



SONGA BULK

Songa Bulk ASA
Financial Report Q3 2018

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SONGA BULK

Third Quarter 2018 Highlights, Events and Results

THIRD QUARTER 2018 FINANCIAL HIGHLIGHTS

- The Company reports net profit of \$24.8 million in Q3 2018 compared to net loss of \$3.2 million in Q2 2018. Net profit in Q3 2018 comprise of profit from discontinued operations of \$24.8 million. The recognized gain from sale of vessels was \$24.4 million.

THIRD QUARTER 2018 EVENTS

- On 6 July 2018, the Company delivered all its 15 vessels to Star Bulk Carriers Corp. (Star Bulk) against a consideration of 13 688 000 shares of Star Bulk and \$144.55 million in cash. The cash proceeds were used to repay the bond loan at 104% of nominal value plus accrued interests.
- In connection with closing of the transaction the Board of Directors of the Company resolved to pay a dividend of \$151 million. The dividend was considered repayment of paid in capital. On 13 July, 17 August and 14 September a total of 11 302 295 shares of Star Bulk were distributed to the shareholders. These distributions equal approximately \$150.7 million of the resolved dividend of \$151 million. The remaining amount of about \$300 thousand will be distributed, mainly as distribution in kind, later upon receipt of representation and warranties letters from shareholders that did not yet submit such letter.
- On 29 August 2018 and 26 September 2018 a total of 1 647 377 shares of Star Bulk were distributed to the shareholders in connection with commencement of the share capital reduction resolved on 5 June 2018.

SUBSEQUENT EVENTS:

- In an extraordinary general meeting held on 3 October 2018 the shareholders resolved to distribute an extraordinary dividend of \$10.4 million. On 17 October 2018 a total of 683 473 shares of Star Bulk were distributed to the shareholders. This number do not include the shares corresponding to a total of approximately \$145 thousand withheld to cover withholding tax. The distribution equals approximately \$10.2 million of the resolved dividend of \$10.4 million. The remaining amount of about \$200 thousand will be distributed, mainly as distribution in kind, later upon receipt of representation and warranties letters from shareholders that did not yet submit such letter.
- On 24 October 2018 a total of 7 617 shares of Star Bulk were distributed to the shareholders in connection with commencement of the share capital reduction resolved on 5 June 2018. This distribution, together with the distributions on 29 August 2018 and 26 September 2018, equal approximately \$20.9 million of the resolved share capital reduction of \$21 million. The remaining amount of about \$100 thousand will be distributed, mainly as distribution in kind, later upon receipt of representation and warranties letters from shareholders that did not yet submit such letter.
- In a board meeting held on 27 November 2018, the Board of Directors of the Company resolved to pay a dividend of NOK 2.25 per share equalling a total distribution amount of approximately \$9.5 million. The dividend distribution is subject to approval by the shareholders in an extraordinary general meeting to be held on 19 December 2018 with payment date 4 January 2019.

THIRD QUARTER 2018 RESULTS

in \$ thousands	Q3 2018	Q2 2018
Financial performance		
Loss from continuing operations	-50	-50
Profit (-loss) from discontinued operations	24 863	-3 171
Net profit (-loss)	24 813	-3 221
Financial position	30 September 2018	30 June 2018
Total assets	22 904	320 316
Cash and cash equivalents	10 591	16 113
Total equity	21 300	168 986
Cash flow statement	Q3 2018	Q2 2018
Net cash flow from operating activities from discontinued operations	-6 551	5 633
Net cash flow from investing activities from discontinued operations	144 550	-2 225
Net cash flow from financing activities from discontinued operations	-143 520	-3 586
Net change in cash and cash equivalents from discontinued operations	-5 521	-178

Financial performance

Net profit in Q3 2018 was \$24.8 million, compared to a loss of \$3.2 million in Q2 2018. Except for a small amount for general and administrative expenses, being the cost of owning and operating an empty company, all items are considered being results from discontinued operation and classified accordingly. The profit in Q3 2018 is mainly related to gain on sale of vessels.

Financial position

The Company's total assets amounted to \$22.9 million at 30 September 2018, down from \$320.3 million in last quarter due to sale of all the Company's vessels and subsequently dividend distributions and repayment of debt.

Cash flow

Cash and cash equivalents at the end of Q3 2018 were \$10.6 million. During the quarter all vessels were sold. The cash consideration in the transaction was \$144.55 million. The consideration was used to repay the bond loan at 104% of nominal value.

OUTLOOK AND STRATEGY

On the date of this report the remaining assets in the Company consist of approximately 55 000 shares of Star Bulk Carriers Corp, and an estimated cash balance after payment of dividends of \$0.5 million. The Company has resolved to distribute 41 000 of the remaining balance of Star Bulk shares to the shareholders of Songa Bulk, but these shares are held at the Company's account in anticipation of receipt of representation and warranties letter from shareholders that did not yet submit such letter.

FORWARD-LOOKING STATEMENTS

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

RISK FACTORS

Risk Factors and Responsibility Statement

MAIN RISK FACTORS

The Company is through its ownership of shares in Star Bulk exposed to the dry bulk market. Other risks worth to mention is the risk of any unforeseen conditions resulting in claims either way from the transaction with Star Bulk. However, at the date of this report, there are no indications of such circumstances.

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 September 2018 have been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Company's assets, liabilities, financial position and profit as a whole.

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

Oslo, 30 November 2018

The Board of Directors of Songa Bulk ASA



Arne Blystad

Chairman



Thomas Rønningen

CEO



Magnus Leonard Roth

Director



Christine Rødsæther

Director



Vibeke Gwendoline Fængsrød

Director

FINANCIAL INFORMATION

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

in \$ thousands	Note	Q3 2018 (Unaudited)	Q3 2017 (Unaudited)	YTD Q3 2018 (Unaudited)	YTD Q3 2017 (Unaudited)
General and administrative expenses		50	50	150	150
Total operating expenses		50	50	150	150
Operating profit (-loss)		-50	-50	-150	-150
 Loss before taxes		 -50	 -50	 -150	 -150
Tax expense		-	-	-	-
Loss from continuing operations	4	-50	-50	-150	-150
 Profit (-loss) from discontinued operations		 24 863	 -666	 23 370	 -1 793
 Net profit (-loss)		 24 813	 -716	 23 220	 -1 943
 Total comprehensive income (-loss)		 24 813	 -716	 23 220	 -1 943
 Basic and diluted earnings from discontinued operations – \$ per share		 0.692	 -0.020	 0.648	 -0.060
 Total basic and diluted earnings – \$ per share		 0.692	 -0.020	 0.648	 -0.060

CONDENSED STATEMENT OF FINANCIAL POSITION

in \$ thousands	Note	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Vessels		-	266 770
Deposit vessels		-	3 055
Total non-current assets	2	-	269 825
Inventories		-	2 233
Trade receivables		720	1 312
Other receivables		973	2 501
Financial assets through profit or loss		10 620	-
Cash and cash equivalents		10 591	41 017
Total current assets	2	22 904	47 063
TOTAL ASSETS		22 904	316 888
Share capital		121	21 620
Share premium		-	153 619
Other paid-in capital		-	574
Accumulated profit (-deficit)		21 179	-1 648
Total equity	3	21 300	174 165
Interest-bearing debt		-	136 776
Financial liabilities at fair value through profit or loss		-	490
Total non-current liabilities		-	137 266
Trade payables		65	1 745
Income taxes payable		253	124
Dividends payable		413	-
Other liabilities		874	3 588
Total current liabilities		1 604	5 457
Total liabilities		1 604	142 723
TOTAL EQUITY AND LIABILITIES		22 904	316 888

CONDENSED STATEMENT OF CHANGES IN EQUITY

in \$ thousands	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Incorporation	3	-	-	-	3
Share issuance 4 November 2016	9 082	65 188	-	-	74 270
Share issuance costs	-	-1 432	-	-	-1 432
Warrants issued to employees	-	-	400	-	400
Net loss 2016	-	-	-	-2 036	-2 036
Equity 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 2017	-	-	-	388	388
Equity 31 December 2017	21 620	153 619	574	-1 648	174 165
Dividend 22 March 2018	-	-3 586	-	-	-3 586
Dividend 6 July 2018		-150 033	-574	-393	-151 000
Share capital reduction 17 August 2017	-21 499	-	-	-	-21 499
Net profit YTD Q3 2018	-	-	-	23 220	23 220
Equity 30 September 2018	121	-	-	21 179	21 300

CONDENSED STATEMENT OF CASH FLOWS

in \$ thousands	YTD Q3 2018	YTD Q3 2017
	(Unaudited)	(Unaudited)
Profit before taxes	24 813	-1 943
Gain from sale of vessels	-24 405	-
Depreciation	4 654	3 242
Change in inventories	2 233	-2 698
Net change in trade receivables/payables	-1 088	775
Employee benefit expenses in connection with issuance of warrants	-	174
Change in financial liabilities at fair value through profit or loss	-490	156
Net change in other current items	-2 806	1 033
Net cash flow from operating activities from discontinued operations*	2 911	739
Sale of vessels	144 550	-
Purchase of vessels	-28 355	-212 882
Paid deposit on vessels	-	-24 141
Dry docking paid	-2 426	-397
Net cash flow from investment activities from discontinued operations	113 769	-237 420
Proceeds from share issuance	-	105 244
Share issuance costs	-	-2 846
Proceeds from issuance of debt	-	137 625
Debt issuance costs	-	-692
Repayment of interest bearing debt	-143 520	-
Paid dividends	-3 586	-
Net cash flow from financing activities from discontinued operations	-147 106	239 331
Net change in cash and cash equivalents	-30 426	2 650
Cash and bank deposits at beginning of period	41 017	57 688
Cash and bank deposits at end of period	10 591	60 338

*included in the net cash flow from operating activities from discontinued operations is \$150 thousand in operating expenses from continuing operations.

NOTES

Note 1 Accounting policies

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

The condensed consolidated interim financial reporting should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS, as adopted by the EU.

New accounting policies since annual financial statements

Discontinued operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Operating revenue

Voyage charter revenues are recognized using the percentage of completion method on a load-to-discharge basis, with cost related to fulfil the contract incurred prior to loading capitalized as mobilization costs and amortized over the associated period for which revenue is recognized, whilst voyage expenses incurred as repositioning for non-committed freight contracts expensed as incurred. Other revenue from services, such as demurrage, is recognized when earned and is included in freight revenue.

Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The group adopted the simplified expected credit loss model for its trade receivables with only minor effects.

Shares in Star Bulk are valued at fair value with changes in fair value recognized through profit or loss. The shares that have been resolved distributed as dividend in the period, but not yet distributed, are valued according to IFRIC 17 with shares valued at fair value recognized through profit or loss, and the accompanying dividend debt at fair value with changes recognized in equity.

No assets held by the group were subject to reclassifications in IFRS 9.

New or amendments to standards

The following new or amendments to standards and interpretations have been issued and become effective in years beginning on or after 1 January 2019, assuming European Union adoption. The Group is evaluating the impact of these changes on the financial statements of the Group:

- IFRS 16 – Leases.

Note 2 Non-current assets

in \$ thousands	YTD Q3 2018	2017
Closing balance previous period total non-current assets	269 825	14 963
Purchase price vessels delivered in the period and other additions	31 410	272 370
Paid deposits previous periods on vessels delivered in the period	-3 055	-3 855
Paid deposits on vessels for delivery in future periods	-	3 055
Book value of vessels sold in the period	-	-11 655
Dry-docking and other additions in the period	2 426	397
Depreciation in the period	-4 654	-5 450
Carrying value of vessels sold	-295 952	-
Closing balance total non-current assets	-	269 825

Note 3 Share capital and shareholders

As at 30 September 2018, the Company's share capital consists of 35 860 000 shares, each at a nominal value of NOK 0.02789. All issued shares are fully paid.

In the annual general meeting of the Company held on 5 June 2018, the shareholders resolved to reduce the share capital of the company by NOK 178 300 000 (approximately \$21 million), from NOK 179 300 000 to NOK 1 000 000. The share capital reduction was registered with the Norwegian Register of Business Enterprises on 21 August 2018.

Note 4 Discontinued operation

On 14 May 2018, the Company entered into an agreement with Star Bulk Carriers Corp. (Star Bulk) to sell all its vessels to Star Bulk against a consideration of 13 688 000 shares of Star Bulk and \$144.55 million in cash. The transaction was closed on 6 July 2018 and all vessels were delivered to Star Bulk.

Financial information relating to the discontinued operation:

	YTD Q3 2018	YTD Q3 2017
Operating income	34 202	14 518
Gain from sale of vessels	24 406	-
Operating expenses	23 995	14 922
Operating profit (-loss)	34 613	-404
Net financial income (-expenses)	-11 243	-1 389
Profit (-loss) before taxes	23 370	-1 793
Tax expense	-	-
Net profit (-loss) of discontinued operation	23 370	-1 793

Note 5 Financial instruments

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

In USD	30 September 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair Value
<i>Financial assets:</i>				
Trade receivables	720	720	1 312	1 312
Other receivables*	956	956	1 741	1 741
Financial assets through profit or loss	10 620	10 620	-	-
Cash and cash equivalents	10 591	10 591	41 017	41 017
<i>Financial liabilities:</i>				
Interest-bearing debt	-	-	138 000	138 000
Financial liabilities at fair value through profit or loss	-	-	490	490
Trade payables	65	65	1 745	1 745
Income taxes payable	253	253	124	124
Other current liabilities	874	874	2 665	2 665

*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.

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 and financial assets through profit or loss are valued at level 1.

Note 6 Related party transactions

The Company has purchased corporate services from Arne Blystad AS under the corporate service agreement as mentioned in the annual report for 2017.

The Company has purchased technical management services from Songa Shipmanagement Ltd for the vessels Songa Maru, Songa Genesis, Songa Delmar, Songa Hadong, Songa Opus, Songa Devi, Songa Mountain, Songa Sky and Songa Claudine under the technical management agreement as mentioned in the annual report for 2017.

Note 7 Subsequent events

In an extraordinary general meeting held on 3 October 2018 the shareholders resolved to distribute an extraordinary dividend of \$10.4 million. On 17 October 2018 a total of 683 473 shares of Star Bulk were distributed to the shareholders. This number do not include the shares corresponding to a total of approximately \$145 thousand withheld to cover withholding tax. The distribution equals approximately \$10.2 million of the resolved dividend of \$10.4 million. The remaining amount of about \$200 thousand will be distributed, mainly as distribution in kind, later upon receipt of representation and warranties letters from shareholders that did not yet submit such letter.

On 24 October 2018 a total of 7 617 shares of Star Bulk were distributed to the shareholders in connection with commencement of the share capital reduction resolved on 5 June 2018. This distribution, together with the distributions on 29 August 2018 and 26 September 2018, equal approximately \$20.9 million of the resolved share capital reduction of \$21 million. The remaining amount of about \$100 thousand will be distributed, mainly as distribution in kind, later upon receipt of representation and warranties letters from shareholders that did not yet submit such letter.

In a board meeting held on 27 November 2018, the Board of Directors of the Company resolved to pay a dividend of NOK 2.25 per share equalling a total distribution amount of approximately \$9.5 million. The dividend distribution is subject to approval by the shareholders in an extraordinary general meeting to be held on 19 December 2018 with payment date 4 January 2019.