NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES

Index to consolidated financial statements

Independent Auditor's Report

To the Board of Directors of Navig8 Chemical Tankers Inc

We have audited the accompanying consolidated financial statements of Navig8 Chemical Tankers Inc and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, consolidated statement of changes in shareholders' equity and consolidated statements of cash flows for the year ended December 31, 2015 and 2014.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Navig8 Chemical Tankers Inc and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for the year ended December 31, 2015 and 2014 in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers AS

PricewaterhouseCoopers AS

Oslo, Norway

June 16, 2016

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	Dec 31, 2015 ('000)	Dec 31, 2014 ('000)
Assets		
Current assets		
Cash and cash equivalents	$ 18,438	$ 40,405
Trade receivables (related party)	15,161	-
Prepaid expenses and other assets	1,625	18
Related party prepaid expenses and other assets	9,272	7
Inventories	2,008	-
Total current assets	46,504	40,430
Non-current assets		
Restricted cash	16,000	-
Vessels, net	663,891	-
Vessels, capital lease	41,262	-
Vessels under construction	147,505	284,826
Vessel related deposits	-	9,154
Total non-current assets	868,658	293,980
Total assets	$ 915,162	$ 334,410
Liabilities and shareholders' equity		
Current liabilities		
Obligations under capital lease	$ 36,149	$ -
Current portion of loans	56,777	-
Accounts payables and accrued expenses	11,276	526
Related party payables and accrued expenses	2,551	458
Total current liabilities	106,753	984
Non-current liabilities		
Long-term loans, net of unamortised debt issuance cost	389,488	-
Total non-current liabilities	389,488	-
Total liabilities	496,241	984
Commitments and contingent liabilities (Note 9)	-	-
Shareholders' equity		
Common stock, $0.01 par value per share; authorized 500 million shares (2014: 500 million shares); 38,489,108 shares issued and outstanding as of Dec 31, 2015 (Dec 31, 2014: 32,787,354 shares)	385	328
Paid-in capital	403,641	338,868
Retained earnings/(deficit)	14,895	(5,770)
Total shareholders' equity	418,921	333,426
Total liabilities and shareholders' equity	$ 915,162	$ 334,410

See notes to consolidated financial statements

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	2015 ('000)		2014 ('000)	
Operating revenue				
Vessel revenue (related party)	$	81,654	$	-
Operating expenses				
Vessel expenses (includes related party expenses of $1,684; 2014: Nil)		(23,502)		-
Depreciation		(15,780)		-
General and administrative expenses includes related party expenses of $5,551; 2014: $3,320)		(7,514)		(4,689)
Total operating expenses		(46,796)		(4,689)
Net operating income / (loss)		34,858		(4,689)
Financial items				
Interest income		65		83
Interest expense and finance costs		(14,252)		-
Other financial items		(6)		-
Net financial items		(14,193)		83
Net income / (loss)	$	20,665	$	(4,606)
Earnings per common share:				
Basic	$	0.56	$	(0.20)
Diluted	$	0.56	$	(0.20)

See notes to consolidated financial statements

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of shares outstanding ('000)		Common stock ('000)		Paid-in capital ('000)		Retained Earnings/ (deficit) ('000)		Total ('000)
Balance as of Dec. 31, 2013	8,364	$	84	$	83,556	$	(1,164)	$	82,476
Net loss	-		-		-		(4,606)		(4,606)
Net proceeds from offerings	24,423		244		255,312				255,556
Balance as of Dec. 31, 2014	32,787	$	328	$	338,868	$	(5,770)	$	333,426
Balance as of Dec. 31, 2014	32,787	$	328	$	338,868	$	(5,770)	$	333,426
Net income	-		-		-		20,665		20,665
Net proceeds from offerings	5,702		57		64,773		-		64,830
Balance as of Dec. 31, 2015	38,489	$	385	$	403,641	$	14,895	$	418,921

See notes to consolidated financial statements

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		2015 ('000)		2014 ('000)
Operating activities				
Net income / (loss)	$	20,665	$	(4,606)
Adjustments to reconcile net income / (loss) to net cash provided by (used in) operating activities:				
Depreciation of vessels		15,780		-
Amortisation of debt issuance cost		243		-
Amortisation of deferred financing charges		1,205		-
Changes in operating assets and liabilities:				
Trade receivables (Related party)		(15,161)		-
Prepaid expenses and other assets		(1,606)		(18)
Related party prepaid expenses and other assets		(9,265)		(7)
Inventories		(2,008)		-
Accounts payables and accrued expenses		3,392		394
Related party accounts payables and accrued expenses		2,007		(552)
Net cash provided by / (used in) operating activities		**15,252**		**(4,789)**
Investing activities				
Change in restricted cash		(16,000)		-
Payments for vessels under construction *		(490,310)		(201,219)
Payments for vessels, capital lease*		(1,852)		-
Payments for vessels		(1,596)		-
Refund / (payment) for vessel related deposits*		500		(9,154)
Net cash used in investing activities		**(509,258)**		**(210,373)**
Financing activities				
Net proceeds from issuance of shares		64,830		255,556
Proceeds from loans, net of debt issuance cost		459,541		-
Repayment of loans		(13,785)		-
Payment of obligation under capital lease		(38,547)		-
Net cash provided by financing activities		**472,039**		**255,556**
(Decrease) / Increase in cash and cash equivalents		(21,967)		40,394
Cash and cash equivalents, beginning of year		40,405		11
Cash and cash equivalents, end of year	**$**	**18,438**	**$**	**40,405**
Supplemental disclosure of cash flow information:				
Interest paid, net of interest capitalised	$	12,389	$	-

***** Please refer to note 4 for non-cash items

See notes to consolidated financial statements

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information and significant accounting policies

Company

Navig8 Chemical Tankers Inc and its subsidiaries (together "we", "us" or the "Company") is a company formed for the purpose of acquiring and operating chemical tankers with fuel-efficient specifications and carrying capacities of equivalent to or greater than 25,000 dwt in the international shipping markets. The Company was incorporated in the Republic of the Marshall Islands on August 15, 2013, and since August 11, 2014, the Company's shares are traded on the over-the-counter market in Oslo, Norway ("NOTC-list").

As of December 31, 2015, the Company has ordered 37 newbuilding chemical tankers, which it intends to operate. The Company has taken delivery of 19 vessels, of which one is under capital lease and four are under sale and leaseback arrangements which are treated as financing transactions, and entered into commercial pools (Navig8 Delta8 Pool and Navig8 Chronos8 Pool) set up within Navig8 Chemicals Pool Inc. The fleet is scheduled to be fully delivered by September 2017. Nine vessels are scheduled to be delivered in 2016 and the remaining nine in 2017.

Basis of accounting

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The consolidated financial statements include the assets and liabilities of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

We evaluate our subsidiaries, and any other entities in which we hold a variable interest, in order to determine whether we are the primary beneficiary of the entity, and where it is determined that we are the primary beneficiary we fully consolidate the entity.

A variable interest entity is defined by the accounting standard as a legal entity where either (a) the total equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated support; (b) equity interest holders as a group lack either i) the power to direct the activities of the entity that most significantly impact its economic success, ii) the obligation to absorb the expected losses of the entity, or iii) the right to receive the expected residual returns of the entity; or (c) the voting rights of some investors in the entity are not proportional to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest.

The accounting standard requires a variable interest entity to be consolidated by its primary beneficiary, being the interest holder, if any, which has both (1) the power to direct the activities of the entity which most significantly impact the entity's economic performance, and (2) the right to receive benefits or the obligation to absorb losses from the entity which could potentially be significant to the entity.

1. General information and significant accounting policies (Continued)

Significant Accounting Policies

Accounting estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting year. Actual results could differ from those estimates.

In addition to the estimates noted above, significant estimates include vessel valuations, residual value of vessels and useful life of vessels.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly-liquid investments with original maturities of three months or less, and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying value of cash and cash equivalents approximates fair value due to the short-term nature of these instruments.

Trade Receivables

Trade Receivables include amounts due from pools and other recoverable expenses due to the Company. At the balance sheet date, all potentially uncollectible accounts are assessed individually for the purposes of determining the appropriate provision for doubtful accounts. No provision was recoded as at December 31, 2015 (2014: nil).

Prepayments

Prepayments consist of payments in advance for insurance or other ad hoc prepaid purchases.

Other Assets

Other assets consist primarily of advances and deposits which primarily include amounts advanced to third-party technical managers for expenses incurred by them in operating the vessels, together with other necessary deposits paid during the course of business.

Inventories

Inventories consist of lubricating oils and other consumables on board the Company's vessels. Inventories are valued at the lower of cost and market value on a first-in-first-out basis. Cost is based on the normal levels of cost and comprises the cost of purchase, being the suppliers' invoice price with the addition of charges such as freight or duty where appropriate.

1. General information and significant accounting policies (Continued)

Restricted Cash

Restricted cash consists mainly of bank deposits in the Debt Service Reserve Account, which must be maintained in accordance with the contractual arrangement under the CA- KEXIM loan facility agreement (see Note 10 for details) to meet the minimum liquidity requirement for each delivered vessel.

Vessels under construction

Vessels under construction are measured at cost and include costs incurred that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These costs include instalment payments made to the shipyards, directly attributable financing costs, professional fees and other costs deemed directly attributable to the construction of the asset. Initial spares and equipment for the vessels under construction are capitalized.

Vessels under construction - impairment

Vessels under construction are assessed for impairment when events or circumstances indicate the carrying amount of the asset may not be recoverable. When such indicators are present, the carrying value of the vessels under construction is tested for recoverability by comparing the estimate of future undiscounted net operating cash flows associated with all future expenditure necessary to develop the vessel and expected to be generated by the use of the vessel over its useful life and its eventual disposal to its carrying amount based on the expected service potential of the asset once development is substantially completed. Net operating cash flows are determined by applying various assumptions regarding future revenues net of commissions, operating expenses, scheduled dry-dockings, expected offhire and scrap values, and taking into account historical revenue data and published forecasts on future economic growth and inflation. An impairment charge is recognized if the carrying value is in excess of the estimated future undiscounted net operating cash flows. The impairment loss is measured based on the excess of the carrying amount over the fair value of the asset.

Vessels

Vessels are recorded at their cost less accumulated depreciation. Vessel cost comprises acquisition costs directly attributable to the vessel and the expenditures made to prepare the vessel for its initial voyage. Vessels are depreciated on a straight-line basis over their estimated useful economic life from the date of initial delivery from the shipyard. The useful life of the vessels is estimated at 25 years from the date of initial delivery from the shipyard. Depreciation is based on cost less estimated residual scrap value. Residual scrap value is estimated as the lightweight tonnage of each vessel multiplied by the estimated scrap value per ton. The market price of scrap per tonne is calculated based on the historical ten year average. Residual values are reviewed annually. The Company capitalises and depreciates the costs of significant replacements, renewals and upgrades to its vessels over the shorter of the vessel's remaining useful life or the life of the renewal or upgrade. The amount capitalised is based on management's judgement as to expenditures that extend a vessel's useful life or increase the operational efficiency of a vessel. Costs that are not capitalised are recorded as a component of direct vessel operating expenses during the period incurred. Expenses for routine maintenance and repairs are expensed as incurred.

1. General information and significant accounting policies (Continued)

Vessel Impairment

Vessels are assessed for impairment when events or circumstances indicate the carrying amount of the asset may not be recoverable. When such indicators are present, the carrying value of the vessels are tested for recoverability by comparing the estimate of future undiscounted net operating cash flows associated with all future expenditure necessary to operate the vessel and expected to be generated by the use of the vessel over its useful life and its eventual disposal to its carrying amount based on the expected service potential of the asset. Net operating cash flows are determined by applying various assumptions regarding future revenues net of commissions, operating expenses, scheduled drydocking, expected offhire and scrap values, and taking into account historical revenue data and published forecasts on future economic growth and inflation. An impairment charge is recognized if the carrying value is in excess of the estimated future undiscounted net operating cash flows. The impairment loss is measured based on the excess of the carrying amount over the fair value of the asset.

Drydock Expenditure

Vessels are typically drydocked every five years. Dry-docking costs are accounted for as a separate component of vessels and are amortised over the dry-docking interval. Part of the purchase price of a new built vessel corresponding to the normal expected dry-docking expense is recognised as a separate component of the asset (dry-docking part of vessel).Expenses for routine maintenance and repairs are expensed as incurred.

Capital Leases

Navig8 Chemical Tankers Inc. leases certain of its vessels in operation. These lease transactions transfer substantially all risks and rewards incident to ownership from the lessor to Navig8 Chemical Tankers Inc. and are accounted for as capital leases. Vessels financed under capital leases are recorded in non-current assets, net in the consolidated balance sheet. The corresponding amounts due are recorded as a liability. Depreciation of vessels recorded under capital leases is included in depreciation expense. Interest costs are expensed to interest expense and finance costs in the consolidated statement of operations using the effective interest method over the life of the lease. Where the provisions of a capital lease contain a floating rate element, such as an index linked rate of hire, then the minimum lease payments are assumed to equal the index at inception of the lease. Any variations in the index, and therefore the payments made, are accounted for as contingent rental income or expense and are taken to the statement of operations in the period in which they become realizable.

Financing arrangements

Navig8 Chemical Tankers Inc. may enter into transactions accounted for as sale and leasebacks, in which vessels are sold to a third party and then leased for use by Navig8 Chemical Tankers Inc. Under certain circumstances, the necessary criteria to recognise a sale of these assets may not occur and the transaction is reflected as a financing arrangement, with proceeds received from the transaction reflected as a borrowing (see Note 10). When the necessary criteria have been met to recognise a sale, gains or losses on the sale of the assets are generally deferred and amortised over the term of the transaction, except in certain limited instances when a portion of the gain or loss may be recognised upon inception.

1. General information and significant accounting policies (Continued)

Distributions to shareholders

Distributions to the shareholders are applied first to retained earnings. When retained earnings are not sufficient, distributions are applied to the additional paid in capital account.

Financial Instruments

The carrying values of cash and cash equivalents, trade receivables and trade payables reported in the consolidated balance sheet are reasonable estimates of their fair values due to their short-term nature. The fair values of long-term debt approximate the recorded values due to the variable interest rates payable.

Deferred finance charges

Deferred financing charges include fees, commissions and legal expenses associated with securing financing facilities. Deferred financing charges are presented on the balance sheet as a contra-liability, against the debt liability. These costs are amortised, over the term of the debt, to interest expense and finance costs in the consolidated statement of operations using the straight line method as the results obtained are not materially different from those that would result from use of the use of the interest method. There were no such charges applicable for 2014.

Deferred initial up-front commitment fees paid to lenders for revolving credit facilities and lines of credit represent the benefit of being able to access capital over the contractual term, and therefore, meet the definition of an asset. These are presented as an other asset and subsequently amortised ratably over the term of the commitment period for the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. There were no such charges applicable for 2014.

For the financial year ended December 31, 2015, Company has early adopted Accounting Standards Update No. 2015-03, Simplifying the Presentation of Debt Issuance Costs and Accounting Standards Update No. 2015-15, Interest - Imputation of interest (Subtopic 835-30): Presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements.

Contingencies

Navig8 Chemical Tankers Inc provides for contingent liabilities when (i) it is probable that a liability has been incurred at the date of the financial statements and (ii) the amount of the loss can be reasonably estimated. Disclosure in the noted to the financial statements is required for material contingent liabilities that do not meet both these conditions if there is a reasonable possibility that a liability may have been incurred at the balance sheet date.

Equity issuance costs

Incremental costs incurred that are directly attributable to an actual offering of equity securities are deferred and deducted from the related proceeds of the offering, and the net amount is recorded as contributed shareholders' equity in the period when such shares are issued. Other costs incurred that are not directly attributable, but are related, to an actual offering are expensed as incurred.

1. General information and significant accounting policies (Continued)

Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to equity holders of the common shares by the weighted average number of common shares outstanding. Diluted earnings per share are calculated by adjusting the net income/(loss) attributable to equity holders of the common shares and the weighted average number of common shares used for calculating basic earnings per share for the effects of all potentially dilutive shares. Such dilutive common shares are excluded when the effect would be to increase earnings per share or reduce a loss per share.

Taxes

Navig8 Chemical Tankers Inc and its subsidiaries are incorporated in the Republic of the Marshall Islands, and in accordance with the income tax laws of the Marshall Islands, are not subject to Marshall Islands' income tax. The Company is generally not subject to state and local income taxation. Pursuant to various tax treaties, the Company's shipping operations are not subject to foreign income taxes. However, the Company does not qualify for the exemption pursuant to Section 883 of the U.S. federal income taxation Code and therefore is subject to U.S. federal tax on its shipping income derived from the United States.

Foreign currencies

The individual financial statements of Navig8 Chemical Tankers Inc and each of its subsidiaries are presented in the currency of the primary economic environment in which we operate (its functional currency), which in all cases is U.S. dollars. For the purpose of the consolidated financial statements, our results and financial position are also expressed in U.S. dollars.

In preparing the financial statements of Navig8 Chemical Tankers Inc and each of its subsidiaries, transactions in currencies other than the U.S. dollar are recorded at the rate of exchange prevailing on the dates of the transactions. Any change in exchange rate between the date of recognition and the date of settlement may result in a gain or loss which is recognized in the consolidated statement of operations. At the end of each reporting period, monetary assets and liabilities denominated in other currencies are retranslated into the functional currency at rates ruling at that date. All resultant exchange differences have been recognized in the consolidated statement of operations.

Revenue Recognition

Vessel revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, and other sales-related or value added taxes.

Vessel revenue comprises pool revenue. Pool revenue for each vessel is determined in accordance with the profit sharing terms specified within each pool agreement. In particular, the pool manager aggregates the revenues and expenses of all of the pool participants and distributes the net earnings to participants based on the following allocation key:

- the pool scores (vessel attributes such as cargo carrying capacity, fuel consumption, and construction characteristics are taken into consideration); and
- the number of days the vessel participated in the pool in the period.

We recognize net pool revenue on a monthly basis when the vessel has participated in a pool during the period, and the amount of pool revenue for the month can be estimated reliably.

1. General information and significant accounting policies (Continued)

Vessel Expenses

Vessel operating costs, which include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses, transportation tax, pool administration fee and technical management fees, are expensed as incurred.

Interest expense

Interest costs are expensed as incurred except for interest costs that are capitalized. Interest expenses incurred on pre-delivery financing arrangements are capitalized during construction of newbuildings at the Company's rate applicable to borrowings outstanding during the period.

2. Newly issued accounting standards

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606): which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. ASU No. 2015-14 defers the standard's effective date to be effective for annual periods beginning after December 15, 2017, and interim periods therein, and shall be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is permitted as of an annual reporting period beginning after December 15, 2016, and interim reporting periods there in. The Company is evaluating the potential impact of this standard update on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. This update requires management to assess an entity's ability to continue as a going concern by incorporating and expanding on certain principles that are currently in U.S. auditing standards. Specifically, ASU No. 2014-15 (1) provides a definition of the term substantial doubt, (2) requires an evaluation in every reporting period including interim periods, (3) provides principles for considering the mitigating effects of management's plans, (4) requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) requires an express statement and other disclosures when substantial doubt is not alleviated, and (6) requires an assessment for a period of one year after the date that the financial statements are issued or available to be issued. This update is effective for the fiscal years ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company is currently in the process of evaluating the impact of the update on the consolidated financial statements.

2. Newly issued accounting standards (Continued)

In February 2015, the FASB issued ASU no. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The amendments in this update affect the following areas (1) Limited partnerships and similar legal entities, (2) evaluating fees paid to a decision maker or a service provider as a variable interest, (3) the effect of fee arrangements on the primary beneficiary determination, (4) the effect of related parties on the primary beneficiary determination, and (5) certain investment funds. This update is effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017. The Company is currently in the process of evaluating the impact of the update on the consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the measurement of Inventory. This update requires an entity to measure inventory within the scope of this update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. The update is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted and the amendments should be applied prospectively. The Company is evaluating the potential impact of this standard update on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial instruments - overall (Subtopic 825-10): Recognition and measurement of financial assets and financial liabilities. The amendments in this update require all equity investments to be measured at fair value with changes in the fair value recognised through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments in this update also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In Addition the amendments in this update eliminate the requirement to disclose the fair value of financial instruments measured at amortised cost for entities that are not public business entities and the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortised cost on the balance sheet for public business entities. This update is effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017. The Company is currently in the process of evaluating the impact of the update on the consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases. ASU 2016-02 is intended to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. In order to meet that objective, the new standard requires recognition of the assets and liabilities that arise from leases. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. The new standard is effective for public companies for fiscal years beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. The Company is currently evaluating the effect that adopting this standard will have on our financial statements and related disclosures.

3. Segment Information

The Company and the chief operating decision maker ("CODM") measure performance based on the Company's overall return to shareholders based on consolidated net income. The CODM does not review a measure of operating result at a lower level than the consolidated group and the Company has only one reportable segment.

The Company's vessels operate worldwide and therefore management does not evaluate performance by geographical region as this information is not meaningful. The Company operates in one market, the chemical carrier market as an international provider of seaborne transportation of chemicals.

4. Cash Flow Information

For the financial period ended December 31, 2015 the Company had non-cash investing activities not included in the consolidated statement of cash flows of $37.4 million relating to the vessel under capital lease, $6.5 million (2014: $0.3 million) relating to amounts unpaid for vessels under construction and $8.7 million relating to vessels related deposits, of which $4.2 million relate to the vessel under capital lease and $4.5 million relate to vessels. The Company also had non-cash financing activities not included in the consolidated statement of cash flows of $0.9 million (2014: Nil) relating to amounts unpaid for the debt financing costs.

5. Cash and cash equivalents

The cash and cash equivalents as of December 31, 2015 and 2014 are denominated in United States Dollars. Included in cash and cash equivalents as of December 31, 2014 is a $10 million short-term deposit with a maturity of one month. As of December 31, 2015, the cash and cash equivalents balance relates solely to cash deposited with the banks.

6. Vessels

(in thousands of $)	Vessels(1)	Vessels capital lease(2)	Vessels under construction
Cost at December 31, 2013	**-**	**-**	**84,600**
Instalments and capitalised interest	-	-	198,518
Services capitalised***	-	-	1,708
Cost at December 31, 2014	**-**	**-**	**284,826**
Instalments and capitalised interest	-	-	490,514
Transfer from vessels under construction and capital lease	676,763	-	-
Additions	1,596	85,051	-
Transfer to vessels	-	(42,627)**	(634,136)
Services capitalised***	-	150	6,301
Cost at December 31, 2015	**678,359***	**42,574**	**147,505**
Accumulated Depreciation at December 31, 2013	**-**	**-**	**-**
Depreciation	-	-	-
Accumulated Depreciation at December 31, 2014	**-**	**-**	**-**
Depreciation	(12,917)	(1,312)	-
Transfer from vessels under capital lease	(1,551)	-	-
Accumulated Depreciation at December 31, 2015	**(14,468)***	**(1,312)**	**-**
Net Balance at December 31, 2013	**-**	**-**	**84,600**
Net Balance at December 31, 2014	**-**	**-**	**284,826**
Net Balance at December 31, 2015	**663,891**	**41,262**	**147,505**

* Includes $150.1 million of cost and $2.7 million of depreciation, for the four vessels sold as part of the Sale and Leaseback agreements with Ocean Yield (see Note 10). These sale and leaseback agreements have been treated as a financing arrangement.

**Includes $1.0 million relating to additions paid during the year.

*** Services capitalized relate to Project Management fees billed by Navig8 Shipmanagement Pte. Ltd ("N8S") for the supervision during construction at the respective shipyards

(1) As of December 31, 2015, the balance includes a component of net capitalised drydock cost of $9.3 million (2014: Nil), comprising of cost of $10.5 million and accumulated depreciation of $1.2 million.

(2) As of December 31, 2015, the balance includes a component of net capitalised drydock cost of $0.6 million (2014: Nil), comprising of cost of $0.7 million and accumulated depreciation of $0.1 million.

6. Vessels (Continued)

Navig8 Chemical Tankers Inc.'s fleet as of December 31, 2015 comprises of the following:

No.	Vessel Name	DWT	Yard	Built
1[(1)]	Navig8 Victoria	49,080	Hyundai Vinashin	January 2015
2[(1)]	Navig8 Almandine	37,295	Hyundai MIPO	February 2015
3[(1)]	Navig8 Amber	37,295	Hyundai MIPO	February 2015
4[(1)]	Navig8 Amethyst	37,295	Hyundai MIPO	March 2015
5[(2)]	Navig8 Violette	49,080	Hyundai Vinashin	March 2015
6[(1)]	Navig8 Ametrine	37,295	Hyundai MIPO	April 2015
7[(1)]	Navig8 Aventurine	37,295	Hyundai MIPO	April 2015
8[(1)]	Navig8 Andesine	37,295	Hyundai MIPO	May 2015
9[(3)]	Navig8 Amazonite	37,295	Hyundai MIPO	May 2015
10[(3)]	Navig8 Aronaldo	37,295	Hyundai MIPO	June 2015
11[(3)]	Navig8 Aquamarine	37,295	Hyundai MIPO	June 2015
12[(1)]	Navig8 Axinite	37,295	Hyundai MIPO	July 2015
13[(1)]	Navig8 Amessi	37,295	Hyundai MIPO	July 2015
14[(1)]	Navig8 Ammolite	37,295	Hyundai MIPO	August 2015
15[(1)]	Navig8 Azurite	37,295	Hyundai MIPO	August 2015
16[(3)]	Navig8 Azotic	37,295	Hyundai MIPO	September 2015
17[(1)]	Navig8 Adamite	37,295	Hyundai MIPO	September 2015
18[(1)]	Navig8 Aragonite	37,295	Hyundai MIPO	October 2015
19[(1)]	Navig8 Alabaster	37,295	Hyundai MIPO	November 2015
Under Construction				**Scheduled Delivery**
20	Navig8 Achroite	37,295	Hyundai MIPO	Q1 2016
21	Navig8 Turquoise	49,080	STX	Q2 2016
22	Navig8 Topaz	49,080	STX	Q3 2016
23	Navig8 Tourmaline	49,080	STX	Q3 2016
24	Navig8 Tanzanite	49,080	STX	Q3 2016
25	Navig8 Sirius	25,000	Kitanihon	Q2 2016
26	Navig8 Sky	25,000	Kitanihon	Q3 2016
27	Navig8 Spark	25,000	Kitanihon	Q3 2016
28	Navig8 Stellar	25,000	Kitanihon	Q4 2016
29	Navig8 Saiph	25,000	Kitanihon	Q1 2017
30	Navig8 Sceptrum	25,000	Kitanihon	Q2 2017
31	Navig8 Spica	25,000	Fukuoka	Q2 2017
32	Navig8 Sol	25,000	Fukuoka	Q3 2017
33	N8CT N/B	49,080	STX	Q1 2017
34	N8CT N/B	49,080	STX	Q2 2017
35	N8CT N/B	49,080	STX	Q2 2017
36	N8CT N/B	49,080	STX	Q2 2017
37	N8CT N/B	49,080	STX	Q2 2017

(1) Company's owned vessels.

(2)Vessels under capital lease arrangements.

(3)Vessels subject to the Ocean Yield financing arrangement (see Note 10).

7. Vessel related deposits

There are no vessel related deposits as of December 31, 2015. For the financial year ended December 31, 2014, the Company paid $8.3 million as initial downpayment, $0.4 million for commissions, supervision fees and purchase of initial spares and equipment for the two Vinashin vessels and $0.5 million as deposit for the leasing of berths, facilities, utilities and equipment, which is directly attributable to the construction of the Hyundai MIPO vessels. As of December 31, 2014, all these amounts are included in the consolidated balance sheet as vessel related deposits. As of December 31, 2015, the two Vinashin vessels have been delivered and thus the vessel related deposits have been utilized, and the $0.5 million paid in 2014 as deposit for leasing of berths, facilities, utilities and equipment for the Hyundai MIPO vessels, was refunded during the year.

8. Capital leases

The Company had exercised the bareboat charter options with Abigail Shipping Co. Pte. Ltd and Brianna Shipping Co. Pte. Ltd on November 7, 2014 and December 19, 2014 respectively and has purchase obligations at the end of these charters to take ownership of these vessels. The Company took ownership of the first vessel at the end of December 2015, with the remaining vessel scheduled to be repurchased in March 2016 upon expiry of the bareboat charter. The effect of exercising the option for the remaining vessel, including the lease payments, are included in the commitments table below (in million of dollars).

	2016
Total capital lease payments	$36.5*
Less amount representing interest	0.4
Net capital lease payments	36.1

* $35.8 million relates to balance purchase price to be paid, at the end of the bareboat charter, for taking over the legal ownership of the re-sale Vinashin vessel.

9. Commitments and Contingencies

On October 21, 2015, the Company announced that it has entered into newbuilding contracts for the construction of four 49,000 dwt IMO type-2 medium-range chemical tankers with STX Offshore & Shipbuilding Co., Ltd ("STX") in Korea for an aggregate purchase price of $159.1 million. These newbuilding vessels are scheduled to be delivered between the first quarter of 2017 and the third quarter of 2017. In addition, the company entered into an option agreement with STX, which grants the option to acquire six Optional Vessels. Pursuant to the option agreement, the Optional Vessels must be declared between November 2015 and March 2016, with scheduled delivery dates between June 2017 and November 2017. If the Company does not declare the option to acquire one or more of the Optional Vessels, any later options shall become null and void.

Pursuant to the option agreement with STX, on November 30, 2015, the first optional vessel was declared with scheduled delivery in the second quarter of 2017. The Company's estimated commitments (see Note 10 for bank debt and financing arrangements), as of December 31, 2015, through the expected delivery dates of the 18 vessels aggregate approximately $596.8 million which will be payable as follows (in millions of dollars):

	2016	2017	2018	2019	After 5 years
Vessels – Newbuildings	$340.8	$256.0	--	--	--

The Company has newbuilding instalment commitments to shipyards for the construction of a series of vessels. While these commitments are not yet fully funded, the Directors are of the opinion that the required additional funding necessary to do so will be forthcoming before the commitments materialize, through a combination of debt finance and further equity raises that it has yet to secure. In the event that the Company believes, at any time, that it is at material risk of being unable to obtain sufficient funding from these sources, it will consider other forms of finance, together with the sale of potential vessels and vessels under construction, in order either to source the required funding or reduce its commitments to meet its available liquidity. However, no assurances can be given that management's actions described above will be successful in meeting its funding needs.

There are no contingencies outstanding which are expected to have a material impact on the financial position, results of operations or cash flow either individually or in the aggregate.

10. Debt

	2015 (000)	2014 (000)
Principal amount of bank debt	$ 296,158	-
Financing arrangement	128,347	-
Pre-delivery financing arrangement	28,238	-
Total debt	452,743	-
Less: unamortised debt issuance cost	(6,478)	-
Net debt	446,265	-
Less: current portion	(56,777)	-
	$ 389,488	**-**

10. Debt (Continued)

Senior Secured CA-KEXIM Credit Facility

In January 2015, the Company entered into the original Senior Secured CA-KEXIM Credit Facility, the proceeds of which were to be used to fund a portion of the purchase price of the 18 vessels that have been delivered by Hyundai MIPO between February 2015 and January 2016. In May 2015, we amended the original Senior Secured CA-KEXIM Credit Facility to reduce the number of vessels that it partially funds to 14 vessels.

The Senior Secured CA-KEXIM Credit Facility is provided by a combination of commercial banks and The Export-Import Bank of Korea, or KEXIM. The Senior Secured CA-KEXIM Credit Facility includes a commercial debt tranche of up to $101.2 million, a bank-funded KEXIM-guaranteed note tranche totaling of up to $101.2 million, and a KEXIM-funded debt tranche of up to $101.2 million, each ranking pari passu. Navig8 Chemical Tankers (A-Ships) Inc. is the borrower, or the Borrower, under the Senior Secured CA-KEXIM Credit Facility. The Borrower is our indirect wholly-owned subsidiary, and each of the 14 vessel owning subsidiaries that has taken delivery of and owns one of the 14 vessels being constructed at Hyundai MIPO, the purchase prices of which are being partially funded by the Senior Secured CA-KEXIM Credit Facility, is a wholly-owned subsidiary of the Borrower. As of December 31, 2015, we had $270.2 million of outstanding borrowings under the Senior Secured CA-KEXIM Credit Facility, gross of unamortized debt issuance cost of $6.8 million, and up to an additional $21.7 million available for borrowing.

With respect to the bank-funded KEXIM-guaranteed note tranche, the Borrower has issued a promissory note guaranteed by KEXIM, or the Bank Note. KEXIM has agreed that its guarantee under the Bank Note may, subject to our exercise of the option to do so, be transferred to guarantee an amortizing global note of the Borrower of up to $101.2 million, or the KEXIM Global Note. The option permits us to instruct the Borrower to issue the KEXIM Global Note between the date of the delivery of the seventh vessel constructed by Hyundai MIPO (which was May 25, 2015) and the date falling six months after delivery of the final vessel constructed by Hyundai MIPO (the final vessel was delivered January 7, 2016), or the Issuance Window, with a maximum 12-year tenor. The proceeds of the KEXIM Global Note will be used to repay the Bank Note. Under the guarantee for the Bank Note and the KEXIM Global Note, upon any payment default, KEXIM will make payment of the scheduled principal and interest as well as any applicable make-whole amount, if applicable, within a grace period for the remainder of the scheduled term.

The Senior Secured CA-KEXIM Credit Facility is secured by, among other things, a first preferred mortgage over each of the 14 vessels, general assignments covering insurances and earnings, account charges, and related stock pledges of our vessel-owning subsidiaries and the Borrower, which are cross-collateralized, and the Senior Secured CA-KEXIM Credit Facility is unconditionally and irrevocably guaranteed by both the Company and the related vessel-owning subsidiaries. Under the Senior Secured CA-KEXIM Credit Facility, we are, in respect of each relevant vessel delivery, able to draw an amount equal to the lower of (i) $21,690,000 per vessel, (ii) 60% of the relevant contract price inclusive of Interline-9001 coating-related costs, and (iii) 60% of the fair market value of the relevant vessel, subject to an availability period (in respect of each vessel) that expires 260 days after the scheduled delivery date under the relevant vessel shipbuilding contract. Except for the KEXIM Global Note, if any, debt under the Senior Secured CA-KEXIM Credit Facility bears interest at LIBOR plus a margin that ranges from 1.75% to 3.25% depending on the tranche and the time of drawdown. The weighted average interest rate on outstanding borrowings under our Senior Secured CA-KEXIM Credit Facility as of December 31, 2015 was 3.26% including the KEXIM guarantee premium for the KEXIM-guaranteed note tranche.

10. Debt (Continued)

Under each of the loan tranches, borrowings for each vessel are required to be repaid in consecutive quarterly installments over 12 years following drawdown for such vessel. Quarterly installments are generally equivalent, except that the final quarterly installment for each vessel under the commercial tranche will be a balloon payment of 1/13th of the related loan amount.

The Senior Secured CA-KEXIM Credit Facility contains certain financial and other covenants that require ongoing compliance, including requirements that we, on a consolidated basis, maintain:

- a maximum ratio of total net debt (total debt less cash and cash equivalents) to total net assets (total market value of the assets less cash and cash equivalents) of 75%;
- minimum liquidity of $500,000 per delivered vessel; and
- a minimum ratio of aggregate fair market value of the 14 Hyundai MIPO vessels to total debt outstanding under the Senior Secured CA-KEXIM Credit Facility (minus in each case the balance of certain debt service reserve accounts required under the Senior Secured CA-KEXIM Credit Facility) of 140%.

We were in compliance with the financial covenants relating to this arrangement as of December 31, 2015.

The Senior Secured CA-KEXIM Credit Facility also places certain restrictions on our ability to distribute dividends to our shareholders. In particular, we may not declare or pay any dividend unless: (i) no event of default has occurred, is ongoing, is likely or would result from such dividend payment; (ii) the balance of certain debt service reserve accounts required under the Senior Secured CA-KEXIM Credit Facility is not less than required; and (iii) the Borrower and the relevant vessel-owning subsidiaries, as a group, are able to meet their operating expenses (including any pro rata dry docking expenses) and total debt service for the following 12 months, as evidenced by means of a cash flow forecast.

In addition, the Senior Secured CA-KEXIM Credit Facility contains customary events of default (with customary grace periods), including, with respect to non-payment, covenant breaches, failing to maintain certain insurance, insolvency, vessel arrests, cross-defaults, change of control, and any events that will have a material adverse effect.

The Senior Secured CA-KEXIM Credit Facility also contains other customary terms and provisions, including other customary covenants. Any failure to comply with the terms of the Senior Secured CA-KEXIM Credit Facility, including those described above, would constitute an event of default under the facility.

Senior Secured DVB Credit Facility

In December 2015, we entered into the Senior Secured DVB Credit Facility, the proceeds of which are to be used to fund a portion of the purchase price of the two vessels that were delivered by Hyundai Vinashin between January 2015 and March 2015.

10. Debt (Continued)

The Senior Secured DVB Credit Facility is being provided by DVB, though DVB may later transfer by way of secondary syndication part of its commitments thereunder to one or a combination of commercial banks. The Senior Secured DVB Credit Facility consists of two vessel tranches for a total maximum aggregate amount of $52.0 million. The proceeds from the Senior Secured DVB Credit Facility were used to partially finance the purchase of Navig8 Victoria and will be used to partially finance the purchase of Navig8 Violette. Both subject vessels were bareboat chartered-in by our relevant subsidiaries from a third party owner who originally ordered and took delivery of the subject vessels from Hyundai Vinashin. In December 2015, our relevant subsidiary terminated the bareboat charter for Navig8 Victoria and took full ownership of the vessel, with the purchase price being partially financed by the Senior Secured DVB Credit Facility. Navig8 Violette is currently on bareboat charter to our relevant subsidiary and we expect to take full ownership of the vessel on or before the completion of the maximum 12 month bareboat charter period for that vessel, which ends in March 2016. The joint and several borrowers under the Senior Secured DVB Credit Facility are our wholly owned subsidiaries that entered into such bareboat chartering arrangements and have taken or will take ownership of the two subject vessels. As of December 31, 2015, we had $26.0 million of outstanding borrowings under the Senior Secured DVB Credit Facility, gross of unamortized debt issuance costs of $0.7 million, and up to an additional $26.0 million available for borrowing.

The Senior Secured DVB Credit Facility is or will be secured by, among other things, a first preferred mortgage over each of the two subject vessels, general assignments covering insurances and earnings, account charges, and related stock pledges of our relevant subsidiaries, which are cross-collateralized and the Senior Secured DVB Credit Facility is unconditionally and irrevocably guaranteed by the Company. Under the Senior Secured DVB Credit Facility, we are, in respect of each relevant vessel delivery, able to draw an amount equal to the lower of (i) $26,000,000 per vessel, (ii) 65% of the acquisition price under the relevant memorandum of sale, and (iii) 65% of the fair market value of the relevant vessel.

Debt under the Senior Secured DVB Credit Facility bears interest at LIBOR plus a margin of 2.5%. Under each of the two vessel tranches, borrowings are required to be repaid in consecutive quarterly installments over eight years following drawdown. Quarterly installments are generally equivalent, except that the final quarterly installment for each vessel will include a further balloon payment of $13 million (or such lower amount as adjusted following a reduction of the facility amount at drawdown).

The Senior Secured DVB Credit Facility contains certain financial and other covenants that require ongoing compliance, including requirements that we, on a consolidated basis, maintain:

- a maximum ratio of total net debt (total debt less cash and cash equivalents) to total net assets (total market value of the assets less cash and cash equivalents) of 75%;
- an initial $750,000, rising to $950,000 per delivered vessel under the Senior Secured DVB Credit Facility to be held in debt service reserve accounts;
- minimum liquidity of $500,000 per delivered vessel (for all the Company's vessels); and
- a minimum ratio of aggregate fair market value of the two Hyundai Vinashin vessels to total debt outstanding under the Senior Secured DVB Credit Facility (minus in each case the balance of certain debt service reserve accounts required under the Senior Secured DVB Credit Facility) of 135%.

10. Debt (Continued)

The Senior Secured DVB Credit Facility places certain restrictions on the ability of the vessel owning subsidiary borrowers to distribute dividends to the Company. In particular, such subsidiaries may not declare or pay any dividend unless no event of default has occurred and is ongoing.

The Senior Secured DVB Credit Facility also places certain restrictions on our ability to distribute dividends to our shareholders. In particular, we may not declare or pay any dividend unless: (i) no event of default has occurred, is ongoing, is likely or would result from such dividend payment; (ii) the balance of the debt service reserve accounts under the Senior Secured DVB Credit Facility is not less than required; and (iii) the borrower and the relevant vessel-owing subsidiaries, as a group, are able to meet their operating expenses (including any pro rata dry docking expenses) and total debt service for the following 12 months, as evidenced by means of a cash flow forecast.

In addition, the Senior Secured DVB Credit Facility contains customary events of default (with customary grace periods), including, with respect to non-payment, covenant breaches, failing to maintain certain insurance, insolvency, vessel arrests, cross-defaults, change of control, and any events that will have a material adverse effect.

The Senior Secured DVB Credit Facility also contains other customary terms and provisions, including other customary covenants. Any failure to comply with the terms of the Senior Secured DVB Credit Facility, including those described above, would constitute an event of default under the facility.

The outstanding bank debt as at December 31, 2015 is repayable as follows (in millions of dollars):

2016	24.5
2017	24.5
2018	24.5
2019	24.5
2020	24.5
Thereafter	173.6
	296.1

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Debt (Continued)

Ocean Yield Sale and Leaseback Arrangement

On April 1, 2015, we entered into a sale and leaseback arrangement with Ocean Yield ASA, or the Ocean Yield Sale and Leaseback Arrangement, in respect of four vessels (Navig8 Amessi, Navig8 Aquamarine, Navig8 Aronaldo and Navig8 Azotic) that were delivered by Hyundai MIPO between June 2015 and September 2015, and four vessels (Navig8 Turquoise, Navig8 Tanzanite, Navig8 Topaz, and Navig8 Tourmaline) that are scheduled to be delivered by STX between March 2016 and August 2016. Under the Ocean Yield Sale and Leaseback Arrangement, we have agreed to sell the eight subject vessels to Ocean Yield upon taking delivery of each vessel from the relevant shipyard. We have agreed thereafter to bareboat charter in the eight subject vessels from Ocean Yield for a period of up to 15 years from each delivery date. The Ocean Yield Sale and Leaseback Arrangement will be accounted for as financing transactions. The four subject vessels that have been delivered by Hyundai MIPO under the Ocean Yield Sale and Leaseback Arrangement will continue to be recorded as assets on our balance sheet.

Under the Memoranda of Agreements, or the MOAs, in connection with the Ocean Yield Sale and Leaseback Arrangement, each of our relevant subsidiaries has agreed to sell to the relevant subsidiaries of Ocean Yield each of the four subject vessels that were delivered by Hyundai MIPO for $36.2 million and each of the four subject vessels to be delivered by STX for $40.5 million. In each case, our relevant subsidiaries have provided a seller’s credit of approximately 10% of the purchase price to the relevant Ocean Yield subsidiaries so that the amount of the purchase payment that Ocean Yield is required to make on the shipyard delivery date for each of the eight subject vessels is reduced by such seller’s credit. Taking into account the seller’s credit, the net sale proceeds from Ocean Yield under the Ocean Yield Sale and Leaseback Arrangement will be $276.6 million. As of December 31, 2015, we had $128.3 million of outstanding borrowings under the Ocean Yield Sale and Leaseback Arrangement, gross of unamortised debt issuance cost of $0.1 million, and up to an additional $146.3 million available for borrowing.

Under the bareboat charters in respect of the Ocean Yield Sale and Leaseback Arrangement, our relevant subsidiaries are required to pay charterhire to the relevant subsidiaries of Ocean Yield at a fixed rate per day monthly in advance. The fixed charterhire rate is subject to annual adjustment based on the prevailing rate of LIBOR. There is also a portion of charterhire payable by our relevant subsidiaries under the bareboat charters in respect of the Ocean Yield Sale and Leaseback Arrangement that is set off against the seller’s credit that our relevant subsidiaries have provided under the MOAs.

Under the bareboat charters in respect of the Ocean Yield Sale and Leaseback Arrangement, our relevant subsidiaries have purchase options to re-acquire each of the subject vessels during the bareboat charter period. The first such purchase option is exercisable on the fifth anniversary of each subject vessel shipyard delivery date and there are subsequent purchase option dates occurring on the seventh, tenth, twelfth and fifteenth anniversary of each subject vessel shipyard delivery date, or the Scheduled Purchase Option Dates. The purchase option price decreases from $30.7 million for the subject STX vessels or $26.5 million for the subject Hyundai MIPO vessels on the fifth anniversary date to $13.0 million for the subject STX vessels or $10.0 million for the subject Hyundai MIPO vessels on the fifteenth anniversary date.

10. Debt (Continued)

In addition, as part of the Ocean Yield Sale and Leaseback Arrangement, we entered into four $16.1 million pre-delivery loan facility agreements with Ocean Yield in respect of each of the four subject vessels to be delivered by STX. Under the pre-delivery loan facility agreements, we are, in respect of each of the four subject vessels, able to draw an amount equal to the second, third and fourth pre-delivery installments payable to STX under the shipbuilding contracts for those vessels, subject to an availability period (in respect of each subject vessel) that expires 240 days after the scheduled date for such installment payments under the relevant shipbuilding contract for the first two installments and for the third installment on November 20, 2016, March 2, 2017, May 2, 2017 and May 2, 2017, for Navig8 Turquoise, Navig8 Topaz, Navig8 Tanzanite and Navig8 Tourmaline, respectively. As of December 31, 2015, we had $28.2 million of outstanding borrowings under the pre-delivery loan facility agreements and up to an additional $36.3 million available for borrowing. The fixed interest rate on outstanding borrowings under the pre-delivery loan facility agreements is 7% and is payable quarterly in arrears. The outstanding borrowings under the pre-delivery loan facility agreements are repayable on the shipyard delivery date of each subject vessel or, if later, the cancellation or termination dates of the relevant shipbuilding contracts.

Our obligations under the Ocean Yield Sale and Leaseback Arrangement are secured by, among other things, assignments of earnings, insurances, builder warranties and account charges and, in the case of the pre-delivery loan facility agreements, assignments of first priority security of the shipbuilding contracts and the refund guarantees in respect of the four subject vessels to be delivered by STX. The bareboat charters under the Ocean Yield Sale and Leaseback Arrangement are unconditionally and irrevocably guaranteed by us.

Ocean Yield has also taken on secured debt in order to finance part of its purchase and lending obligations under the Ocean Yield Sale and Leaseback Arrangement. Such debt is secured by, among other things, a mortgage over the eight subject vessels in favor of Ocean Yield's mortgagee, or the OY Mortgagee. In the event that we receive notice from the OY Mortgagee that Ocean Yield is in default of its loan obligations and that the OY Mortgagee intends to accelerate its loan with Ocean Yield and enforce its rights over the eight subject vessels as mortgagee, our relevant subsidiaries shall have an option to purchase all or any of the eight subject vessels, or the Termination Purchase Option, by declaring their intention to exercise the Termination Purchase Option within 14 days of the OY Mortgagee's notice, provided that the sale and purchase must be completed within 75 days from the date the Termination Purchase Option is exercised by our relevant subsidiaries. The price payable for each vessel when the Termination Purchase Option is exercised, or the Termination Purchase Option Price, is based on the relevant purchase option price payable on the scheduled termination purchase option price date, or the Scheduled Termination Purchase Option Price Date, under the bareboat charters at the time the Termination Purchase Option purchase is completed. In the event that the Termination Purchase Option transaction is completed on a date that falls between two Scheduled Termination Purchase Option Price Dates provided in the bareboat charters, the Termination Purchase Option Price will be prorated between the Termination Purchase Option Price applicable to such two Scheduled Termination Purchase Option Price Dates.

10. Debt (Continued)

The OY Mortgagee has acknowledged our Termination Purchase Option rights but has reserved its rights to take any action at any time in compliance with the relevant finance documents, against all or any of the eight subject vessels in its capacity as mortgagee if the OY Mortgagee has given notice to us that it intends to accelerate its loan with Ocean Yield and thinks, in its sole opinion, such action is necessary to protect its security. We have also acknowledged that all our claims against Ocean Yield are subordinated to all of the OY Mortgagee's current and future rights against Ocean Yield relating to the eight subject vessels.

The Ocean Yield Sale and Leaseback Arrangement, including our guarantees in relation thereto and the pre-delivery loan facility agreements, contains certain financial and other covenants that require ongoing compliance, including requirements that we, on a consolidated basis, maintain:

- a maximum ratio of total net debt (total debt less cash and cash equivalents) to total net assets (total market value of the assets less cash and cash equivalents) of 75%;
- minimum liquidity of $1,000,000 per delivered vessel; and
- a minimum value adjusted equity of $250,000,000.

We were in compliance with the financial covenants relating to the Ocean Yield Sale and Leaseback Arrangement as of December 31, 2015.

The Ocean Yield Sale and Leaseback Arrangement also places a restriction on our ability to distribute dividends to our shareholders and make certain investments. Specifically, we can pay dividends only if our consolidated total net debt to total net assets ratio does not exceed 72.5% both before and after the relevant dividend payment; in addition, we can make investments over $7,500,000 only if the consolidated total net debt to total net assets ratio does not exceed 70% at the time the commitment is made in relation to the relevant investment.

In addition, the bareboat charters and pre-delivery loan facility agreements contain customary termination events and events of default (with customary grace periods), including, with respect to non-payment, covenant breaches, failing to maintain certain insurance, insolvency, vessel arrests, cross-defaults, change of control, and any events that will have a material adverse effect.

The Ocean Yield Sale and Leaseback Arrangement also contains other customary terms and provisions, including other customary covenants. Any failure to comply with the terms of the, including those described above, would constitute a termination event under the bareboat charters and/or event of default under the pre-delivery facility agreements.

10. Debt (Continued)

The following table sets forth our estimated repayment obligation under the Ocean Yield Financing Arrangement and pre-delivery financing arrangement for the balance outstanding as of December 31, 2015 (in millions of dollars):

	2016	2017	2018	2019	2020	Thereafter
Financing Arrangement(1)	13.2	13.2	13.2	13.2	12.9	118.4^
Pre-delivery Financing Arrangement	28.2	-	-	-	-	-
Interest Pre-delivery Financing Arrangement	0.7	-	-	-	-	-
Vessels – Total	42.1	13.2	13.2	13.2	12.9	118.4

(1) Excluding the interest amount of $55.8 million, the net financing arrangement liability to Ocean Yield is $128.3 million.

^ Excludes $40.0 million which related to purchase options for taking over the legal ownership of the 4 Ocean Yield vessels expected to be exercised at the end of the bareboat charter .

11. Common shares

On February 4, 2014, we issued and sold 3,655,172 common shares, par value $0.01 per share, for net proceeds of $36.6 million. On March 27, 2014, we issued and sold 7,907,059 common shares, par value $0.01 per share, for net proceeds of $79.1 million. On June 6, 2014, we issued and sold 3,212,000 common shares, par value $0.01 per share, for net proceeds of $32.1 million. The issuance price per share was $10 for each issuance. These common shares are issued to the existing shareholders.

On August 11, 2014, the Company was registered on the NOTC-list with ticker code CHEMS. On the same day, we issued and sold 9,649,123 common shares, par value $0.01 per share, for proceeds of $107.8 million, net of direct issue costs amounting to $2.2 million. The issuance price per share was $11.40. All proceeds, as denominated in United States Dollar (USD) as of the issuance dates, are duly received from shareholders.

On April 1, 2015, the Company issued and sold 5,701,754 common shares, par value $0.01 per share, for proceeds of $64.8 million, net of direct issue costs amounting to $0.15 million. The issuance price per share was $11.40.

All proceeds, as denominated in United States Dollar (USD) as of the issuance dates, are duly received from shareholders.

As of December 31, 2015, we have:

- 38,489,108 shares (2014: 32,787,354) of common stock issued and paid; the $0.01 par value of which is recorded as common stock of $384,891 (2014: $327,874).
- Paid-in capital of $403.6 million (2014: $338.9 million) represents the excess of net proceeds from common stock issuances over the par value, net of any direct issue costs amounting to $0.15 million (2014: $2.2 million).

12. Earnings per Share

The computation of basic earnings per share is based on net income/(loss) and the weighted average number of shares outstanding during the year.

The components of the numerator for the calculation of basic EPS and diluted EPS for **Net income/(loss),** are as follows:

	2015	2014
Net income/(loss) ($'000)	20,665	(4,606)

The components of the denominator for the calculation of basic EPS and diluted EPS are as follows:

	2015	2014
Weighted average number of shares outstanding – basic (in '000)	37,083	23,364
Weighted average number of shares outstanding – diluted (in '000)	37,083	23,364

There were no potentially dilutive securities outstanding for any of the periods presented.

13. Vessel Revenue

	2015	2014
Pool revenue ($'000)	81,654	-

During 2015, the Company recognised $81.7 million of revenue from Navig8 Chemicals Pool Inc. of which $ 68.1 million was relating to the seventeen Hyundai MIPO vessels participating in the Delta8 Pool and $ 13.6 million relating the two Vinashin vessels participating in the Chronos8 Pool.

14. Vessel Expenses

	2015	2014
Vessel Expenses ($'000)	23,502	-

During 2015, vessel expenses, which include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses, pool administration fees, transportation tax and technical management fees, were incurred on the vessels delivered.

15. General and administrative expenses

	2015 (000)	2014 (000)
Corporate Administration Fees (related party – see Note 18)	$ 2,640	$ 2,206
Management Services Fees (related party – see Note 18)	2,911	1,114
Other expenses	1,963	1,369
	$ 7,514	4,689

16. Interest expense and finance costs

	2015 (000)	2014 (000)
Interest Incurred[(1)]	$ 13,672	-
Capitalised Interest	(868)	-
Amortisation of debt issuance cost	243	-
Amortisation of deferred commitment fees	1,205	-
	$ 14,252	-

[(1)] Included within the interest incurred is contingent rental income of $118,000 (2014: Nil) incurred on the sale and leaseback financing arrangement with Ocean Yield.

17. Financial Instruments

Interest rate risk management

In certain situations, the Company may enter into financial instruments to reduce the risk associated with fluctuations in interest rates. The Company does not hold or issue instruments for speculative trading purposes. As at December 31, 2015 and 2014, the Company is not party to any interest rate swaps to hedge interest rate exposure.

Foreign currency risk

The majority of the Company's transactions, assets and liabilities are denominated in United States dollars, the functional currency of the Company. There is no significant risk that the currency fluctuations will have a negative effect of the value of the Company's cash flows.

17. Financial Instruments (Continued)

Fair values

The carrying value and estimated fair value of the Company's financial instruments at December 31, 2015 and 2014 are as follows:

(in thousands of $)	2015 Fair Value	2015 Carrying Value	2014 Fair Value	2014 Carrying Value
Cash and cash equivalents	18,438	18,438	40,405	40,405
Restricted cash	16,000	16,000	-	-
Trade receivables	15,161	15,161	-	-
Fixed rate financing	28,238	28,238	-	-
Floating rate financing	424,505	424,505	-	-

The fair values of cash and cash equivalents, restricted cash and trade receivables have been determined using level 1 inputs and are assumed to be their carrying values.

The fair value of floating rate debt has been determined using level 2 inputs and is considered to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis. The fixed rate financing has been determined using level 2 inputs and is considered to be equal to the carrying value given its short period to maturity.

There is a concentration of credit risk with respect to cash and cash equivalents to the extent that substantially all of the amounts are carried with ABN AMRO and Hong Kong Shanghai Banking Corporation.

18. Related party transactions

As at December 31, 2015, the Company has 19 vessels operating in the Chronos8 Pool and Delta8 Pools which are part of Navig8 Chemicals Pool Inc. The company pays working capital of $0.3 million for every vessel that enters the Delta8 Pool and $0.4 million for every vessel that enters the Chronos8 Pool. The working capital is refundable when the vessel exits the respective pools.

Our technical manager, commercial manager and administrative manager (collectively known as our "Related Managers") are affiliates of Navig8 Group, which is majority owned and controlled (directly or indirectly) by senior employees of Navig8 Group. In addition, our Commercial Manager is majority owned by a Navig8 Group entity and minority owned by an affiliate of Oaktree. Under the agreements with our Related Managers for the management of our vessels, we (i) effectively pay our pro rata share of the fees the Pool Company is obligated to pay our Commercial Manager, amounting to 2% of all gross pool revenue plus an administration fee of $250 per vessel per day, (ii) pay our Commercial Manager (or its nominee) a sale and purchase commission of 1% or less of the shipbuilding contract price, (iii) pay our Navig8 Technical Manager a fee of approximately $500 per vessel per day for each vessel it technically manages plus a construction supervision fee of $450,000 for each vessel in the Initial Fleet (other than for the two Hyundai Vinashin vessels), and (iv) pay our Administrative Manager a fee of $220 per vessel per day that has been accruing since the date of the building contract for each vessel.

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Related party transactions (Continued)

A summary of net amounts earned (incurred) from related parties for the years ended December 31, 2015 and 2014 are as follows:-

	2015 (000)	2014 (000)
Navig8 Chemicals Pool Inc	$ 81,654	$ -
Navig8 Shipmanagement Pte Ltd	(7,170)*	(1,708)
Navig8 Chemicals Asia Pte Ltd	(965)	(501)
Navig8 Asia Pte Ltd	(2,640)	(2,206)
Navig8 Chemicals Europe Ltd	(777)	(286)
Navig8 Europe Ltd	(1,775)	(472)
Navig8 Chemicals DMCC	(1,357)**	(764)

* This amount includes $6.5 million relating to services capitalised (see Note 6) for supervision fees incurred during construction at the respective shipyards.

** This amount includes $1.0 million relating to capitalised S&P commission (see Note 6) incurred on the newbuildings.

Net amounts earned from related party comprises pool distributable income, and net amounts paid to related parties comprise construction supervision fees, technical management fees, commercial management administration fees, corporate administration fees, management services fees and Sale & Purchase commission.

A summary of short term balances due from related parties as at December 31, 2015 and 2014 is as follows:-

Current Receivables, prepayments and other assets	2015 (000)	2014 (000)
Navig8 Chemicals Pool Inc	$ 21,386	$ -
Navig8 Shipmanagement Pte Ltd	3,040	-
Navig8 Chemicals Europe Ltd	4	7
Navig8 Europe Ltd	3	-
	$ 24,433	$ 7

A summary of short term balances due to related parties as at December 31, 2015 and 2014 is as follows:-

	2015 (000)	2014 (000)
Payables and accrued expenses		
Navig8 Shipmanagement Pte Ltd	$ (1,793)	$ (27)
Navig8 Chemicals Asia Pte Ltd	(147)	-
Navig8 Asia Pte Ltd	(253)	(250)
Navig8 Chemicals Europe Ltd	(74)	(51)
Navig8 Europe Ltd	(204)	(79)
Navig8 Americas LLC	(21)	-
Navig8 Chemicals DMCC	(59)	(51)
	$ (2,551)	$ (458)

18. Related party transactions (Continued)

Short term balances due from related parties comprise pool revenue receivables, pool working capital, net advances from ship manager and prepayments on administrative expenses. Short term balances due to related parties comprise unpaid management services fees, sale & purchase commission, project management fees, corporate administration fees, commercial management administration fees and accrued expenses.

On February 17, 2015, Mr. Alan Carr was appointed as a director of the Company, and he shall receive a director’s remuneration of $75,000 per year. As at December 31 2015, the Company has paid a total of $59,000 (2014: Nil), and $6,000 unpaid is accrued as of December 31, 2015 and is included in the consolidated balance sheet as accrued expenses.

Navig8 Chemicals Pool Inc, Navig8 Shipmanagement Pte Ltd, Navig8 Chemicals Asia Pte Ltd, Navig8 Asia Pte Ltd, Navig8 Chemicals Europe Ltd, Navig8 Europe Ltd, Navig8 Americas LLC, and Navig8 Chemicals DMCC are related companies to our shareholder, Navig8 Chemical Tanker Holdings Inc, and its parent company, Navig8 Limited.

19. Variable Interest Entities (“VIEs”)

As of December 31, 2015, the Company participates in commercial pool arrangements with the commercial pools (Delta8 Pool and Chronos8 Pool) set up within Navig8 Chemicals Pool Inc. Commercial pools operate a large number of vessels as an integrated transportation system, which offers customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Participants in the commercial pools contribute one or more vessels and generally provide an initial contribution towards the working capital of the pool at the time they enter their vessels. The pools finance their operations primarily through the earnings that they generate.

The Company enters into the pool arrangement to take advantage of commercial opportunities. In the pool, the Company has the same relative rights and obligations and financial risks and rewards as other pool participants. The Company has determined that the participation in the pools of Navig8 Chemicals Pool Inc. (the legal entity) met the criteria of a VIE and, therefore, the Company reviewed its participation in the VIE to determine if it was the primary beneficiary of it. The Company reviewed the legal documents that govern the creation and management of the VIE described above and also analyzed its involvement to determine if the Company was a primary beneficiary. A VIE for which the Company is determined to be the primary beneficiary is required to be consolidated in its financial statements.

The pool agreements state that the commercial manager of each pool has decision making power over their significant decisions. The pool participants are members of a pool committee, however, the pool committee’s power is limited to approving the pool total costs for each vessel, which is how pool revenue is allocated to its participants, and approve any additional working capital financing from its pool participants. Since the Commercial Manager of the pool holds the power to make all significant economic decisions that affect the pools and the Company does not control a majority of either the board or pool committee, the Company is not considered a primary beneficiary of the VIE, Navig8 Chemicals Pool Inc.

19. Variable Interest Entities (“VIEs”) (Continued)

As of December 31, 2015, the Company has $5.5 million in the balance sheet related to working capital contributions to the Delta8 Pool and $0.7 million in the balance sheet related to the working capital contributions to the Chronos8 Pool. This is expected to be returned to the company once the vessel leaves the pool. The company also has $13.6 million and $1.6 million in the balance sheet related to the pool distribution to be received from the Delta8 and Chronos8 Pools respectively. The sum of these amounts represents the Company's maximum exposure to the VIE. The company has no liquidity arrangements, guarantees or other third party commitments that may affect the fair value or risk of the reporting entity's variable interest in the VIE.

20. Subsequent events

We have evaluated subsequent events through June 16, 2016, which is the date the consolidated financial statements were available to be issued.

On January 7, 2016, the Company took delivery of one 37,000 dwt IMO2 Interline-coated chemical tanker m.t. "Navig8 Achroite" from Hyundai Mipo. The vessel has been entered into Navig8’s Delta8 Pool.

On March 4, 2016, the Company pursuant to the purchase obligation under the bareboat charter, took ownership of Navig8 Violette, upon expiry of the charter. The vessel remains in Navig8’s Chronos 8 Pool.

On April 6, 2016, the Company entered into sale and leaseback agreements with Bank of Communications Financial Leasing Co. Ltd (“BCFL”) for four 49,000 dwt IMO2 Interline-coated medium range tankers being built at STX. Under this arrangement, the four vessels will be delivered to BCFL on their respective deliveries from STX. The Company has entered into 10-year bareboat charters for the four vessels, commencing upon their respective deliveries. The Company has purchase options to re-acquire the vessels during the charter period, with the first such option exercisable on the fourth anniversary of the delivery date of each vessel. Post-delivery charterhire under the arrangement comprise of fixed charterhire (the amount financed by BCFL repayable on an annuity profile) and variable charterhire (at a rate of LIBOR plus a margin of 3.6%). Under the sale and leaseback arrangement, BCFL also finances the pre-delivery instalments for the vessels with such payments by BCFL accruing, in the pre delivery period, interest at a rate of 6%.

On April 12, 2016, the Company took delivery of its first 49,000 dwt IMO2 Interline-coated chemical tanker m.t. "Navig8 Turquoise" from STX. The vessel has been entered into Navig8’s Chronos8 Pool.

As described in further detail in note 10 above, as part of the Senior Secured CA-KEXIM Credit Facility, the relevant borrower issued to certain lenders under floating rate promissory bank notes guaranteed by KEXIM. Pursuant to the terms of that financing, the Company has elected to exchange the promissory notes for fixed rate global notes which have been purchased by certain institutional investors. The exchange of the notes closed on April 29, 2016. The proceeds of the global notes were used to repay the promissory bank notes, with the global notes being issued in an amount about equal to the outstanding amount under the promissory bank notes. The global notes will continue to benefit from the support of the KEXIM guarantee and the same amortization profile as the bank notes, but with a fixed interest rate of 2.9% for the remaining term. All other terms of the financing is as described in note 10.

20. Subsequent events (Continued)

On June 15, 2016, the Company entered into sale and leaseback agreements with CMB Financial Leasing Co. Ltd ("CMBFL") for three of the already delivered Hyundai MIPO built chemical tanker vessels currently financed under the Senior Secured CA-KEXIM Credit Facility. The sale and leaseback arrangements will provide financing of up to 80% of the fair market value of the three vessels (based on valuations prior to closing). The expected net proceeds from the transaction are $91,200,000. Under this arrangement, the loan tranches relevant to the three vessels under the Senior Secured CA-KEXIM Credit Facility will be repaid, the existing mortgages over the three vessels will be discharged and the three vessels will be delivered by the Company to CMBFL. The Company has entered into 7 year bareboat charters for the three vessels, commencing upon their respective deliveries to CMBFL. The Company has purchase options to re-acquire the vessels during the charter period, with the first such option exercisable on the third anniversary of the delivery date of each vessel. The Company has a purchase obligation at the end of the charter term. Charterhire under the arrangement comprises of fixed charterhire (the amount financed by CMBFL repayable on an annuity profile) and variable charterhire (at a rate of LIBOR plus a margin of 3.88%).

The Company has received a firm offer from Credit Suisse AG in respect of the financing for the first two vessels the Company has under construction at Kitanihon Zosen K.K. shipyard, Japan ("Kitanihon"). The financing is for an amount of up to $55.0 million for the two vessels, comprising of two tranches with each tranche being the lower of $27.5 million and 65% of the respective vessel's market value at drawdown. The loan facility is expected to be repaid in equal quarterly instalments over an eight year period, bearing interest at LIBOR plus a margin of 2.6% per annum. The financing contains certain financial and other covenants that require ongoing compliance, including requirements that we, on a consolidated basis, maintain (a) a ratio of total net debt to total net assets of no more than 75%; and (b) minimum liquidity of $0.5 million per delivered vessel. The financing is in the process of being documented by legal counsel for Credit Suisse AG.