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 time charter 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 2018. In addition, the 3 Capesizes are all employed trading spot in the CCL Pool.

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

ALLOCATION OF RESULTS

The parent company, Songa Bulk ASA, reports a net profit of \$2 817 000 in 2017. The Board proposes that Songa Bulk ASA allocates the net profit for the year to retained earnings.

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.

In an extraordinary general meeting held on 22 March 2018 it was resolved to distribute a dividend of NOK per share equivalent to \$0.10 per share, in total \$3 586 000. The dividend was paid on 4 April 2018.


RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the set of financial statements for the period 1 January 2017 to 31 December 2017 have been prepared in accordance with applicable accounting standards, and give a true and fair view of the Group's assets, liabilities, financial position and profit as a whole.

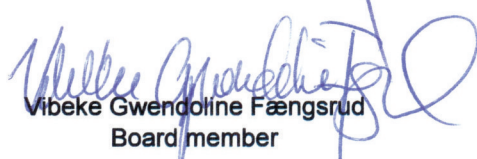
We also confirm, to the best of our knowledge, that the annual report includes a fair review of important events that have occurred during the financial year and their impact on the set of financial statements, and a description of the main risks and uncertainties going forward.

Oslo 24 April 2018

The Board of Directors of Songa Bulk ASA



Arne Blystad
Chairman




Vibeke Gwendoline Fængsrud
Board member



Magnus Roth
Board member



Herman Alf Billung
CEO



Christine Rødsæther
Board member

SONGA BULK GROUP

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

in \$ thousands	Note	2017	Period from date of incorporation (24 August 2016) to 31 December 2016
Voyage charter revenue		1 577	-
Time charter revenue		24 822	117
Gain from sale of vessels and other revenue	4	2 036	-
Total operating revenue		28 435	117
Other operating income		246	-
Voyage expenses		220	45
Ship operating expenses	14	16 629	117
General and administrative expenses	15	2 488	779
Depreciation	4	5 450	37
Total operating expenses		24 787	978
Operating profit (-loss)		3 894	-862
Interest income		562	24
Interest expenses	12	-3 967	-3
Other financial expenses	16	-94	-325
Net financial expenses		-3 500	-304
Profit (-loss) before taxes		394	-1 166
Tax expense	17	6	870
Net profit (-loss)		388	-2 036
Total comprehensive income (-loss)		388	-2 036
Basic and diluted earnings (-loss) - \$ per share	18	0.012	-0.349

Consolidated Statement of Financial Position

in \$ thousands	Note	31 December 2017	31 December 2016
Vessels	4	266 770	11 108
Deposit vessels	4	3 055	3 855
Total non-current assets		269 825	14 963
Inventories		2 233	26
Trade receivables		1 312	3
Other receivables	5	2 501	133
Cash and cash equivalents	6	41 017	57 688
Total current assets		47 063	57 850
TOTAL ASSETS		316 888	72 813
Share capital	7	21 620	9 085
Share premium	7	153 619	63 756
Other paid-in capital		574	400
Retained loss		-1 648	-2 036
Total equity		174 165	71 205
Interest bearing debt	12	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	17	124	393
Other current liabilities	13	3 588	206
Total current liabilities		5 457	1 281
Total liabilities		142 723	1 608
TOTAL EQUITY AND LIABILITIES		316 888	72 813

Oslo 24 April 2018

The Board of Directors of Songa Bulk ASA



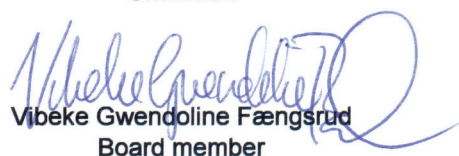
Arne Blystad
Chairman



Magnus Roth
Board member



Christine Rødsæther
Board member



Vibeke Gwendoline Fængsrud
Board member



Herman Alf Billung
CEO

Consolidated Statement of Changes in Equity

in \$ thousands	Share capital	Share premium	Other paid-up capital	Retained earnings	Total equity
Incorporation 24 August 2016	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
Balance 31 December 2016	9 085	63 756	400	-2 036	71 205
Share issuance 31 January 2017	600	4 400	-	-	5 000
Share issuance 17 February 2017	11 935	88 311	-	-	100 246
Share issuance costs	-	-2 848	-	-	-2 848
Warrants issued to employees	-	-	174	-	174
Net profit	-	-	-	388	388
Balance 31 December 2017	21 620	153 619	574	-1 648	174 165

Consolidated Statement of Cash Flows

in \$ thousands	Note	Period from date of incorporation (24 August 2016) to 31 December 2016	
		2017	
Profit (-loss) before taxes		394	-1 166
Depreciation	4	5 450	37
Gain on sale of vessels	4	-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	8	174	400
Change in financial liabilities at fair value through profit or loss	8	163	327
Change in other short-term assets and liabilities		1 454	-404
Net cash flow from operating activities		3 214	-153
Sale of vessels		13 615	-
Purchase of vessels	4	-268 449	-10 000
Paid deposit vessels	4	-3 055	-3 855
Dry-docking paid	4	-460	-
Net cash flow used in investing 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	12	137 625	-
Debt issuance costs	12	-1 559	-
Net cash flow from financing activities		238 464	71 697
Net change in cash and bank deposits		-16 671	57 688
Cash and bank deposits at beginning of period		57 688	0
Cash and bank deposits at end of period		41 017	57 688

NOTES – CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General

Corporate information and history

Songa Bulk ASA (the Company) is a public limited liability company incorporated and domiciled in Norway. The Company was incorporated 24 August 2016. The address of the main office is Haakon VII's gate 1, 0161 Oslo. The Norwegian Enterprise no. is 917 811 288.

Songa Bulk ASA and its subsidiaries (the Group) are engaged in the transportation of bulk cargo. The group was formed during the 4th Quarter of 2016. As of 31 December 2017 the Group owns a total of 14 dry bulk vessels; two cape size, ten kamsarmax, one supramax and one ultramax. A third cape size vessel has been purchased and was delivered in January 2018.

On 24 May 2017 the Company's shares were registered with Oslo Stock Exchange market place Oslo Axess under the ticker SBULK.

Basis of preparation

These consolidated financial statements are prepared in accordance with the accounting principles prescribed by International Financial Reporting Standards (IFRS) as adopted by the European Union. They comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and related notes for the Group.

The consolidated financial statements have been prepared on a historical cost basis except for financial liabilities at fair value through profit or loss. The consolidated financial statements are prepared under the going concern assumption.

The accompanying notes for 2016 that relate to the income statement are for the period from incorporation (24 August 2016) to 31 December 2016.

Note 2 Accounting policies

Use of estimates and judgements in preparation of the financial report

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that may affect assets, liabilities, revenues, expenses and information in notes to the financial statements. Estimates are management's best assessment based on latest available, reliable information.

The effect of change in an accounting estimate is recognized in profit or loss in the period of the change.

The following areas involve significant judgements and estimates in the preparation of the consolidated financial statements:

- The fair value of equity instruments used in share-based payment transactions
- The fair value of financial liabilities at fair value through profit or loss

The Group has issued warrants to its founding shareholders. Based on certain criteria the warrants give the holders a right, but no obligation, to subscribe for one additional share at a price fixed in NOK.

Market prices for warrants are not available and therefore they are valued by use of an option pricing model.

Warrants are valued by use of Monte Carlo Simulation based on 1 million observations. The following factors are taken into account when valuing the warrants: The exercise price of the warrants, the life of the warrants, the current price of the underlying shares, the expected volatility of the share price, the dividends expected on the shares and the risk-free interest rate for the life of the warrants. Factors are estimated based on management's best knowledge at the date of the valuation.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Songa Bulk ASA and all subsidiaries over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated.

Functional and presentation currency

The consolidated financial statements are presented in USD, which is also the functional currency for all entities in the Group.

Transactions and balances in foreign currencies

Transactions in foreign currencies are converted to the functional currency at the rate at time of the transaction. Monetary items denominated in foreign currencies are

converted into functional currency using the rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit of loss. Non-monetary items, which are measured at historical cost in a foreign currency, are converted at the currency rates on the dates of the initial transactions.

Balance sheet classification

The group presents assets and liabilities in statement of financial position based on current/non-current classification.

Current assets and current liabilities include items due less than one year from the balance sheet date, and items related to the operating cycle. Other assets are classified as non-current assets.

Vessels

Vessels are stated at historical cost, less accumulated depreciation and impairment. For vessels purchased, these costs include expenditures that are directly attributable to the acquisition of the vessels. Depreciation is calculated on a straight-line basis over the useful life of the assets, taking residual values into consideration, and adjusted for impairment charges, if any.

Vessels and related equipment have expected useful lives of 2.5 - 25 years. Future depreciations are based on depreciation schedules including residual values. Expected useful lives of long-lived assets, and residual values, are reviewed at each balance sheet date and, where they differ significantly from previous estimates, depreciation calculations are changed accordingly. Residual value for the ships is based on steel price times lightweight tonnage and is reassessed annually.

Ordinary repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Costs related to major inspections/classification (dry-docking) are recognized in the carrying amount of the vessels if certain recognition criteria are satisfied. The recognition is made when the dry-docking has been performed and is depreciated based on estimated time to the next inspection, normally 2.5 – 5 years. Any remaining carrying amount of the cost of the previous inspection is de-recognized.

Impairment of vessels

The vessels are reviewed for indication of impairment at each reporting date, and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and its value in use. The net selling price is the amount obtainable from the sale of an asset in an arms length transaction less the costs of disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Deposit vessels

In the event where the Company has paid deposits at the balance sheet date for future delivery of vessels, the deposits are presented as non-current assets at the actual deposit paid. The carrying amount includes any expenses that are directly attributable to entering into the agreements for future delivery of the vessel.

Inventories

Inventories, which comprise principally of bunker fuel, lube oil and stores are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out (FIFO) basis.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group regularly reviews its accounts receivables and estimates the amount of uncollectible receivables each period and establishes an allowance for uncollectible amounts. The amount of the allowance is based on the age of unpaid amounts, information about the current financial strength of customers, and other relevant information

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known

amounts of cash. Cash and cash equivalents are recorded at their nominal values on the balance sheet.

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.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise of warrants issued to shareholders, other than shareholders that are also employed by the Group, under a warrant agreement. The warrant agreement is a contract that will or may be settled in the entity's own equity instruments and is a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Revenue recognition

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Operating revenue

Voyage charter revenues are recognized using the percentage of completion method on a "discharge to discharge" basis. As the one vessel involved in voyage charters is under a revenue sharing agreement (pool) where results are settled on a net basis, the recognized voyage charter revenues are net of voyage expenses

such as bunkers consumption, port costs and other voyage related expenses.

Freight revenues from time charters are accounted for as operating leases under IAS 17 and are recognized on a straight-line basis over the rental periods of such charters, as service is performed.

Other operating income

Net income, the settlement amount as a result of the revenue sharing agreement for one vessel is presented as other operating income.

Voyage and operating expenses

Voyage expenses mainly consist of bunker fuel expenses in connection with purchase of the vessel and delivery to charterers. Ship operating expenses include crew costs, repairs and maintenance, insurance, lube oils, communication expenses and fees to technical managers. Operating expenses are recognized when incurred.

Share-based payments

Share-based payment transactions through issuance of warrants to shareholders, that are also employed by the Group, are measured at fair value of the warrants at the issuance date as value of services received cannot be estimated reliably. Fair value is measured by Monte Carlo simulation. Share-based payments are recognized as an employee expense, at the time of issuance when there are no performance vesting conditions present, with a corresponding increase of equity.

Taxes

The vessel owning companies are subject to taxation under the Norwegian tonnage tax regime. Under the tonnage tax regime, profit from operations are exempt from taxes. Taxable profit is calculated on the basis of financial income after deduction of a portion of financial expenses. The portion is calculated as financial assets in percent of total assets. Tonnage tax is payable based on the net tonnage of vessels. Tonnage tax is classified as an operating expense.

The parent company is subject for ordinary Norwegian taxation. Tax expense comprise tax payable and deferred tax expense. Tax payable is measured at the amount expected to be paid to authorities while deferred tax assets/liabilities are calculated based on temporary differences at the reporting date. Deferred tax assets are recognized to the extent that it is probable that they can be utilized in the future.

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Share issuance

Share issuance costs related to a share issuance transaction are recognized directly in equity. If share issuance costs, for tax purposes, can be deducted from other taxable income in the same period as they are incurred, the costs are recognized net after tax.

Related parties

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence.

Events after financial position date

New information regarding the Group's financial position as of the balance sheet date is taken into consideration in the financial statements. Events occurring after the financial position date, that do not affect the financial position as of the balance sheet date, but which will affect the financial position in the future, are disclosed if significant.

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 Group, beyond disclosures.

The following new or amendments to standards have been issued and become effective in years beginning on or after 1 January 2018, assuming European Union adoption.

- 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. Recognition of revenue will be on a load-to-discharge basis, with costs directly related to the contract incurred prior to loading capitalized as mobilization costs and amortized over the period for which revenue is recognized. The Company has elected to adopt the standard with full retrospective implementation, which means that comparatives will be restated, however the effect is assessed as immaterial for 2017. Application of the new revenue recognition model will begin in the first quarter of 2018.
- IFRS 9 – Financial instruments, for periods beginning on or after 1 January 2018. No material impact is expected for the Group.
- Amendments to IFRS 2 – Share based payments for periods beginning on or after 1 January 2018. No material impact is expected for the Group.
- IFRS 16 – Leases, for periods beginning on or after 1 January 2019. No material impact is expected for the Group.

Note 3 Segment information

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

Note 4 Vessels and deposit dry bulk vessels

in \$ thousands	Dry bulk vessels	Dry-docking	Total vessels	Deposit vessels
Cost 1 January 2017	11 145	-	11 145	3 855
Additions 2017	268 453	460	268 913	3 055
Reclassification deposit to vessels	3 855	-	3 855	-3 855
Disposals 2017	-11 982	-	-11 982	-
Cost 31 December 2017	271 471	460	271 931	3 055
Depreciation 1 January 2017	37	-	37	-
Depreciation 2017	5 390	60	5 450	-
Reversal depreciation sold vessels	-326	-	-326	-
Accumulated depreciation 31 December 2017	5 101	60	5 161	-
Carrying amount 31 December 2017	266 370	400	266 770	3 055

In \$ thousands	Dry bulk vessels	Dry-docking	Total vessels	Deposit vessels
Additions 2016	11 145	-	11 145	3 855
Cost 31 December 2016	11 145	-	11 145	3 855
Depreciation 2016	37	-	37	-
Accumulated depreciation 31 December 2016	37	-	37	-
Carrying amount 31 December 2016	11 108	-	11 108	3 855

The Group took delivery of 14 vessels during 2017, adding to the one vessel delivered in 2016. One vessel was sold in 2017, taking the total vessels owned by the Group at 31 December 2017 to 14. In addition, the Group has paid deposit for one more vessel at 31 December 2017. This vessel was delivered in January 2018.

Recognized gain on sale of vessel in 2017 was \$2.0 million.

The group has made an assessment of the residual values as per 31 December 2017, concluding that there are no significant changes to the ones used initially.

Costs in relation to special surveys (dry docking) are capitalized when incurred. During 2017 one vessel was in dry dock. The costs are depreciated over the period until the next special survey, which is 5 years.

One of the vessels purchased in 2017 was under a time charter contract that management considered to be unfavourable compared to market rates at that time. The negative net present value of the contract was estimated to \$175 thousand. The amount was amortized over the remaining contract period as reduction of depreciation. Accordingly, \$175 thousand was added to the cost of the vessel and will be depreciated over the vessels useful life.

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

Note 5 Other receivables

in \$ thousands	31 December 2017	31 December 2016
VAT receivables	45	72
Prepaid expenses	716	55
Incurred revenues	791	-
Other receivables	949	6
Total other receivables	2 501	133

Note 6 Cash and cash equivalents

in \$ thousands	31 December 2017	31 December 2016
Bank deposits denominated in USD	40 560	56 351
Bank deposits denominated in NOK	457	1 337
Total cash and cash equivalents	41 017	57 688

Of the bank deposits, \$38 thousand is related to restricted bank accounts for tax withholding purpose.

Note 7 Share capital and shareholders

	Number of shares	Share capital, \$ thousands	Share premium, \$ thousands
Balance at 1 January 2017	14 860 000	9 085	63 756
Private placement 31 January 2017	1 000 000	600	4 400
Private placement 17 February 2017	20 000 000	11 935	88 311
Share issuance costs	-	-	-2 848
Balance at 31 December 2017	35 860 000	21 620	153 619

	Number of shares	Share capital, \$ thousands	Share premium, \$ thousands
Incorporation 24 August 2016	100	3	-
Share split 28 October 2016 (1:60)	6 000	3	-
Private placement 4 November 2016	14 854 000	9 082	65 188
Share issuance costs	-	-	-1 432
Balance at 31 December 2016	14 860 000	9 085	63 756

Authorized share capital is NOK 179 300 000. All issued shares are fully paid at 31 December 2017.

The Group has issued warrants to its founding shareholder. For further information see note 8.

List of largest shareholders as of 31 December 2017:

Shareholder	Share holding	Share holding in %
Canomaro Bulk AS	4 671 400	13.03 %
Songa Trading Inc	2 547 900	7.11 %
Songa Shipholding AS	2 164 000	6.03 %
Evermore Global Value Fund	2 143 278	5.98 %
J.P. Morgan Bank (Ireland) Plc	1 437 300	4.01 %
North East Star Maritime Ltd	1 267 100	3.53 %
Credit Suisse Securities (USA) Llc	1 000 000	2.79 %
SEB Prime Solutions Sissener Canop	1 000 000	2.79 %
Magnus Leonard Roth	981 102	2.74 %
Polux Investment Ltd	821 200	2.29 %
Ringnes Holding AS	746 400	2.08 %
Eika Norge	733 700	2.05 %
Regents of the University of Michi	730 643	2.04 %
USB AG	682 533	1.90 %
Bras Kapital AS	600 000	1.67 %
Euroclear Bank S.A./N.V.	532 342	1.48 %
Torstein Ingvald Tvenge	525 000	1.46 %
Ola Rustad AS	500 000	1.39 %
Sirius International Insurance Corp	465 797	1.30 %
Morgan Stanley & Co. LLC	445 200	1.24 %
Total 20 largest shareholders	23 994 895	66.91 %
Other shareholders	11 865 105	33.09 %
Total	35 860 000	100.00 %

Shares and warrants owned by board members, board consultants and executives:

Shareholder	Title	Share holding	Share holding in %	No of warrants
<i>Board members:</i>				
Arne Blystad	Chairman	4 711 900	13.14 %	673 594
Magnus Roth	Board member	5 652 502	15.76 %	-
Christine Rødsæther	Board member	3 124	0.01 %	-
Vibeke Gwendoline Fængsrud	Board member	5 412	0.01 %	-
<i>Board consultant:</i>				
Ghikas Goumas	Board consultant	1 267 100	3.53 %	-
<i>Executives:</i>				
Herman Alf Billung	CEO	73 500	0.20 %	673 594
Per Kristian Aamlid	COO	34 000	0.10 %	149 688
Thomas Rønningen	CFO	3 500	0.01 %	-
Nina Rath sack	Operations Manager	2 540	0.01 %	-

Note 8 Warrants

On 31 January 2017 and 17 February 2017 three shareholders of Songa Bulk ASA were issued with warrants. The warrants came in addition to the warrants issued on 4 November 2016. The number of warrants issued are detailed in the tables below. Total warrants issued as per 31 December 2017 is 1 496 876. No more warrants will be issued under the existing warrant agreement. The total warrants issued equals 7.5% of shares issued up to an aggregate amount of \$100 million in proceeds. Each warrant gives the holders the right, but no obligation, to subscribe for one share at a price equal to the share subscription price in each respective share issuance. The warrants are valid for a period of 5 years from the relevant date of issuance.

Conditions for exercise are such that tranche 1 vests at subscription price + 25%, tranche 2 vests at subscription price + 50% and tranche 3 vests at subscription price + 75%. The price increase is measured from the average volume weighted trading price for a period of 10 trading days with minimum trading volume equal to the NOK equivalent of USD 1 million. The warrant subscription price is equal to the original subscription price of the share issuance for all three tranches.

Granted warrants as at 31 December 2017 to shareholders that are also employed by the Group:

Share issue	No of warrants	Tranche 1		No of warrants	Tranche 2		No of warrants	Tranche 3	
		Value per warrant (NOK)	Value per warrant (USD)		Value per warrant (NOK)	Value per warrant (USD)		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 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. Recognized amount in 2016 was \$400 thousand.

Granted warrants as at 31 December 2017 to shareholder that is not employed by the Group:

Share issue	No of warrants	Tranche 1		No of warrants	Tranche 2		No of warrants	Tranche 3	
		Value per warrant (NOK)	Value per warrant (USD)		Value per warrant (NOK)	Value per warrant (USD)		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. 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. 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 group as of 31 December 2017 was \$490 thousand. As of 31 December 2016 the fair value was \$327 thousands. The recognized net expense in 2017 was \$163 thousand. In 2016 the net expense was \$327 thousands. The items are classified as other financial expenses.

Warrants are valued by use of Monte Carlo Simulation with 1 000 000 observations. The Monte Carlo model projects future share prices for the Company based on a risk-neutral framework (similar to the financial modelling used for other models such as Black-Scholes model or a binomial model). By using identical assumptions and sufficient number of simulations, a Monte Carlo simulation without special conditions would yield somewhat identical results to a Black-Scholes or binomial model. However, a Monte Carlo simulation allows for greater flexibility and customization of the assumptions and plan design parameters, which is necessary to value such a plan dependent on uncertainty with respect to vesting dates and quantity becoming exercisable. The following inputs to the Monte Carlo model is applied:

Volatility: 25%

Note 9 Share based payments

The Group has issued warrants to employees as described in note 8. The warrants were issued under a warrant agreement between the founding shareholders and Songa Bulk ASA. The warrants issued to employees have been expensed as detailed in note 19 since there are no service or performance requirements determining the vesting of the warrants.

	Number of warrants	Exercise price (NOK)	Number of exercisable warrants	Remaining contractual life
Outstanding 1 January 2017	603 282	40.89	0	3.8 years
Granted 31 January 2017	41 250	41.63	0	4.1 years
Granted 17 February 2017	178 749	42.00	0	4.2 years
Outstanding as at 31 December 2017	823 281	41.17	0	3.9 years

	Number of warrants	Exercise price (NOK)	Number of exercisable warrants	Remaining contractual life
Granted 4 November 2016	603 282	40.89	0	4.8 years
Outstanding as at 31 December 2016	602 282	40.89	0	4.8 years

Note 10 Financial risk factors

Financial market risk

The Songa Bulk Group owns and operates dry bulk vessels for transportation of dry cargo worldwide. Through its operations the Group is exposed to financial risks such as market risk (including currency risk), credit risk, liquidity risk, interest rate risks and other risks that may influence the value of assets, liabilities and cash flows.

To reduce and manage these risks, management periodically assesses the Group's financial market risk in general, as well as evaluating hedging strategies for specific exposures as they arise. The primary strategy used for reducing the financial market risks is the use of derivatives, where appropriate.

Derivative instruments are only implemented for the purpose of hedging financial risks. The Group does not trade or use instruments with the objective of earning financial gains from interest rate or exchange rate fluctuations alone. The Group only employs conventional derivative instruments in contracts with highly rated and reputable financial institutions and commodities brokers.

For 2017, the Group did not have any hedging contracts or other derivative instruments.

Currency risk exposure

Revenues, expenses, assets and liabilities of the Group are mainly denominated in USD. The Group is exposed to currency risk in connection with the following items:

General and administrative expenses

General and administrative expenses as salaries, fees to lawyers and other fees such as share issuance costs are mainly denominated in NOK. Exchange rate fluctuations between USD and NOK will have an effect on the actual recognized expenses in the financial statements.

Warrants

The fair value of warrants recognized at fair value through profit or loss is valued in NOK. The change in value to be recognized in profit or loss will be affected by any fluctuations in the USD/NOK exchange rate.

Taxable income

Taxable income is denominated in NOK. Monetary items denominated in other currencies, which is mainly USD, will be translated to NOK for tax purposes. Any change in the foreign exchange rates will affect the taxable income and income tax payable.

Credit risk exposure

The Group is exposed to credit risk in the case that receivables from customers and other parties are not paid. The customers are in general large companies with excellent credit rating. For new customers, a credit evaluation is performed. In 2017 there were five customers that each represented more than 10% of total revenue. These customers represented in total 66% of total revenue.

Illiquidity risk exposure

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

Interest rate risk exposure

The Group's issued bond has floating interest (LIBOR) + a fixed margin which means a change in LIBOR will have a direct effect on the Group's cash flows. If LIBOR increases by 1%, the interest expense would increase by \$1.38 million per year.

Note 11 Financial instruments

Set out below is a comparison by category for carrying amounts and fair values of all of the Group'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.

In \$ thousands	31 December 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair Value
<i>Financial assets:</i>				
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
<i>Financial liabilities:</i>				
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	124	124	393	393
Other current liabilities*	2 548	2 548	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 12.

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.

Categories of financial instruments

In \$ thousand	Cash and loans and receivables		At fair value through profit or loss		Available for sale		Liabilities at amortized cost		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<i>Financial assets:</i>										
Trade receivables	1 312	3	-	-	-	-	-	-	1 312	3
Other receivables	1 741	78	-	-	-	-	-	-	1 741	78
Cash and cash equivalents	41 017	57 688	-	-	-	-	-	-	41 017	57 688
<i>Financial liabilities:</i>										
Interest bearing debt	-	-	-	-	-	-	138 000	-	138 000	-
Financial liabilities at fair value through profit or loss	-	-	490	327	-	-	-	-	490	327
Trade payables	-	-	-	-	-	-	1 745	682	1 745	682
Income taxes payable	-	-	-	-	-	-	124	393	124	393
Other current liabilities	-	-	-	-	-	-	2 548	115	2 548	115

Maturity of financial liabilities

In \$ thousands	< 1 year	1-5 years	Total at 31 December 2017
Interest bearing debt	-	138 000	138 000
Financial liabilities at fair value through profit or loss	-	490	490
Trade payables	1 745	-	1 745
Income taxes payable	124	-	124
Other current liabilities	2 548	-	2 548
Total financial liabilities	4 417	138 490	142 907

In \$ thousands	< 1 year	1-5 years	Total at 31 December 2016
Non-current liabilities	-	327	327
Trade payables	682	-	682
Income taxes payable	393	-	393
Other current liabilities	115	-	115
Total financial liabilities	1 190	327	1 517

Note 12 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 was \$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 on the bond following the tap issue is \$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 secured by mortgage	136 776	-
Security under the bond terms:		
Vessels – book value	266 770	-

In addition, the outstanding bond amount, interest fees and expenses are secured by the following:

- First priority pledges over all the shares in each vessel owning subsidiary
- First priority pledges over all group loans
- First priority assignments of all relevant insurance policies related to the vessels and the equipment related thereto
- Joint and several guarantees from each vessel owning subsidiary

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.

Net debt reconciliation:

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

in \$ thousands				
	<i>Other assets</i>	<i>Liabilities from financing activities</i>		
	Cash and cash equivalents	Interest bearing debt due within one year	Interest bearing debt due after one year	Total
Net debt at 1 January 2017	57 688	-	-	57 688
Net proceeds from issuance of debt	-	-	-136 066	-136 066
Changes in amortized cost	-	-	-710	-710
Net cash flow	-16 671	-	-	
Net debt at 31 December 2017	41 017	-	-136 776	-95 759

Note 13 Other current liabilities

in \$ thousands	31 December 2017	31 December 2016
Prepaid revenues	1 040	91
Accrued expenses	1 494	57
Public dues payable	70	46
Other liabilities	984	12
Total other current liabilities	3 588	206

Note 14 Ship operating expenses

in \$ thousands	2017	2016
Crew costs	8 403	71
Stores and lubes	2 118	-
Repairs and maintenance	1 352	-
Insurances	891	-
Management fees	1 174	-
Start-up costs in connection with delivery of vessels	760	24
Tonnage taxes	118	-
Other ship operating expenses	1 813	22
Total ship operating expenses	16 629	117

Note 15 General and administrative expenses

in \$ thousands	2017	2016
Salaries and other employee benefit expenses	847	124
Warrants issued to employees	174	400
Fees to auditor, lawyers and other professional fees	1 121	181
Other general and administrative expenses	346	74
Total general and administrative expenses	2 488	779

Auditors fee was \$36 thousand.

Note 16 Other financial expenses

in \$ thousands	2017	2016
Foreign exchange gain	83	11
Warrants granted to shareholder	-143	-327
Value change warrants	-21	-
Other financial expenses	-13	-9
Other financial expenses	-94	-325

Note 17 Income tax

in \$ thousands	2017	2016
<i>Basis for tax expense and tax payable:</i>		
Profit (-loss) before taxes	394	-1 166
Effects of foreign exchange gains and losses on current items	-4 133	3 781
Effects of Norwegian tonnage tax legislation	-1 422	140
Other permanent differences between accounting and tax	475	727
Share issuance costs directly in equity – recognized gross before tax	-2 848	-
Basis for tax expense*	-7 534	3 482
<i>*Basis for tax expense:</i>		
Basis for tax expense within the Norwegian tonnage tax legislation	24	-
Basis for tax expense within ordinary Norwegian tax legislation	-7 558	3 482
Basis for tax expense	-7 534	3 482
<i>Tax expense:</i>		
Tax payable	6	870
Change deferred tax	-1738	-
Change deferred tax not recognized	1738	-
Tax expense	6	870
<i>Taxable income:</i>		
Basis for tax payable in tax expense	24	3 482
Basis for deferred tax in tax expense	-7 558	-
Share issuance costs directly in equity – recognized net after tax	-	-1 912
Change in temporary differences	-2 036	-
Taxable income	-9 570	1 570
<i>Reconciliation of tax expense for the year:</i>		
Profit (-loss) before taxes	394	-1 166
Tax expense calculated on the relevant tax rate (24%/25%)	95	-291
Tax expense	6	870
Difference	-89	1 162
<i>Difference comprise of:</i>		
Tax effect of foreign exchange gains and losses on current items	-992	945
Tax effect of Norwegian tonnage tax legislation	-341	35
Tax effect of other permanent differences	114	182
Tax effect of share issuance costs directly in equity – recognized gross before tax	-684	-
Tax effect of deferred tax asset not recognized	1 738	-
Effect of changes in tax rate	76	-
Total difference	-89	1 162
<i>Tax payable in statement of financial position:</i>		
Tax payable in tax expense	6	870
Tonnage tax payable	118	1
Tax effect of share issuance costs directly in equity – recognized net after tax	-	-478
Tax payable in statement of financial position	124	393

Deferred tax per 31 December	2017	2016
<i>Temporary differences:</i>		
Foreign exchange gain on long-term debt	272	-
Debt issuance costs	1 764	-
Total temporary differences	2 036	-
Tax loss carried forward	-9 594	-
Net temporary differences	-7 558	-
<i>Deferred tax:</i>		
Nominal tax rate on deferred tax	23%	24%
Deferred tax (-asset)	-1 738	-
Deferred tax asset not recognized	1 738	-
Deferred tax in statement of financial position	-	-

Note 18 Earnings per share

	2017	2016
Net profit (-loss) attributable to ordinary equity holders - \$ thousands	388	-2 036
Basic and diluted weighted average number of ordinary shares outstanding	33 202 466	5 833 338
Basic and diluted earnings, \$ per share	0.012	-0.349

Note 19 Related party transactions

The Group has entered into a corporate service agreement with Arne Blystad AS for the rendering of administrative services, IT and office services and accounting and reporting services. In addition, the agreement covers hire of Chief Financial Officer. Arne Blystad AS is a company owned and controlled by the Chairman Arne Blystad and his immediate family. Total expenses under the agreement in 2017 was \$502 thousand. In 2016 the fee was \$ 21 thousand.

The Group has entered into technical management agreements with Songa Shipmanagement Ltd. for the rendering of technical services for the vessels Songa Maru, Songa Genesis, Songa Delmar, Songa Hadong, Songa Mountain, Songa Opus, Songa Devi and Songa Sky. Songa Shipmanagement Ltd. is a company owned and controlled by the Chairman Arne Blystad and his immediate family. Total expenses under the agreements in 2017 was \$731 thousand.

Note 20 Key management and Board of Directors compensation

No directors' fees were paid in 2016 or 2017.

Compensation and benefits of the key management:

In \$ thousands	Salary	Pension	Other remuneration	Value of warrants issued	Total 2017
Herman Billung – CEO	362	20	3	142	527
Per Kristian Aamlid – COO	164	16	3	32	215
Total	526	36	6	174	742

Total cost for hire of CFO in 2017 was \$167 thousand.

In \$ thousands	Salary	Pension	Other remuneration	Value of warrants issued	Total 2016
Herman Billung – CEO	67	5	-	327	399
Per Kristian Aamlid – COO	34	3	-	73	110
Total	101	8	-	400	509

Note 21 Commitments

The Group has paid deposit in 2017 for one cape size bulk carrier for delivery in January 2018. Under a memorandum of agreement the Group is committed to pay the settlement amount for the vessels on delivery. Total commitment is \$27.45 million.

Note 22 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.

In an extraordinary general meeting held on 22 March 2018 it was resolved to distribute a dividend of NOK per share equivalent to \$0.10 per share, in total \$3 586 000. The dividend was paid on 4 April 2018.

Note 23 Alternative Performance Measures

Financial performance	2017	2016
Time charter equivalent revenue ¹ , \$ in thousands	26 645	117
Time charter out days (TC Out days ²)	2 909	17
Time charter equivalent (TCE³), \$ per day	9 159	6 882
Net ship operating expenses ⁴ , \$ in thousands	15 749	117
Operating days ⁵	2 975	20
Net ship operating expenses per day (OPEX⁶), \$ per day	5 294	5 850

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.

SONGA BULK ASA

FINANCIAL STATEMENTS

Income Statement

in \$ thousands	Note	2017	Period from date of incorporation (24 August 2016) to 31 December 2016
Operating revenue	3	2 490	3
Total operating income		2 490	3
Employee benefit expenses	4	1 022	524
Other operating expenses	5	1 338	232
Total operating expenses		2 360	756
Operating profit (-loss)		130	-753
Income from investments in subsidiaries		3 435	-
Interest income from group companies	10	996	41
Other financial income	6	2 287	35
Interest expenses to group companies	10	-26	-
Other interest expenses		-3 652	-
Other financial expenses	7	-353	-335
Net financial income (-expenses)		2 687	-259
Profit (-loss) before taxes		2 817	-1 012
Tax expense	8	-	881
Net profit (-loss)		2 817	-1 893

Balance sheet – Assets

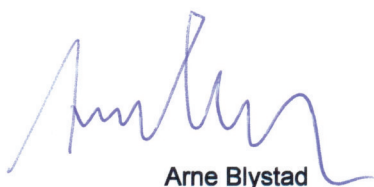
in \$ thousands	Note	31 December 2017	31 December 2016
Investments in subsidiaries	9,13	205 376	38
Other receivables	11	3 055	-
Total financial non-current assets		208 431	38
Total non-current assets		208 431	38
Accounts receivable		2 490	3
Receivables from group companies	10	77 505	15 435
Other receivables	11	59	73
Total receivables		80 054	15 511
Cash and cash equivalents	12	28 160	56 927
Total current assets		108 214	72 438
TOTAL ASSETS		316 645	72 475

Balance sheet – Equity and Liabilities

in \$ thousands	Note	31 December 2017	31 December 2016
Share capital	15	21 620	9 085
Share premium	15	153 619	63 754
Other paid-in equity		574	400
Total paid-in equity		175 813	73 239
Other equity		924	-1 893
Total retained earnings		924	-1 893
Total equity		176 738	71 347
Interest bearing debt	13	136 231	-
Other non-current liabilities	17	490	327
Total non-current liabilities		136 721	327
Liabilities to group companies	10	2 405	41
Accounts payable		123	290
Taxes payable	8	-	393
Public duties payable		70	46
Other current liabilities		587	32
Total current liabilities		3 186	802
Total liabilities		139 907	1 129
TOTAL EQUITY AND LIABILITIES		316 645	72 475

Oslo 24 April 2018

Board of Directors of Songa Bulk ASA


Arne Blystad
Chairman

Magnus Roth
Board member

Christine Rødsæther
Board member

Vibeke Gwendoline Fængsrud
Board member

Herman Alf Billung
CEO

Cash Flow Statement

in \$ thousands	2017	Period from date of incorporation (24 August 2016) to 31 December 2016
Profit (-loss) before taxes	2 817	-1 012
Taxes paid	-393	-
Dividends recognized as income with no cash effect	-3 435	-
Net change in trade receivables/payables	-2 654	287
Employee benefit expenses in connection with issuance of warrants	174	400
Financial expenses related to warrants to shareholder	163	327
Change in other short-term assets and liabilities	696	-441
Net cash flow from operating activities	-2 632	-439
Investments in subsidiaries and other shares	-275 772	-39
Paid deposit on vessel	-3 055	-
Investments by lending to subsidiaries	-	-14 290
Received dividends from subsidiaries	11 890	-
Net cash flow used in investing activities	-266 937	-14 329
Proceeds from share issuance	105 248	73 129
Share issuance costs	-2 848	-1 434
Proceeds from debt issuance	137 625	-
Debt issuance costs	-1 559	-
Proceeds from short-term borrowing	2 336	-
Net cash flow from financing activities	240 802	71 695
Net change in cash and bank deposits	-28 767	56 927
Cash and bank deposits at beginning of period	56 927	0
Cash and bank deposits at end of period	28 160	56 927

NOTES – FINANCIAL STATEMENTS

Note 1 General information

Songa Bulk ASA is the parent company in the Songa Bulk Group. The Songa Bulk Group is the owner and operator of dry cargo vessels. Songa Bulk ASA is incorporated in Norway and has its head office in Oslo. The consolidated financial statements can be obtained from Songa Bulk ASA, Haakon VII's gate 1, 0161 Oslo, Norway.

Note 2 Accounting principles

Basic principles

The accounts are prepared in accordance with the 1998 Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway (NGAAP).

The financial statements are prepared on a historical cost basis under the going concern assumption.

The accompanying notes for 2016 that relate to the income statement are for the period from incorporation (24 August 2016) to 31 December 2016.

Classification and valuation of balance sheet items

Assets intended for long-term ownership or use are classified as non-current assets. Other assets are classified as current assets. Receivables payable within one year are classified as current assets. Analogous criteria are applied when classifying liabilities.

Non-current assets are valued at cost, but are written down to their fair value if a reduction in value is expected to not be of a temporary nature.

Current assets are valued at the lower of cost or net realisable value. Current liabilities are recorded in the balance sheet at the nominal amount at the time the debt is established.

Currency

The financial statements are presented in USD which is also the functional and accounting currency of the company.

Foreign currency transactions are translated at the exchange rate on the date of the transaction. Monetary items in a foreign currency are translated at the exchange rate on the balance sheet date.

Investments in subsidiaries

Investments in subsidiaries are accounted for using the cost method. Investments are written down to their fair value if a reduction in value is expected to not be of a temporary nature.

Receivables

Receivables are booked at nominal amount less any expected loss.

Cash and cash equivalents

Cash and cash equivalents consist of bank deposits. They are accounted at their nominal value.

Bond loans

Bond loans are initially recognized at its fair value less transaction costs. After initial recognition, transaction costs are amortized on a straight line basis up to maturity.

Non-current liabilities

Non-current liabilities comprise of warrants issued to shareholders, other than shareholders that are also employed by the group, under a warrant agreement. Warrants are booked at the higher of cost and fair value.

Revenue recognition

Revenue is recognized when it is earned, which is when the service is performed. The revenue is recognized at the value of the consideration at the time of the transaction.

Costs

Costs are normally reported in the same period as the corresponding revenue. If costs are not corresponding directly to any revenue, allocation is determined on the basis of assessment criteria.

Share-based payments

Share-based payment transactions through issuance of warrants to shareholders, that are also employed by the Company, are measured at fair value of the warrants the issuance date as value of services received cannot be estimated reliably. Share-based payments are recognized as an employee expense, with a corresponding increase of equity.

Taxes

The tax expense consists of tax payable and any changes in deferred tax. Tax is charged to the income statement except where it relates to items that are recognized directly in equity.

Deferred tax is calculated on any temporary differences between tax values and accounting values using the relevant tax rate. Deferred tax assets and deferred tax liabilities are presented net. Deferred tax assets are recorded in the balance sheet whenever it is probable that it can be utilized.

Share issuance costs

Share issuance costs related to a share issuance transaction are recognized directly in equity. If share issuance costs, for tax purposes, can be deducted from

other taxable income in the same period as they are incurred, the costs are recognized net after tax.

Cash flow statement

The cash flow statement is prepared using the indirect method.

Related party transactions

Transactions with related parties are carried out at market terms. Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence.

Subsequent events

New information regarding the Company's financial position as of the balance sheet date is taken into consideration in the financial statements. Events occurring after the financial position date, that do not affect the financial position as of the balance sheet date, but which will affect the financial position in the future, are disclosed if significant.

Note 3 Revenue

Revenue consists of Management fee revenues through the rendering of commercial management services to subsidiaries.

Note 4 Employee benefit expenses

in \$ thousands	2017	2016
Salary and salary related expenses	687	101
Value of issued warrants to employees	174	400
Social security tax	104	15
Pension cost	42	8
Other remuneration	15	-
Total employee benefit expenses	1 022	524

At year end 2017 the company had a total of 3 employees.

Board of Directors compensation:

No directors' fees were paid in 2016 or 2017.

Compensation and benefits of the key management:

In \$ thousands	Salary	Pension	Other remuneration	Value of warrants issued	Total 2017
Herman Billung - CEO	362	20	3	142	527
Per Kristian Aamlid - COO	164	16	3	32	215
Total	526	36	6	174	742

Total cost for hire of CFO in 2017 was \$167 thousand.

In \$ thousands	Salary	Pension	Other remuneration	Value of warrants issued	Total 2016
Herman Billung - CEO	67	5	-	327	399
Per Kristian Aamlid - COO	34	3	-	73	110
Total	101	8	-	400	509

Note 5 Other operating expenses

in \$ thousands	2017	2016
Fees to auditors, lawyers and other professional fees	522	161
Fees for corporate services	502	21
Other operating expenses	314	50
Total other operating expenses	1 338	232

Fee to auditors:

In \$ thousands	2017	2016
Fee for statutory audit	16	1
Fee for attestation services	4	5
Fee for other services	51	4
Total fees to auditors	71	10

Note 6 Other financial income

in \$ thousands	2017	2016
Interest income	492	24
Foreign exchange gain	1 795	11
Total other financial income	2 287	35

Note 7 Other financial expenses

in \$ thousands	2017	2016
Value change of financial liability in connection with warrants issued to shareholder	163	327
Amortized share issuance costs	189	-
Other financial expenses	1	8
Total other financial income	353	335

Note 8 Tax expense

in \$ thousands	2017	2016
<i>Basis for tax expense and tax payable:</i>		
Profit (-loss) before taxes	2 817	-1 012
Effects of foreign exchange gains and losses on current items	-4 972	3 808
Dividends under the tax exemption method	-2 891	-
Other permanent differences between accounting and tax	343	727
Share issuance costs directly in equity – recognized gross before tax	-2 848	-
Basis for tax expense	-7 551	3 523
<i>Tax expense:</i>		
Tax payable	-	881
Change deferred tax	-1 737	-
Change deferred tax not recognized	1 737	-
Tax expense	-	881

Taxable income:

Basis for tax payable in tax expense	-	3 523
Basis for deferred tax in tax expense	-7 551	-
Share issuance costs directly in equity – recognized net after tax	-	-1 912
Group contribution	-	-41
Change in temporary differences	-2 036	
Taxable income	-9 587	1 570

Reconciliation of tax expense for the year:

Profit (-loss) before taxes	2 817	-1 012
Tax expense calculated on the relevant tax rate (24%/25%)	676	-253
Tax expense	0	881
Difference	-676	1 134

Difference comprise of:

Tax effect of foreign exchange gains and losses on current items	- 1 193	952
Tax effect of dividends under the tax exemption method	-694	-
Tax effect of other permanent differences	82	182
Tax effect of share issuance costs directly in equity – recognized gross before tax	-684	-
Tax effect of deferred tax asset not recognized	1 738	-
Effect of changes in tax rate	75	-
Total difference	-676	1 134

Tax payable in statement of financial position:

Tax payable in tax expense	-	881
Tax effect of share issuance costs directly in equity – recognized net after tax	-	-478
Tax effect of group contribution	-	-10
Tax payable in statement of financial position	-	393

Deferred tax per 31 December	2017	2016
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Temporary differences:

Foreign exchange gain on long-term debt	272	-
Debt issuance costs	1 764	-
Total temporary differences	2 036	-
Tax loss carried forward	-9 587	-
Net temporary differences	-7 551	-

Deferred tax:

Nominal tax rate on deferred tax	23%	24%
Deferred tax (-asset)	-1 737	-
Deferred tax asset not recognized	1 737	-
Deferred tax in statement of financial position	-	-

Note 9 Investments in subsidiaries

Subsidiary	Business office	Shareholding / voting rights
Songa Maru AS	Oslo	100%
Songa Marlin AS	Oslo	100%
Songa Glory AS	Oslo	100%
Songa Genesis AS	Oslo	100%
Songa Delmar AS	Oslo	100%
Songa Flama AS	Oslo	100%
Songa Haddock AS	Oslo	100%
Songa Res 5 AS	Oslo	100%
Songa Mountain AS	Oslo	100%
Songa Grain AS	Oslo	100%
Songa Opus AS	Oslo	100%
Songa Devi AS	Oslo	100%
Songa Moon AS	Oslo	100%
Songa Hirose AS	Oslo	100%
Songa Sky AS	Oslo	100%
Songa Claudine AS	Oslo	100%

Note 10 Receivables and liabilities to group companies

In \$ thousands	2017	2016	2017	2016
	Receivables		Liabilities	
Songa Hirose AS	392	-	-	-
Songa Marlin AS	211	-	2 385	-
Songa Claudine	32	-	-	-
Songa Glory AS	-	-	20	-
Group Contribution	544	-	-	41
Dividends	76 326	-	-	-
Songa Maru AS	-	15 434	-	-
Total	77 505	15 434	2 405	41

Receivables and liabilities can be denominated in both USD and NOK. Balances are subject to calculation of quarterly interests of 3 Months LIBOR / NIBOR + a margin set on arms lengths basis. The receivables are subject to assessment of repayment or other settlements at any time.

Note 11 Other receivables

in \$ thousands	2017	2016
VAT receivable	45	69
Prepaid expenses	14	4
Total other current receivables	59	73

Other non-current receivables comprise of payment of deposit of \$ 3 055 thousand under a memorandum of agreement for the purchase of the cape size bulk carrier Songa Claudine.

Note 12 Cash and cash equivalents

in \$ thousands	2017	2016
Bank deposits denominated in USD	27 732	55 598
Bank deposits denominated in NOK	428	1 329
Total cash and cash equivalents	28 160	56 927

Restricted cash related to employee taxes at 31 December 2017 was USD \$38 thousand. At 31 December 2016 restricted cash was \$32 thousand.

Note 13 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 was \$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 is \$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	-1 769	-
Interest bearing debt	136 231	-

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.

Book value of pledged assets under the bond agreement:

	31 December 2017
Shares in subsidiaries	205 376
Group loans	77 505
Total	282 881

Note 14 Non-current liabilities

Non-current liabilities are liabilities related to warrants issued to shareholders. See note 17 for further details.

Note 15 Equity

in \$ thousands	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Balance at 1 January 2017	9 085	63 754	400	-1 893	71 347
Share issuance 31 January 2017	600	4 400	-	-	5 000
Share issuance 17 February 2017	11 935	88 313			100 248
Share issuance costs	-	-2 848	-	-	-2 848
Warrants issued to employees	-	-	174	-	174
Net profit	-	-	-	2 817	2 817
Balance at 31 December 2017	21 620	153 619	574	924	176 738

Note 16 Share capital and shareholders

	Number of shares	Share capital (USD)	Share premium (USD)
Balance at 1 January 2017	14 860 000	9 085	63 754
Private placement 31 January 2017	1 000 000	600	4 400
Private placement 17 February 2017	20 000 000	11 935	88 313
Share issuance costs	-	-	-2 848
Balance at 31 December 2017	35 860 000	21 620	153 619

Authorized share capital is NOK 179 300 000. All issued shares are fully paid at 31 December 2017.

The Group has issued warrants to its founding shareholder. For further information see note 17.

List of largest shareholders as of 31 December 2017:

Shareholder	Share holding	Share holding in %
Canomaro Bulk AS	4 671 400	13.03 %
Songa Trading Inc	2 547 900	7.11 %
Songa Shipholding AS	2 164 000	6.03 %
Evermore Global Value Fund	2 143 278	5.98 %
J.P. Morgan Bank (Ireland) Plc	1 437 300	4.01 %
North East Star Maritime Ltd	1 267 100	3.53 %
Credit Suisse Securities (USA) Llc	1 000 000	2.79 %
SEB Prime Solutions Sissener Canop	1 000 000	2.79 %
Magnus Leonard Roth	981 102	2.74 %
Polux Investment Ltd	821 200	2.29 %
Ringnes Holding AS	746 400	2.08 %
Eika Norge	733 700	2.05 %
Regents of the University of Michi	730 643	2.04 %
USB AG	682 533	1.90 %
Bras Kapital AS	600 000	1.67 %
Euroclear Bank S.A./N.V.	532 342	1.48 %
Torstein Ingvald Tvenge	525 000	1.46 %
Ola Rustad AS	500 000	1.39 %
Sirius International Insurance Corp	465 797	1.30 %
Morgan Stanley & Co. LLC	445 200	1.24 %
Total 20 largest shareholders	23 994 895	66.91 %
Other shareholders	11 865 105	33.09 %
Total	35 860 000	100.00 %

Shares and warrants owned by board members and executives:

Shareholder	Title	Share holding	Share holding in %	No of warrants
<i>Board members:</i>				
Arne Blystad	Chairman	4 711 900	13.14 %	673 594
Magnus Roth	Board member	5 652 502	15.76 %	-
Christine Rødsæther	Board member	3 124	0.01 %	-
Vibeke Gwendoline Fængsrud	Board member	5 412	0.01 %	-
<i>Board consultant:</i>				
Ghikas Goumas	Board consultant	1 267 100	3.53 %	-
<i>Executives:</i>				
Herman Alf Billung	CEO	73 500	0.20 %	673 594
Per Kristian Aamlid	COO	34 000	0.10 %	149 688
Thomas Rønningen	CFO	3 500	0.01 %	-
Nina Rathsack	Operations Manager	2 540	0.01 %	-

Note 17 Warrants

On 31 January 2017 and 17 February 2017 three shareholders of Songa Bulk ASA were issued with warrants. The warrants came in addition to the warrants issued on 4 November 2016. The number of warrants issued are detailed in the tables below. Total warrants issued as per 31 December 2017 was 1 496 876. No more warrants will be issued under the existing warrant agreement. The total warrants issued equals 7.5% of shares issued up to an aggregate amount of \$100 million in proceeds. Each warrant gives the holders the right, but no obligation, to subscribe for one share at a price equal to the share subscription price in each respective share issuance. The warrants are valid for a period of 5 years from the relevant date of issuance.

Conditions for exercise are such that tranche 1 vests at subscription price + 25%, tranche 2 vests at subscription price + 50% and tranche 3 vests at subscription price + 75%. The price increase is measured from the average volume weighted trading price for a period of 10 trading days with minimum trading volume equal to the NOK equivalent of USD 1 million. The warrant subscription price is equal to the original subscription price of the share issuance for all three tranches.

Granted warrants as at 31 December 2017 to shareholders that are also employed by the Company:

Share issue	No of warrants	Tranche 1		No of warrants	Tranche 2		No of warrants	Tranche 3	
		Value per warrant (NOK)	Value per warrant (USD)		Value per warrant (NOK)	Value per warrant (USD)		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 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. Recognized amount in 2016 was \$400 thousand.

Granted warrants as at 31 December 2017 to shareholder that is not employed by the Company:

Share issue	No of warrants	Tranche 1		No of warrants	Tranche 2		No of warrants	Tranche 3	
		Value per warrant (NOK)	Value per warrant (USD)		Value per warrant (NOK)	Value per warrant (USD)		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. 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. 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 group as of 31 December 2017 was \$490 thousand. As of 31 December 2016 the fair value was \$327 thousands. The recognized net expense in 2017 was \$163 thousand. In 2016 the net expense was \$327 thousands. The items are classified as other financial expenses.

Warrants are valued by use of Monte Carlo Simulation with 1 000 000 observations. The Monte Carlo model projects future share prices for the Company based on a risk-neutral framework (similar to the financial modelling used for other models such as Black-Scholes model or a binomial model). By using identical assumptions and sufficient number of simulations, a Monte Carlo simulation without special conditions would yield somewhat identical results to a Black-Scholes or binomial model. However, a Monte Carlo simulation allows for greater flexibility and customization of the assumptions and plan design parameters, which is necessary to value such a plan dependent on uncertainty with respect to vesting dates and quantity becoming exercisable. The following inputs to the Monte Carlo model is applied:

Volatility: 25%

Note 18 Financial risk factors

Financial market risk

Songa Bulk AS owns subsidiaries, which operates dry bulk vessels for transportation of dry cargo worldwide. Through operations in subsidiaries, the Company is exposed to financial risks such as market risk (including currency risk), credit risk, liquidity risk, interest rate risk and other risks that may influence the value of assets, liabilities and cash flows.

To reduce and manage these risks, management periodically assesses the Company's financial market risk in general, as well as evaluating hedging strategies for specific exposures as they arise. The primary strategy used for reducing the financial market risks is the use of derivatives, where appropriate.

Derivative instruments are only implemented for the purpose of hedging financial risks. The Company does not trade or use instruments with the objective of earning financial gains from interest rate or exchange rate fluctuations alone. The Company only employs conventional derivative instruments in contracts with highly rated and reputable financial institutions and commodities brokers.

For 2017, the Company did not have any hedging contracts or other derivative instruments.

Currency risk exposure

Revenues, expenses, assets and liabilities of the Company are mainly denominated in USD. The Company is exposed to currency risk in connection with the following items:

General and administrative expenses

General and administrative expenses as salaries, fees to lawyers and other fees such as share issuance costs are mainly denominated in NOK. Exchange rate fluctuations between USD and NOK will have an effect on the actual recognized expenses in the financial statements.

Warrants

The fair value of warrants recognized at fair value through profit or loss is valued in NOK. The change in value to be recognized in profit or loss will be affected by any fluctuations in the USD/NOK exchange rate.

Taxable income

Taxable income is denominated in NOK. Monetary items denominated in other currencies, which is mainly USD, will be translated to NOK for tax purposes. Any change in the foreign exchange rates will affect the taxable income and income tax payable.

Credit risk exposure

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

Liquidity risk exposure

Illiquidity risk may arise if a 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 planned financing activities are considered sufficient to settle all financial obligations.

Interest rate risk exposure

The Company's issued bond has floating interest which means a change in LIBOR will have a direct effect on the Company's cash flows. If LIBOR increases by 1%, the interest expense would increase by \$1.38 million per year.

Note 19 Related party transactions

All related party transactions are carried out at marked terms.

The Company has entered into a corporate service agreement with Arne Blystad AS for the rendering of administrative services, IT and office services and accounting and reporting services. In addition, the agreement covers hire of Chief Financial Officer. Arne Blystad AS is a company owned and controlled by the Chairman Arne Blystad and his immediate family. Total expenses under the agreement in 2017 was \$502 thousand. In 2016 the fee was \$21 thousand.

Note 20 Subsequent events

In January 2018, the Company nominated its subsidiary Songa Claudine AS to take delivery of the vessel Songa Claudine. The deposit paid under the Memorandum of Agreement was transferred to Songa Claudine AS accordingly on back-to-back terms, meaning no gains or losses were recognized.

In an extraordinary general meeting held on 22 March 2018 it was resolved to distribute a dividend of NOK per share equivalent to \$0.10 per share, in total \$3 586 000. The dividend was paid on 4 April 2018.



To the General Meeting of Songa Bulk ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Songa Bulk ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017 and income statement, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
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Impairment Assessment for Vessels

We refer to note 2 (Accounting policies) and note 4 (Vessels and deposit dry bulk vessels).

The group has 14 vessels with a combined carrying amount USD 266.8 million. Following managements' assessment no impairment indicators were identified for vessels. Based on this, no impairment test was performed and no impairment charge was recognized.

We focused on this area due to the relative size of the amounts and the judgement used in arriving at the conclusion together with the potential impact of any fall in value of the vessels.

We evaluated and challenged managements' assessment and conclusion of no impairment indicators at December 31, 2017 and the process by which this was performed. We assessed managements accounting policy against IFRSs and obtained explanations from management as to how the specific requirements of the standards, in particular IAS 36 – Impairment of assets, were met.

Impairment indicators assessed included among other the following; market capitalization being greater than net asset value, positive development in the dry bulk market for freight and vessel valuations compared to purchase price. Further, we did not observe significant changes in market interest rates or other market rates of return.

Management compiled broker valuation certificates for the vessels. We satisfied ourselves that the external brokers had both the objectivity and the competence to provide the estimate. No matters of consequence arose from the procedures above.

Based on the procedures performed, we came to the same conclusion as management. No impairment indicators were identified.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, the statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with the Norwegian Accounting Act and accounting standards and

practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 24 April 2018

PricewaterhouseCoopers AS

A handwritten signature in blue ink, appearing to read 'Bjørn Lund'.

Bjørn Lund

State Authorised Public Accountant