**NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES**

**Index to consolidated financial statements**

## Report of Independent Auditors

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, 2017 and 2016, and the related consolidated statements of operations, consolidated statement of changes in shareholders’ equity and consolidated statements of cash flows for the years then ended.

### *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 as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers AS

Oslo, Norway

January 31, 2018

## NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEETS

| | Dec 31, 2017 ('000) | Dec 31, 2016 ('000) |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 21,498 | $ 28,686 |
| Trade receivables | 639 | - |
| Related party trade receivables | 18,430 | 23,256 |
| Prepaid expenses and other assets | 3,482 | 2,949 |
| Related party prepaid expenses and other assets | 10,717 | 11,442 |
| Inventories | 3,071 | 3,008 |
| Total current assets | 57,837 | 69,341 |
| Non-current assets | | |
| Restricted cash | 18,700 | 17,430 |
| Vessels, net | 1,178,156 | 1,049,917 |
| Vessels under construction | - | 51,474 |
| Total non-current assets | 1,196,856 | 1,118,821 |
| Total assets | $ 1,254,693 | $ 1,188,162 |
| **Liabilities and shareholders' equity** | | |
| Current liabilities | | |
| Current portion of loans | $ 55,181 | $ 46,138 |
| Accounts payables and accrued expenses | 6,117 | 13,873 |
| Related party payables and accrued expenses | 707 | 772 |
| Total current liabilities | 62,005 | 60,783 |
| Non-current liabilities | | |
| Long-term loans, net of unamortised debt issuance cost | 765,582 | 688,216 |
| Accrued interest expenses | 1,543 | 183 |
| Total non-current liabilities | 767,125 | 688,399 |
| Total liabilities | 829,130 | 749,182 |
| Commitments and contingent liabilities (Note 8) | - | - |
| Shareholders' equity | | |
| Common stock, $0.01 par value per share; authorized 500 million shares (2016: 500 million shares); 38,489,108 shares issued and outstanding as of Dec 31, 2017 (Dec 31, 2016: 38,489,108 shares) | 385 | 385 |
| Paid-in capital | 403,641 | 403,641 |
| Retained earnings | 21,537 | 34,954 |
| Total shareholders' equity | 425,563 | 438,980 |
| Total liabilities and shareholders' equity | $ 1,254,693 | $ 1,188,162 |

See notes to consolidated financial statements

## NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF OPERATIONS

| | 2017 ('000) | 2016 ('000) |
|---|---|---|
| **Operating revenue** | | |
| Vessel revenue (includes related party revenue of \$157,335; 2016: \$146,051) | \$ 158,585 | \$ 146,131 |
| **Operating expenses** | | |
| Vessel expenses (includes related party expenses of \$4,871; 2016: \$3,513) | (71,125) | (50,825) |
| Depreciation | (47,665) | (34,149) |
| General and administrative expenses (includes related party expenses of \$4,977; 2016: \$5,869) | (6,382) | (7,432) |
| Loss on cancellation of newbuilding contracts | - | (566) |
| **Total operating expenses** | (125,172) | (92,972) |
| **Net operating income** | 33,413 | 53,159 |
| **Financial items** | | |
| Interest income | 41 | 43 |
| Interest expense and finance costs | (46,850) | (33,119) |
| Other financial items | (21) | (24) |
| **Net financial items** | (46,830) | (33,100) |
| **Net (loss) / income** | \$ (13,417) | \$ 20,059 |
| **Earnings per common share:** | | |
| Basic | \$ (0.35) | \$ 0.52 |
| Diluted | \$ (0.35) | \$ 0.52 |

.

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, 2015 | 38,489 | $ | 385 | $ | 403,641 | $ | 14,895 | $ | 418,921 |
| Net income | - | | - | | - | | 20,059 | | 20,059 |
| Balance as of Dec. 31, 2016 | 38,489 | $ | 385 | $ | 403,641 | $ | 34,954 | $ | 438,980 |
| Balance as of Dec. 31, 2016 | 38,489 | $ | 385 | $ | 403,641 | $ | 34,954 | $ | 438,980 |
| Net loss | - | | - | | - | | (13,417) | | (13,417) |
| Balance as of Dec. 31, 2017 | 38,489 | $ | 385 | $ | 403,641 | $ | 21,537 | $ | 425,563 |

See notes to consolidated financial statements

## NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | | 2017 ('000) | | 2016 ('000) |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net (loss) / income | $ | (13,417) | $ | 20,059 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | | |
| Loss on cancellation of newbuilding contracts | | - | | 566 |
| Depreciation of vessels | | 47,665 | | 34,149 |
| Non cash portion of unamortised debt issuance costs for extinguished loans | | 579 | | 2,938 |
| Original debt issuance cost for extinguished loans | | (602) | | (3,212) |
| Amortisation of debt issuance cost | | 1,536 | | 768 |
| Amortisation of deferred financing charges | | 135 | | 227 |
| Provision for doubtful account | | 255 | | - |
| Changes in operating assets and liabilities: | | | | |
| Trade receivables | | (639) | | - |
| Related party trade receivables | | 4,826 | | (8,096) |
| Prepaid expenses and other assets | | (788) | | (1,324) |
| Related party prepaid expenses and other assets | | 725 | | (2,170) |
| Inventories | | (63) | | (1,000) |
| Accounts payables and accrued expenses | | 58 | | 3,660 |
| Related party accounts payables and accrued expenses | | 66 | | (1,798) |
| **Net cash provided by operating activities** | | **40,336** | | **44,767** |
| **Investing activities** | | | | |
| Change in restricted cash | | (1,270) | | (1,430) |
| Refund from cancellation of newbuilding contracts | | - | | 20,926 |
| Payments for vessels under construction * | | (130,578) | | (302,894) |
| Payments for vessels, capital lease* | | - | | (50) |
| Payments for vessels | | (364) | | (152) |
| **Net cash used in investing activities** | | **(132,212)** | | **(283,600)** |
| **Financing activities** | | | | |
| Proceeds from loans, net of debt issuance cost | | 188,827 | | 377,202 |
| Repayment of loans | | (104,139) | | (91,972) |
| Payment of obligation under capital lease | | - | | (36,149) |
| **Net cash provided by financing activities** | | **84,688** | | **249,081** |
| Increase / (decrease) in cash and cash equivalents | | (7,188) | | 10,248 |
| Cash and cash equivalents, beginning of year | | 28,686 | | 18,438 |
| **Cash and cash equivalents, end of year** | **$** | **21,498** | **$** | **28,686** |

**Supplemental disclosure of cash flow information:**

| | | | | |
|---|---|---|---|---|
| Interest paid, net of interest capitalised | $ | 43,521 | $ | 27,355 |

***** 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, 2017, the Company has taken delivery of 32 vessels (2016: 28 vessels), of which 17 are under sale and leaseback arrangements which are treated as financing transactions. All the vessels have entered into commercial pools (Navig8 Delta8 Pool, Navig8 Chronos8 Pool and Navig8 Stainless8 Pool), set up within Navig8 Chemicals Pool Inc, upon delivery from the shipyards. In December 2017, one of the chemical tankers has been re-delivered from Navig8 Stainless8 Pool and the Company has entered into a Time Charter Party with a third party charterer for the vessel.

The full fleet comprises 18 (37,295 dwt) Interline-9001 coated chemical tankers, 8 (25,000 dwt) stainless steel chemical tankers, 4 (49,000 dwt) IMO II Interline-9001 coated chemical tankers and 2 (49,080 dwt) epoxy-coated chemical tankers.

*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, useful life of vessels and bargain purchase options included within sale and leaseback arrangements.

*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 recorded as at December 31, 2017 (2016: 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. At the balance sheet date, all potentially uncollectible accounts are assessed individually for the purposes of determining the appropriate provision for doubtful accounts. As of December 31, 2017, we have recorded a provision (2016: nil).

*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, DVB and Credit Suisse loan facility agreements (see Note 9 for details).

*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)

*Drydock Expenditure*

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) and is amortised over the expected useful life of five years. Actual dry-docking expenditures are capitalised when incurred and these expenditures are amortised from the completion of a dry-docking to the estimated completion of the next dry-docking, generally between two and a half to five years. When significant dry-docking expenditures occur prior to the expiration of the estimated amortisation period, the remaining unamortised balance of the previous dry-docking cost is expensed in the month of the subsequent dry-docking. Expenses for routine maintenance and repairs, incurred during dry-docking, are expensed as incurred.

*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.

*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 realisable. (see Note 7)

## 1. General information and significant accounting policies (Continued)

*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 9). 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.

*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*

In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

*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.

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.

*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 notes 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.

## 1. General information and significant accounting policies (Continued)

*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.

*Earnings per share*

Basic earnings per share is calculated by dividing the net income/(loss) 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.

## 1. General information and significant accounting policies (Continued)

*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 and time charter revenue.

a) 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.

b) Time charter revenue is recognised as services are performed based on the daily rates specified in the time charter contract.

*Vessel Expenses*

Vessel operating costs, which include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses, pool administration fees, vessel commission, transportation tax 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 February 2016, the FASB issued ASU 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. This update is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company is currently evaluating the effect that adopting this standard will have on its financial statements and related disclosures.

**2. Newly issued accounting standards (continued)**

In April 2016, the FASB issued ASU2016-10— Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing. ASU No. 2016-10 suggests guidance for stakeholders on identifying performance obligations and licenses in customer contracts. In September 2017, the FASB issued ASU 2017-13—Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Lease (Topic 840), and Leases (Topic 842), amendments to SEC paragraphs pursuant to the staff announcement at the July 20, 2017 EITF Meeting and Rescission of prior SEC staff announcements and observer comments (SEC update). In November 2017, the FASB issued ASU 2017-14—Income Statement—Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606) (SEC update). In May 2014, the FASB issued ASU No. 2014‑09, Revenue from Contracts with Customers. 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. The standard is effective for annual periods beginning after December 15, 2017, and interim periods within these annual reporting periods The Company is evaluating the potential impact of this standard update on its consolidated financial statements and related disclosure.

In August 2016, the FASB issued ASU 2016-15-Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The new guidance are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if retrospective application would be impracticable. As a result of this update, which will be adopted with effect from January 1, 2018, cash payments for debt extinguishment costs currently classified as cash flows from operating activities will be classified as cash outflows from financing activities on the Company’s statements of consolidated cash flows. For the years ended December 31, 2017 and December 31, 2016, the Company had original debt issuance cost for extinguished loans amounting to $0.6 million (2016: $3.2 million).

In November 2016, the FASB issued ASU 2016-18—Statement of cash flows (Topic 230): Restricted cash. Stakeholders indicated that diversity exists in the classification and presentation of changes in restricted cash on the statement of cash flows under Topic 230, Statement of Cash Flows. This Update addresses that diversity. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included within cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if retrospective application would be impracticable. As a result of this update, which will be adopted with effect from January 1, 2018, restricted cash will be included within cash and cash equivalents on the Company’s statements of consolidated cash flows. As of December 31, 2017 and December 31, 2016, the Company had bank deposits amounting to $18.7 million (2016: $17.4 million) in the Debt Service Reserve Accounts or designated deposit accounts, which must be maintained in accordance with the contractual arrangements per the credit facilities and sale and leaseback agreements to meet the minimum liquidity requirement for each delivered vessel.

## 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

Non-cash investing activities not included in the consolidated statement of cash flows of:

| | 2017 ('000) | 2016 ('000) |
|---|---|---|
| Amounts unpaid for vessels under construction | $ - | 6,514 |

Non-cash financing activities not included in the consolidated statement of cash flows of:

| | 2017 ('000) | 2016 ('000) |
|---|---|---|
| Amounts unpaid for debt financing costs | $ 23 | 95 |

In 2016, there was the following non-cash financing transaction:

- The exchange of the KEXIM guaranteed promissory notes of $93.0 million for fixed rate global notes of $93.0 million.
- $64.5 million of pre-delivery loans were duly transferred to post delivery loans upon delivery of each subject vessel from the shipyard.

In 2017, there was the following non-cash financing transaction:

- $22.9 million of pre-delivery loans were duly transferred to post delivery loans upon delivery of each subject vessel from the shipyard (see Note 9).

## 5. Cash and cash equivalents

The cash and cash equivalents as of December 31, 2017 and 2016 are denominated in United States Dollars. As of December 31, 2017 and 2016, the cash and cash equivalents balance relates solely to cash deposited with the banks.

## 6. Vessels

| (in thousands of $) | Vessels(1) | Vessels capital lease | Vessels under construction |
|---|---|---|---|
| **Cost at December 31, 2015** | **678,359** | **42,574** | **147,505** |
| Instalments and capitalised interest | - | - | 299,502 |
| Transfer from vessels under construction and capital lease | 421,335 | - | - |
| Additions | 152 | 50 | - |
| Transfer to vessels | - | (42,624) | (378,711) |
| Cancellation of shipbuilding contracts | - | - | (20,197) |
| Services capitalised** | - | - | 3,375 |
| **Cost at December 31, 2016** | **1,099,846*** | **-** | **51,474** |
| Instalments and capitalised interest | - | - | 122,803 |
| Transfer from vessels under construction | 175,539 | - | - |
| Additions | 364 | - | - |
| Transfer to vessels | - | - | (175,539) |
| Cancellation of shipbuilding contracts | - | - | - |
| Services capitalised** | - | - | 1,262 |
| **Cost at December 31, 2017** | **1,275,749*** | **-** | **-** |
| | | | |
| **Accumulated Depreciation at December 31, 2015** | **(14,468)** | **(1,312)** | **-** |
| Depreciation | (33,878) | (270) | - |
| Transfer from vessels under capital lease | (1,582) | 1,582 | - |
| **Accumulated Depreciation at December 31, 2016** | **(49,928)*** | **-** | **-** |
| Depreciation | (47,665) | - | - |
| **Accumulated Depreciation at December 31, 2017** | **(97,593)*** | **-** | **-** |
| | | | |
| **Net Balance at December 31, 2015** | **663,891** | **41,262** | **147,505** |
| **Net Balance at December 31, 2016** | **1,049,918** | **-** | **51,474** |
| **Net Balance at December 31, 2017** | **1,178,156** | **-** | **-** |

* Includes $692.8 million (2016: $517.1 million) of cost and $42.6 million (2016: $17.8 million) of depreciation, for the 17 vessels (2016: 13 vessels) sold as part of the Sale and Leaseback agreements (see Note 9). These sale and leaseback agreements have been treated as a financing arrangement.

** 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, 2017, the balance includes a component of net capitalised drydock cost of $12.2 million (2016: $13.3million), comprising of cost of $20.3 million (2016: $17.3 million) and accumulated depreciation of $8.1 million (2016: 4.0 million).

## 6. Vessels (Continued)

Navig8 Chemical Tankers Inc.'s fleet as of December 31, 2017 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(1) | 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(1) | 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(2) | Navig8 Axinite | 37,295 | Hyundai MIPO | July 2015 |
| 13(3) | Navig8 Amessi | 37,295 | Hyundai MIPO | July 2015 |
| 14(2) | Navig8 Ammolite | 37,295 | Hyundai MIPO | August 2015 |
| 15(2) | 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 |
| 20(1) | Navig8 Achroite | 37,295 | Hyundai MIPO | January 2016 |
| 21(3) | Navig8 Turquoise | 49,080 | STX | April 2016 |
| 22(3) | Navig8 Topaz | 49,080 | STX | July 2016 |
| 23(1) | Navig8 Sirius | 25,000 | Kitanihon | June 2016 |
| 24(1) | Navig8 Sky | 25,000 | Kitanihon | August 2016 |
| 25(4) | Navig8 Spark | 25,000 | Kitanihon | October 2016 |
| 26(4) | Navig8 Stellar | 25,000 | Kitanihon | October 2016 |
| 27(3) | Navig8 Tourmaline | 49,080 | STX | October 2016 |
| 28(3) | Navig8 Tanzanite | 49,080 | STX | November 2016 |
| 29(2) | Navig8 Saiph | 25,000 | Kitanihon | January 2017 |
| 30(2) | Navig8 Sceptrum | 25,000 | Kitanihon | May 2017 |
| 31(4) | Navig8 Spica | 25,000 | Fukuoka | May 2017 |
| 32(4) | Navig8 Sol | 25,000 | Fukuoka | August 2017 |

(1) Company's owned vessels.

(2) Vessels subject to the CMB financing arrangement (see Note 9).

(3) Vessels subject to the Ocean Yield financing arrangement (see Note 9).

(4) Vessels subject to the SBI financing arrangement (see Note 9).

## 7. Capital leases

The Company had exercised the purchase obligations in the bareboat charter with Abigail Shipping Co. Pte. Ltd and Brianna Shipping Co. Pte. Ltd on November 7, 2014 and December 19, 2014 respectively to repurchase the vessels at the end of these charters. The Company took ownership of Navig8 Victoria at the end of December 2015 and Navig8 Violette in March 2016. There is no capital lease in 2017.

## 8. Commitments and Contingencies

As of December 31, 2017, the Company has taken delivery of its entire Chemical fleet and no new shipbuilding contract was signed during the financial year. There are no outstanding commitments to shipyards.

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.

## 9. Debt

As at December 31, 2017 the Company had three bank loan facilities (2016: three) and five sale and leaseback financings (2016: three), which it has used to finance newbuildings. The Company's applicable ship-owning subsidiaries have granted first priority mortgages against the relevant vessels in favor of the lenders as security for the Company's obligations under the bank loan facilities and the Company also acts as guarantor of the bank loan facilities and the sale and leaseback financings. These mortgages and guarantees can be called upon following a payment default or other event of default or termination event.

The outstanding principal balance on each debt facility at the balance sheet date is as follows:

| | 2017 (000) | 2016 (000) |
|---|---|---|
| *Senior Secured CA-KEXIM Credit Facility* | | |
| *-Kexim Global Notes* | $ 78,269 | $ 86,704 |
| *-ECA Tranche* | 47,647 | 52,467 |
| *-Commercial Tranche* | 64,233 | 70,350 |
| *Senior Secured DVB Credit Facility* | 45,920 | 49,170 |
| *Senior Secured Credit Suisse Credit Facility* | 49,908 | 53,508 |
| *Ocean Yield Sale and Leaseback* | 260,579 | 268,940 |
| *CMBFL Sale and Leaseback* | 145,321 | 88,375 |
| *SBI Sale and Leaseback* | 140,812 | 74,400 |
| Total debt | 832,689 | 743,914 |
| Less: unamortised debt issuance cost | (11,926) | (9,560) |
| Net debt | 820,763 | 734,354 |
| Less: current portion | (55,181) | (46,138) |
| | **$ 765,582** | **$ 688,216** |

## 9. Debt (Continued)

Future minimum scheduled repayments under the Company's loan facilities for each year are as follows:

| *$'000* | 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter |
|---|---|---|---|---|---|---|
| Aggregate Bank Loan Facilities | 26,223 | 26,223 | 26,223 | 26,223 | 26,223 | 154,863 |
| Aggregate Sale and Leaseback Financing Arrangements(1) (2) (3) | 58,796 | 58,301 | 57,493 | 56,202 | 55,281 | 507,735 |
| Total | 85,019 | 84,524 | 83,716 | 82,425 | 81,504 | 662,598 |

(1) Amount includes Purchase Options for 8 Ocean Yield Sale and Leaseback vessels totaling $92.0 million; Purchase Obligations for 5 CMB Sale and Leaseback vessels totaling $83.4 million; Purchase Obligations for 4 SBI Sale and Leaseback vessels totaling $89.9 million

(2) Excluding interest amount of $247.1 million, the net financing arrangements liability is $546.7 million.

(3) Amount assume execution of bargain purchase options for the 4 SBI Sale and Leaseback vessels after year 7.

### *Senior Secured CA-KEXIM Credit Facility*

In January 2015, the Company entered into the original Senior Secured CA-KEXIM Credit Facility, to finance 18 vessels delivered by Hyundai MIPO between February 2015 and January 2016. In May 2015, we amended the facility to reduce the number of vessels that it partially funds to 14 vessels. This facility is provided by a combination of commercial banks and The Export-Import Bank of Korea ("KEXIM"). The facility is comprised of a commercial debt tranche of $101.2 million, a bank-funded KEXIM-guaranteed note tranche totaling $101.2 million, and a KEXIM-funded debt tranche of $101.2 million. Navig8 Chemical Tankers (A-Ships) Inc., our indirect wholly-owned subsidiary, is the borrower under the Senior Secured CA-KEXIM Credit Facility.

On April 29, 2016, pursuant to the exercise of an option granted under the terms of the Senior Secured CA-KEXIM Credit Facility, the Company exchanged the KEXIM guaranteed notes for Kexim fixed rate global notes.

On June 27, 2016, the CMBFL Sale and Leaseback (see further below) was completed and as part of the arrangement the senior debt outstanding on three vessels of $60.4 million (under the ECA and Commercial tranche) was repaid in full on June 27, 2016. As at December 31, 2017, 11 vessels are financed under this facility.

The commercial and ECA tranche under the facility bears interest at LIBOR plus a margin of 3.25%. Interest on the guaranteed note tranche is at a fixed rate of 2.90%. The weighted average interest rate on outstanding borrowings under our Senior Secured CA-KEXIM Credit Facility as of December 31, 2017 was 4.25% including the KEXIM guarantee premium for the KEXIM-guaranteed Global Note tranche. Principal repayments on the facility are made on a quarterly basis. The facility fully matures in March 2027.

## 9. Debt (Continued)

### *Senior Secured DVB Credit Facility*

In December 2015, the Company entered into a $52.0 million Senior Secured DVB Credit Facility, to finance two vessels that were delivered by Hyundai Vinashin between January 2015 and March 2015. The facility was drawn down fully in two tranches, in December 2015 and March 2016, upon purchase of the respective vessels upon expiry of the bareboat charters the Company had entered into for each vessel. Debt under the facility bears interest at LIBOR plus a margin of 2.5%. Principal repayments on the facility are made on a quarterly basis, with a balloon payment paid with the final instalment. This loan fully matures in March 2024.

### *Senior Secured Credit Suisse Credit Facility*

In June 2016, the Company entered into a $55.0 million Senior Secured Credit Suisse Credit Facility, to finance two vessels constructed at Kitanihon shipyard. The facility was fully drawn down in two tranches, in June 2016 and August 2016, in line with vessel deliveries. Debt under the facility bears interest at LIBOR plus a margin of 2.60% per annum. Principal repayments on the facility are made on a quarterly basis, with a balloon payment paid with the final instalment. This loan fully matures in June 2024.

### *Senior Secured UniCredit Credit Facility*

In November 2016, the Company entered into a $54.3 million Senior Secured UniCredit Credit Facility, to finance two vessels (Navig8 Saiph and Navig8 Sceptrum) that were delivered by Kitanihon shipyard between January 2017 and May 2017. Debt under the facility bore interest at LIBOR plus a margin of 2.65% per annum. Principal repayments on the facility were made on a quarterly basis, with a balloon payment paid with the final instalment.

On June 15, 2017, the Kitanihon CMBFL Sale and Leaseback (see further below) was completed and as part of the arrangement the Senior Secured UniCredit Credit Facility was repaid in full on June 15, 2017.

### *Ocean Yield Sale and Leaseback Arrangement*

On April 1, 2015, the Company entered into a sale and leaseback arrangement with Ocean Yield ASA (“OCY”), 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 were delivered by STX between April 2016 and November 2016. This transaction was treated as a financing transaction. The net proceeds from the financing (after a 10% sellers credit and before taking into account liquidated damages) was $276.6 million. As of December 31, 2017, we have fully drawn down on the financing and no further amounts are available for borrowing.

Under the arrangement, eight vessels were delivered to OCY upon delivery from the relevant shipyard and thereafter the Company entered into 15 year bareboat charters for each vessel, each commencing upon their respective deliveries. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, with the first of such option exercisable on the fifth anniversary from the delivery date of the subject vessel. Post-delivery charterhire under the arrangement comprise of a fixed per day rate, paid monthly in advance. The fixed charterhire rate is subject to annual adjustment based on the prevailing rate of LIBOR.

**9. Debt (Continued)**

In addition, as part of the OCY 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. As of December 31, 2017, all the outstanding borrowings under the pre-delivery loan facility agreements via the sale and leaseback arrangements were duly transferred to post-delivery loans upon each delivery of each subject vessel from STX. The fixed interest rate on outstanding borrowings under the pre-delivery loan facility agreements was 7% and was payable quarterly in arrears.

***CMBFL Sale and Leaseback Arrangement - HMD***

On June 14, 2016, the Company entered into sale and leaseback agreements with CMB Financial Leasing Co. Ltd (“CMBFL”) for three Hyundai MIPO built chemical tanker vessels previously financed under the Senior Secured CA-KEXIM Credit Facility. This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $91.2 million. Under this arrangement, the loan tranches relevant to the three vessels under the Senior Secured CA-KEXIM Credit Facility were repaid, the existing mortgages over the three vessels were discharged and the three vessels were delivered by the Company to CMBFL. As of December 31, 2017, we have fully drawn down on the financing.

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 each of the subject vessels during the bareboat charter period, with the first of such option exercisable on the third anniversary from the delivery date of the respective vessel and a purchase obligation at the end of the charter term. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 3.88%.

***CMBFL Sale and Leaseback Arrangement - Kitanihon***

On May 31, 2017, the Company entered into additional sale and leaseback agreements with CMBFL for two Kitanihon built chemical tanker vessels (Navig8 Saiph and Navig8 Sceptrum) previously financed under the Senior Secured UniCredit Credit Facility. This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $65.2 million. Under this arrangement, the Senior Secured UniCredit Credit Facility was repaid in full, the existing mortgages over the two vessels were discharged and the two vessels were delivered by the Company to CMBFL. As of December 31, 2017, we have fully drawn down on the financing.

The Company has entered into 7 year bareboat charters for the two vessels, commencing upon their respective deliveries to CMBFL. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, with the first of such option exercisable on the third anniversary from the delivery date of the respective vessel and a purchase obligation at the end of the charter term. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 3.70%.

**9. Debt (Continued)**

***SBI Sale and Leaseback - Kitanihon***

On September 15, 2016, the Company entered into sale and leaseback agreements with SBI Holdings Inc ("SBI") for two vessels under construction at the yard of Kitanihon Shipbuilding Co., Ltd ("Kitanihon"). This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $74.4 million. As of December 31, 2017, we have fully drawn down on the financing, in line with both vessel deliveries in October 2016.

Under the arrangement, both vessels were delivered to SBI upon delivery from shipyard and thereafter entered into 11 year bareboat charters, commencing upon their respective deliveries. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, on the fifth and seventh anniversary from the delivery date of the respective vessel. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 2.75%.

Prior to the completion of the sale and leaseback with SBI, the Company entered into a $24.9 million related pre-delivery facility agreement with Credit Agricole Corporate and Investment Bank to partially refinance pre-delivery instalment payments made by the Company to Kitanihon in respect of these two vessels. Interest accrued on the loan advances at a rate equal to LIBOR plus a margin of 2.75%. The loans under the pre-delivery facility agreement were repaid in full on the respective delivery dates of the vessels by the funds flow resulting from the SBI sale and leaseback arrangements.

***SBI Sale and Leaseback - Fukuoka***

On May 19, 2017, the Company entered into additional sale and leaseback agreements with SBI for two vessels under construction at the yard of Fukuoka Shipbuilding Co. Ltd ("Fukuoka"). This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $74.0 million. As of December 31, 2017, we have fully drawn down on the financing, in line with vessel deliveries in May and August 2017.

Under the arrangement, both vessels were delivered to SBI upon delivery from Fukuoka and thereafter entered into 11 year and 6 month bareboat charters, commencing upon their respective deliveries. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, at approximately the end of the fifth and seventh year after the delivery date of the respective vessel. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 2.75%.

Prior to the completion of the SBI Sale and Leaseback - Fukuoka, the Company entered into a $22.9 million related pre-delivery facility agreement with BNP Paribas and Credit Agricole Corporate and Investment Bank to partially refinance pre-delivery instalment payments made by the Company to Fukuoka in respect of these two vessels. Interest accrued on the loan advances at a rate equal to LIBOR plus a margin of 2.75%. The loans under the pre-delivery facility agreement were repaid in full on the respective delivery dates of the vessels by the funds flow resulting from the Fukuoka SBI Sale and Leaseback arrangements.

**9. Debt (Continued)**

***Financial Covenants***

The above financings have, where indicated the following financial covenants that require us to maintain (based on terms defined in the credit/sale and leaseback agreements):

- for each financing arrangement in the table above, minimum liquidity of $0.5 million ($1.0 million for the case of OCY Sale and Leaseback Arrangement) per delivered vessel. As at December 31, 2017, the total minimum liquidity requirement in aggregate is $ 32.0 million;
- for each bank financing, an amount between $0.5 million – $1.3 million, depending on the bank financing facility, per delivered vessel under the subject financing facility to be held in debt service reserve accounts. For CMBFL Sale and Leaseback, there is a deposit account requirement of $0.3 million, and for SBI Sale and Leaseback (for Fukuoka vessels only), there is a deposit account requirement of $0.3 million at delivery, built up to $0.5 million. These are amounts set as restricted in the balance sheet of $18.7 million;
- for each financing arrangement in the table above (other than CMBFL Sale and Leaseback), a ratio of total net debt (total debt less cash and cash equivalents) to total net assets (total market value of assets less cash and cash equivalents) of no more than 75%. For CMBFL Sale and Leaseback, the calculation is total net debt to total assets of no more than 75%;
- Maintain a minimum fair value of the collateral for each bank finance facility, SBI facilities and the CMBFL Sale and Leaseback Arrangements. For the bank finance facilities, the minimum required aggregate fair value of the vessels collateralizing the credit facility ranges between 130% -140% of the outstanding debt amount under such facility. In the case of the CMBFL Sale and Leaseback facilities, the minimum fair value required is 115% of the aggregate principal amount outstanding for each vessel. The SBI financings require each vessel to maintain at least a minimum fair value of 110% for the Kitanihon vessels (and 120% for the Fukuoka vessels) of the outstanding loan amount with the first test at the anniversary date of the delivery of each vessel followed by semi-annual testing; and
- Under the OCY Sale and Leaseback Arrangements, minimum value adjusted equity of $250.0 million.

Each of our financings discussed above have, unless indicated otherwise below and among other things, the following restrictive covenants which would restrict our ability to:

- incur additional indebtedness;
- (under the bank financing facilities) sell the collateral vessel;
- make additional investments or acquisitions;
- pay dividends, in the event of a default, or if an event of default would occur as a result of the payment of dividends and in the case of the all of the bank financings, our ability to pay dividends is restricted if the debt service reserve accounts are not fully funded and in the case of certain of the bank financings our ability to pay dividends is restricted if satisfactory cash flow forecasts are not provided and in the case of the OCY Sale and Leaseback Arrangement, 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 $7.5 million 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.; and
- other than under the CMBFL Sale and Leaseback and the Kitanihon CMBFL Sale and Leaseback, to undergo a change of control of our shareholding structure.
- to change the type of business concerned, its name, type of organisation and its jurisdiction of incorporation (this is only applicable to SBI Sale and Leaseback)

**9. Debt (Continued)**

Our obligations under the sale and leaseback arrangements are secured by, among other things, assignments of earnings and insurances, stock pledges and account charges in respect of the subject vessels and are unconditionally and irrecoverably guaranteed by us. In addition, each of our financing arrangements contain customary events of default (for the bank financings) or termination events (for the sale and leaseback arrangements), including cross-default provisions.

As of December 31, 2017, we are in compliance with the financial covenants of each of our financing arrangements.

***Assets Pledged***

As of December 31, 2017, 32 vessels (2016: 28 vessels) with an aggregate carrying value of $1,178 million (2016: $1,050 million) were pledged as security for the Company's debt.

**10. Common Shares**

There were no transactions on share issuance during the financial year (2016: Nil).

As of December 31, 2017, we have:

- 38,489,108 shares (2016: 38,489,108) of common stock issued and paid; the $0.01 par value of which is recorded as common stock of $384,891 (2016: $384,891).
- Paid-in capital of $403.6 million (2016: $403.6 million) represents the excess of net proceeds from common stock issuances over the par value, net of any direct issue costs amounting to $2.4 million (2016: $2.4 million).

**11. Earnings per Share**

The computation of basic earnings per share is based on net (loss) / income 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 (loss) / income, are as follows:

| | 2017 ('000) | 2016 ('000) |
|---|---|---|
| Net (loss) / income | $ (13,417) | $ 20,059 |

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

| | 2017 ('000) | 2016 ('000) |
|---|---|---|
| Weighted average number of shares outstanding – basic | 38,489 | 38,489 |
| Weighted average number of shares outstanding – diluted | 38,489 | 38,489 |

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

## 12. Vessel Revenue

| | 2017 ('000) | 2016 ('000) |
|---|---|---|
| Pool revenue | $ 157,335 | $ 146,051 |
| Time charter revenue | 255 | - |
| Loss of Hire claim from insurance | 995 | 80 |
| | $ 158,585 | $ 146,131 |

During 2017, the Company recognised $157.3 million (2016: $146.0 million) of revenue from Navig8 Chemicals Pool Inc. of which $92.2 million (2016: $116.3 million) was relating to the eighteen Hyundai MIPO vessels participating in the Delta8 Pool, $31.8 million (2016: $21.9 million) relating to the two Vinashin and the four STX vessels participating in the Chronos8 Pool and $33.3 million (2016: $7.8 million) relating to the six Kitanihon and two Fukuoka vessels participating in the Stainless8 Pool.

In the financial year, the Company recovered amounts pertaining to Loss of Hire claim of $1.0 million (2016: $0.1 million).

In December 2017, the Company entered into a Time Charter Party with a third party charterer for one stainless steel vessel and recognized $0.3 million in revenue (2016: nil).

## 13. Vessel Expenses

| | 2017 ('000) | 2016 ('000) |
|---|---|---|
| Vessel Expenses | $ 71,125 | $ 50,825 |

During 2017, vessel expenses, which include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses, pool administration fees, vessel commission, transportation tax and technical management fees, were incurred on the vessels delivered.

## 14. General and administrative expenses

| | 2017 ('000) | 2016 ('000) |
|---|---|---|
| Corporate Administration Fees (related party – see Note 17) | $ 2,570 | $ 2,878 |
| Management Services Fees (related party – see Note 17) | 2,407 | 2,991 |
| Other expenses | 1,405 | 1,563 |
| | $ 6,382 | $ 7,432 |

## 15. Interest expense and finance costs

| | | 2017 ('000) | | 2016 ('000) |
|---|---|---|---|---|
| Interest Incurred[(1)] | $ | 44,736 | $ | 31,000 |
| Capitalised Interest | | (136) | | (2,243) |
| Cancellation fees due to refinancing | | - | | 429 |
| Amortisation of debt issuance cost | | 2,115 | | 3,706 |
| Commitment fees | | 135 | | 227 |
| | $ | 46,850 | $ | 33,119 |

[(1)] Included within the interest incurred is variable interest expense of $1.1 million (2016: $0.1 million) incurred on the sale and leaseback financing arrangement with Ocean Yield, $0.2 million (2016: nil) incurred on the sale and leaseback financing arrangement with SBI and $0.5 million (2016: $0.1 million) incurred on the sale and leaseback financing arrangement with CMB.

## 16. 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, 2017 and 2016, 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.

### Fair values

The carrying value and estimated fair value of the Company's financial instruments at December 31, 2017 and 2016 are as follows:

| (in thousands of $) | 2017 Fair Value | 2017 Carrying Value | 2016 Fair Value | 2016 Carrying Value |
|---|---|---|---|---|
| Cash and cash equivalents | 21,498 | 21,498 | 28,686 | 28,686 |
| Restricted cash | 18,700 | 18,700 | 17,430 | 17,430 |
| Trade receivables | 19,069 | 19,069 | 23,257 | 23,257 |
| Fixed rate financing | 66,618 | 78,269 | 72,296 | 86,704 |
| Floating rate financing | 754,420 | 754,420 | 657,210 | 657,210 |

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.

## 16. Financial Instruments (continued)

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.

As of December 31, 2017, Navig8 Chemicals Pool Inc., a related party of the Company (see Note 17), represented substantially all of the Company's accounts receivable balance. This related credit risk is deemed remote as Navig8 Chemicals Pool Inc. is an established and reputable entity with no prior history of default.

## 17. Related party transactions

As at December 31, 2017, the Company has 31 vessels (2016: 28 vessels) operating in the Delta8 Pool, Chronos8 Pool and Stainless8 Pool 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, $0.3 million for every vessel that enters the Chronos8 Pool and $0.3 million for every vessel that enters the Stainless8 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 Commercial Manager a commission fee of 2% of all gross time charter revenue, (iv) 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 (v) 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.

A summary of net amounts earned (incurred) from related parties for the years ended December 31, 2017 and 2016 are as follows:-

| | | 2017<br>(‘000) | | 2016<br>(‘000) |
|---|---|---|---|---|
| Navig8 Chemicals Pool Inc | $ | 157,335 | $ | 146,051 |
| Navig8 Shipmanagement Pte Ltd | | (3,380)* | | (4,819)* |
| Navig8 Chemicals Asia Pte Ltd | | (3,297)** | | (3,536)** |
| Navig8 Asia Pte Ltd | | (2,570) | | (2,878) |
| Navig8 Chemicals Europe Ltd | | (596) | | (691) |
| Navig8 Europe Ltd | | (1,812) | | (2,300) |
| Navig8 Chemicals DMCC | | (638)** | | (1,207)** |

* This amount includes $1.3 million (2016: $3.4 million) relating to services capitalised (see Note 6) for supervision fees incurred during construction at the respective shipyards.

** This amount includes $1.2 million (2016: $2.7 million) relating to capitalised S&P commission (see Note 6) incurred on the newbuildings.

## 17. Related party transactions (Continued)

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, commercial commission fees, management services fees and Sale & Purchase commission.

A summary of short term balances due from / (due to) related parties as at December 31, 2017 and 2016 is as follows:-

| **Current Receivables, prepayments and other assets** | | 2017 ('000) | | 2016 ('000) |
|---|---|---|---|---|
| Navig8 Chemicals Pool Inc | $ | 27,024 | $ | 31,006 |
| Navig8 Shipmanagement Pte Ltd | | 2,123 | | 3,691 |
| Navig8 America LLC | | - | | 2 |
| | $ | 29,147 | $ | 34,699 |

| **Payables and accrued expenses** | | 2017 ('000) | | 2016 ('000) |
|---|---|---|---|---|
| Navig8 Shipmanagement Pte Ltd | $ | - | $ | (68) |
| Navig8 Chemicals Asia Pte Ltd | | (247) | | (217) |
| Navig8 Asia Pte Ltd | | (218) | | (218) |
| Navig8 Chemicals Europe Ltd | | (57) | | (42) |
| Navig8 Europe Ltd | | (185) | | (163) |
| Navig8 Chemicals DMCC | | - | | (64) |
| | $ | (707) | $ | (772) |

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 2017, the Company has paid a total of $75,000 (2016: $68,750), and $6,250 unpaid is accrued as of December 31, 2017 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.

## 18. Variable Interest Entities ("VIEs")

As of December 31, 2017, the Company participates in commercial pool arrangements with the commercial pools (Delta8 Pool, Chronos8 Pool and Stainless8 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.

As of December 31, 2017, the Company has $5.0 million (2016: $5.0 million) in the balance sheet related to working capital contributions to the Delta8 Pool, $1.8 million (2016: $1.8 million) in the balance sheet related to the working capital contributions to the Chronos8 Pool and $1.7 million (2016: $1.0 million) in the balance sheet related to the working capital contributions to the Stainless8 Pool. This is expected to be returned to the company once the vessel leaves the pool. The company also has $10.8 million (2016: $16.9 million), $3.7 million (2016: $4.1 million) and $3.9 million (2016: $2.3 million) in the balance sheet related to the pool distribution to be received from the Delta8, Chronos8 and Stainless8 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.

## 19. Subsequent events

We have evaluated subsequent events through January 31, 2018, which is the date the consolidated financial statements were available to be issued. There are no subsequent events to be disclosed.