Pioneer Marine Inc. Announces Financial Results For The Quarter And Year Ended December 31, 2016

MAJURO, MARSHALL ISLANDS - (Marketwired – April 5, 2017) – Pioneer Marine Inc. and its subsidiaries (OSLO-OTC: PNRM) ("Pioneer Marine," or the "Company") a leading shipowner and global drybulk transportation service provider announced its financial and operating results for the quarter and year ended December 31, 2016.

Financial Highlights:

For the fourth quarter of 2016 the Company reported a net loss of $3.8 million, or $0.13 per share basic and diluted.

For the year ended December 31, 2016, the Company reported a net loss of $27.2 million, or $0.91 per share basic and diluted, which includes write-off of capitalised expenses and fees amounting to $11.6 million as a result of the termination of seven newbuilding contracts ("newbuilding contract termination agreement") and non-cash impairment loss of $0.3 million. Excluding these charges, the net loss is $15.3 million or $0.51 per share basic and diluted for the year ended December 31, 2016.

Recent events:

On December 30, 2016, the Company signed a Memorandum of Agreement (''MoA'') with an unaffiliated party for the sale of M/V Azure Bay, a 31,700 dwt 2005 built Handysize vessel. The sale was completed with the delivery of the vessel to her new owners on April 3, 2017.

In April 2017, the Company entered a loan supplemental agreement whereby M/V Azure Bay was released from its obligations under its loan agreement and all its obligations were undertaken by M/V Resolute Bay. Furthermore, the cash collateral amount of $7.0 million that was held under the loan facility, was released to the Company.

In March 2017, under the CIT loan facility, a waiver was secured on the EBITDA to debt service ratio for a period up to June 30, 2018 and minimum asset coverage ratio covenants for a period up to September 30, 2017. The Company agreed to prepay to the lender the amortization due for four quarters.

Liquidity & Capital Resources:

As of December 31, 2016, the Company had a total liquidity of $81.8 million inclusive of $22.8 million in restricted cash.

Pankaj Khanna, Chief Executive Officer, commented, "2016 will be remembered as the worst year for drybulk owners in almost 40 years. No one in the industry had foreseen the extent or the depth of the downturn we have experienced since the second quarter of 2014. The prior period of 2011-13, which was thought of as the recession, now seems to be a good market in comparison. What is interesting though is that the market bottomed in February this year and has since been steadily improving because of fundamental improvement in demand and supply dynamics. Demand, in particular, has been resilient and has surprised on the upside. The biggest surprise was the rise in Chinese coal imports, which had been on a decline for the last 2-3 years. The Chinese government's decision to shutter 10% of domestic steam coal production, that was inefficient, was a key driver of the increase in imports. Iron ore prices that hit record lows in early 2016 also prompted higher imports into China as local ore production from certain mines could not compete on price or quality. On the supply side the drybulk fleet saw net growth of 2.2% in 2016, with 47 Mdwt of deliveries and 30 Mdwt of scrapping.

"Looking forward, stronger GDP growth rates are expected for both the USA (Trump effect) and China (stimulus measures) resulting in overall continuing improvement in drybulk demand. The Chinese in particular have been pumping money into infrastructure projects and that is having effect on the steel consumption side. On the coal front as well, Chinese hydro-electric power generation has stabilized and there are still new coal-fired power plants coming on stream. That is not only true in China but also for example in India and Vietnam. On the supply side the orderbook on the surface of it seems large at 87 Mdwt (59 Mdwt for 2017), however, we expect at least 50% slippage due to orders already cancelled or converted and delays (Clarksons reported scheduled deliveries of 93 Mdwt for 2016 and only 47 Mdwt actually delivered).

"The other very interesting development that seems to have surprised the market is that Handys proved to be almost as volatile as the other sizes on asset values and freight rates. On certain routes we have seen rates fluctuate between $3,000 – $15,000 per day while on asset values a Japanese 5-year old has seen its value rise from a low of $8.3 million in February last year to over $14.0 million in March 2017 (+69%). This hasn't been true across the board for all Handys as ships built at non-Japanese yards haven't risen as much. However, what is clear is that a lot of asset value upside has occurred in 2016. Despite that, when we consider long term averages, asset values are still relatively low and offer further upside assuming markets continue to improve.

"The cancellation of 10 of the 12 newbuilding orders that we placed in 2013/14 and the full and prompt recovery of the deposits has positioned Pioneer with a strong balance sheet. We have been judicious with the use of our capital and will continue to do so, deploying funds to maximize profitable growth without jeopardizing our runway.''

Financial Review: Three months ended December 31, 2016

Time Charter Equivalent ("TCE") revenue amounted to $9.4 million for the fourth quarter of 2016 compared to $6.8 million for the fourth quarter of 2015. The increase in TCE revenue is attributable to the deliveries of two vessels in the fourth quarter of 2016 and to the stronger market prevailing in the three months ended December 31, 2016 as compared to the same period in 2015. TCE per day for the fourth quarter of 2016 amounted to $6,303 as compared to $5,361 for the fourth quarter of 2015.

Vessel Operating Expenses ("OPEX") amounted to $7.5 million for the fourth quarter of 2016 as compared to $6.2 million in the fourth quarter of 2015. The increase in OPEX is due to the increased average number of vessels, which amounted to 16.7 vessels in the fourth quarter of 2016 as compared to 14 vessels in the fourth quarter of 2015. OPEX per day for the fourth quarter of 2016 amounted to $4,895 as compared to $4,833 for the respective period in 2015. The increase in OPEX per day is mainly attributable to the initial operating expenses incurred following the delivery of two vessels in the fourth quarter of 2016.

Drydock expense for the fourth quarter of 2016 amounted to $0.6 million due to the fact that one vessel completed its special survey. No vessels were drydocked during the fourth quarter of 2015.

Depreciation expense for the fourth quarter of 2016 decreased to $2.1 million from $2.9 million in the fourth quarter of 2015. The decrease of $0.8 million in depreciation expense is due to the reduced depreciated vessel values which resulted from the impairment charge taken at December 31, 2015, partially mitigated by the increase in depreciation expense following the deliveries of two vessels in the fourth quarter of 2016.

General and administration expenses for the fourth quarter of 2016 decreased to $1.3 million as compared to $1.6 million in the fourth quarter of 2015. G&A expenses per day for the fourth quarter in 2016 amounted to $814 per ship as compared to $1,218 per ship for the fourth quarter of 2015. The decrease of G&A expenses is attributed to cost reduction measures.

Impairment loss for the fourth quarter of 2016 amounted to $0.3 million and relates to the write down of the carrying value of M/V Azure Bay to its fair value following the impairment exercise performed as of December 31, 2016. The impairment loss of $74.4 million recognized in the same period in 2015 relates to the write down of the carrying value of all vessels, excluding the newbuildings, to their estimated fair value as of December 31, 2015.

Interest expense and finance cost for the three-month period ended December 31, 2016 increased by $0.7 million to $1.4 million as compared to $0.7 million for the three-month period ended December 31, 2015. $0.7 million was capitalized to vessels-under-construction in the three-month period ended December 31, 2015, which reduced the total amount of interest expense and finance cost. In the three-month end December 31, 2016, no interest was capitalized to vessels-under-construction because the Company's newbuilding program was effectively terminated on May 23, 2016.

Financial Review: Twelve months ended December 31, 2016

Time Charter Equivalent ("TCE") revenue amounted to $29.0 million for the twelve months ended December 31, 2016 compared to $26.5 million in the same prior year period. The increase in TCE revenue is mainly attributed to the deliveries of three vessels in the twelve months ended December 31, 2016. TCE per day for the twelve months of 2016 amounted to $5,227, as compared to $5,750 in the same prior year period. The decrease of the TCE per day is due to the weaker market prevailing in the twelve months ended December 31, 2016 as compared to same period in 2015.

Vessel Operating Expenses ("OPEX") amounted to $25.9 million for the twelve months ended December 31, 2016, compared to $24.4 million in the same prior year period. The increase of $1.5 million in OPEX is attributable to the increased average number of vessels, which amounted to 15.4 vessels in the twelve-month period ended December 31, 2016 as compared to 13.3 vessels in the twelve-month period ended December 31, 2015. OPEX per day for the twelve months of 2016 amounted to $4,594 as compared to $5,012 for the respective period in 2015. The decrease in daily OPEX is attributable to operating efficiencies achieved from cost reduction measures.

Drydock expense amounted to $0.6 million for the twelve months ended December 31, 2016 compared to $3.4 million in the same prior year period. Drydock expense decreased by $2.8 million due to the fact that only one vessel completed its special survey in the twelve month ended December 31, 2016 as compared to eight vessels that were drydocked in the same prior year period.

Depreciation expense for the twelve-month period ended December 31, 2016 decreased to $8.0 million as compared to $11.1 million during the same period in 2015. The decrease is attributable to the reduced depreciated vessel values, which resulted from the impairment charge taken at December 31, 2015. The decrease is partially mitigated by the increase in depreciation expense following the delivery of three vessels in 2016.

General and administration expenses for the twelve-month period ended December 31, 2016 decreased to $4.8 million from $5.8 million during the same period in 2015. G&A expenses per day for 2016 amounted to $846 per ship as compared to $1,183 per ship for the same period in 2015. The decrease of G&A expenses is attributable to cost reduction measures.

Write-off of capitalised expenses and fees increased by $9.9 million during the twelve months ended December 31, 2016 due to the newbuilding contract termination agreements that came into effect on March 17, 2016 and on May 23, 2016. The $11.6 million in 2016 is comprised of capitalised expenses during the construction period, cancellation costs net of interest income for the instalments paid and deferred finance and loan fees attributable to the post-delivery financing of the newbuildings.

Vessel impairment loss for the twelve-month period ended December 31, 2016 amounted to $0.3 million relates to the write down of the carrying value of M/V Azure Bay to its fair value following the impairment exercise performed as of December 31, 2016. The impairment loss of $74.4 million recognized in the same period in 2015 relates to the write down of the carrying value of all our vessels, excluding the newbuildings, to their estimated fair value as at December 31, 2015.

Interest expense and finance cost for the twelve-month period ended December 31, 2016 amounted to $5.1 million as compared to $2.5 million for the twelve-month period ended December 31, 2015. The increase of $2.6 million was related to the termination of the Company's newbuilding program on May 23, 2016.

Fleet List

Vessel	Yard	DWT	Year Built
Handysize			
Calm Bay	Saiki Heavy Industries	37,534	2006
Reunion Bay	Kanda Shipbuilding	32,354	2006
Fortune Bay	Shin Kochijyuko	28,671	2006
Ha Long Bay	Kanda Kawajiri	32,311	2007
Teal Bay	Kanda Kawajiri	32,327	2007
Eden Bay	Shimanami Shipyard	28,342	2008
Emerald Bay	Kanda Shipbuilding	32,258	2008
Mykonos Bay	Jinse Shipbuilding	32,411	2009
Resolute Bay	Hyundai Vinashin	36,767	2012
Jupiter Bay	Tsuji Heavy Industries	30,153	2012
Venus Bay	Tsuji Heavy Industries	30,003	2012
Orion Bay	Tsuji Heavy Industries	30,009	2012
Falcon Bay	Yangzhou Guoyu Shipbuilding	38,464	2015
Kite Bay	Yangzhou Guoyu Shipbuilding	38,419	2016
Handymax			
Paradise Bay	Oshima Shipbuilding	46,232	2003
Supramax			
Tenacity Bay	Jiangsu Hantong Ship Heavy Industry	56,842	2008

Summary of Operating Data (unaudited)

(In thousands of U.S. Dollars except per share data)

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2015
Revenue, net	11,210	9,357	34,702	38,132
Voyage expenses	(1,806)	(2,512)	(5,691)	(11,584)
Time charter equivalent revenue	9,404	6,845	29,011	26,548
Vessel operating expense	(7,519)	(6,225)	(25,907)	(24,408)
Drydock expense	(572)	(33)	(572)	(3,421)
Depreciation expense	(2,089)	(2,935)	(8,005)	(11,136)
General and administration expense	(1,250)	(1,569)	(4,770)	(5,762)
Write-off of capitalised expenses and fees	-	(1,708)	(11,614)	(1,708)
Impairment of vessels	(303)	(74,379)	(303)	(74,379)
Interest expense and finance cost	(1,444)	(651)	(5,141)	(2,541)
Interest income	124	15	327	63
Other expenses and taxes, net	(130)	(2)	(259)	(177)
Net loss	(3,779)	(80,642)	(27,233)	(96,921)
Adjusted net loss(2)	(3,476)	(4,555)	(15,316)	(20,834)
Net loss per share, basic and diluted	(0.13)	(2.66)	(0.91)	(3.72)
Adjusted net loss per share, basic and diluted(2)	(0.12)	(0.15)	(0.51)	(0.80)

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2015
Net loss	(3,779)	(80,642)	(27,233)	(96,921)
Add: Write-off of capitalised expenses and fees	-	1,708	11,614	1,708
Add: Impairment of vessel	303	74,379	303	74,379
Adjusted net loss(2)	(3,476)	(4,555)	(15,316)	(20,834)
Add: Depreciation expense	2,089	2,935	8,005	11,136
Add: Drydock expense	572	33	572	3,421
Add: Interest expense and finance cost	1,444	651	5,141	2,541
Add: Other taxes	20	31	81	88
Less: Interest income	(124)	(15)	(327)	(63)
Adjusted EBITDA(1)	525	(920)	(1,844)	(3,711)

(1) Adjusted EBITDA represents net loss before interest, other taxes, depreciation and amortization, drydock expense, impairment and write off of capitalised expenses and fees and is used as a supplemental financial measure by management to assess our financial and operating performance. We believe that Adjusted EBITDA assists our management and investors by increasing the comparability of our performance from period to period. We believe that including Adjusted EBITDA as a financial and operating measure benefits investors in selecting between investing in us and other investment alternatives. Adjusted EBITDA does not represent and should not be considered as an alternative to net income/(loss) or cash flow from operations, as determined by United States generally accepted accounting principles, or U.S. GAAP, and our calculation of Adjusted EBITDA may not be comparable to that reported by other companies.

(2) Adjusted net loss and related per share amounts is not a measure prepared in accordance with U.S. GAAP and should not be used in isolation or substitution of Company's results.

Utilization:	**Three Months Ended December 31, 2016**	**Three Months Ended December 31, 2015**	**Year Ended December 31, 2016**	**Year Ended December 31, 2015**
Ship days (2)	1,536	1,288	5,639	4,870
Less: Off-hire days	26	11	71	64
Less: Off-hire days due to drydock	18	-	18	189
Operating days (3)	1,492	1,277	5,550	4,617
Fleet Utilization (4)	97%	99%	98%	95%
TCE per day- $ (1)	6,303	5,361	5,227	5,750
OPEX per day- $ (6)	4,895	4,833	4,594	5,012
G&A expenses per day- $ (7)	814	1,218	846	1,183
Vessels at period end	17	14	17	14
Average number of vessels during the period (5)	16.7	14	15.4	13.3

(1) Time Charter Equivalent, or TCE revenue, are non-GAAP measures. Our method of computing TCE revenue is determined by voyage revenues less voyage expenses (including bunkers and port charges). Such TCE revenue, divided by the number of our operating days during the period, is TCE per day, which is consistent with industry practice. TCE revenue is included because it is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance irrespective of changes in the mix of charter types (i.e., spot charters and time charters), and it provides useful information to investors and management.

(2) Ship days: We define ship days as the aggregate number of days in a period during which each vessel in our fleet has been owned by us. Ship days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.

(3) Operating days: We define operating days as the number of our ship days in a period less days required to prepare vessels acquired for their initial voyage and off-hire days associated with off-hire for undergoing repairs, drydocks or special surveys. The Company uses operating days to measure the number of days in a relevant period during which vessels should be capable of generating revenues.

(4) Fleet utilization is defined as the ratio of operating days to ship days.

(5) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of ship days divided by the number of calendar days in that period.

(6) Opex per day: is calculated by dividing vessel operating expenses by ship days for the relevant time period.

(7) G&A expenses per day: is calculated by dividing general and administrative expenses by ship days for the relevant time period.

Condensed Consolidated Balance Sheets (Unaudited)
(In thousands of U.S. Dollars)

As at	**December 31, 2016**	**December 31, 2015**
ASSETS		
Cash & cash equivalents	59,017	60,003
Restricted cash (current and noncurrent)	22,805	12,890
Vessels, net	185,938	157,103
Advances for vessel acquisition and vessels under construction	-	69,484
Other assets	5,272	6,466
Total assets	**273,032**	**305,946**
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	4,773	5,216
Deferred revenue	1,088	286
Total debt, net of deferred finance costs	108,886	114,320
Total liabilities	**114,747**	**119,822**
Shareholders' equity	158,285	186,124
Total liabilities and shareholders’ equity	**273,032**	**305,946**

Condensed Consolidated Statement of Cash Flows (Unaudited)
(In thousands of U.S. Dollars)

	Year Ended December 31, 2016	**Year Ended December 31, 2015**
Cash flows from operating activities		
Net Loss	(27,233)	(96,921)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	8,005	11,136
Amortization and write off of deferred finance fees	885	1,707
Write off of inventory	-	72
Write off of capitalised expenses and fees	11,640	591
Write off of shareholder receivable	104	-
Impairment charge	303	74,379
Changes in operating assets and liabilities	736	(193)
Net cash used in operating activities	**(5,560)**	**(9,229)**
Cash flows from investing activities		
Payments for vessel acquisition, improvements and vessels under construction	(26,415)	(44,570)
Instalments receipt from vessel under construction	54,122	-
Purchase of other fixed assets	(54)	(85)
Receivable from shareholders	-	(2)
Increase in restricted cash	(9,915)	(6,714)
Net cash provided by/(used in) investing activities	**17,738**	**(51,371)**
Cash flows from financing activities		
Loan proceeds	4,750	25,065
Loan repayments	(11,028)	(23,515)
Payment of deferred finance and other fees	(6,280)	(4,303)
Repurchase of common stock	(606)	-
Proceeds from issuance of common stock, net	-	24,527
Net cash (used in)/provided by financing activities	**(13,164)**	**21,774**
Net decrease in cash and cash equivalents	**(986)**	**(38,826)**
Cash and cash equivalents at the beginning of the year	60,003	98,829
Cash and cash equivalents at the end of the year	**59,017**	**60,003**

About Pioneer Marine Inc.

Pioneer Marine is a leading ship owner and global drybulk transportation service provider. Pioneer Marine owns fourteen Handysize, one Handymax and one Supramax drybulk carriers.

Forward-Looking Statements

Matters discussed in this press release may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. The words "believe," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect," "pending" and similar expressions identify forward-looking statements.

The forward-looking statements in this press release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, our management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

In addition to these important factors, other important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the failure of counterparties to fully perform their contracts with us, the strength of world economies and currencies, general market conditions, including fluctuations in charter rates and vessel values, changes in demand for dry bulk vessel capacity, changes in our operating expenses, including bunker prices, drydock and insurance costs, the market for our vessels, availability of financing and refinancing, charter counterparty performance, ability to obtain financing and comply with covenants in such financing arrangements, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, vessels breakdowns and instances of off-hires and other factors.

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