PIONEER MARINE INC.
AND ITS SUBSIDIARIES

Consolidated Financial Statements for the
Year Ended December 31, 2015 and
Report of Independent Registered Public Accounting Firm

PIONEER

Index to audited consolidated financial statements

Deloitte.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Pioneer Marine Inc.
Majuro, Republic of the Marshall Islands

We have audited the accompanying consolidated balance sheets of Pioneer Marine Inc. and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, and the results of its operations and cash flows for each of the two years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

Deloitte

Athens, Greece
March 3, 2016

Pioneer Marine Inc. and its Subsidiaries
Consolidated balance sheets
(In thousands of U.S. Dollars except per share data)

	Notes	December 31, 2015	December 31, 2014
Assets			
Current			
Cash and cash equivalents		60,003	98,829
Restricted cash	8	5,269	2,514
Trade accounts receivable and accrued revenue		1,946	2,658
Inventories	3	1,227	2,249
Prepayments and other receivables		833	480
Receivable from shareholder		104	102
Total current assets		**69,382**	**106,832**
Non-current assets			
Vessels, net	4	157,103	219,264
Other fixed assets	4	162	160
Advances for vessel acquisition and vessels under construction	5	69,484	48,775
Restricted cash	8	7,621	3,662
Other non-current assets		62	62
Deferred financing cost	8	2,132	-
Total non-current assets		**236,564**	**271,923**
Total assets		**305,946**	**378,755**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		5,216	5,042
Deferred revenue		286	1,286
Current portion of long term debt, net of deferred finance costs	8	6,206	15,344
Total current liabilities		**11,708**	**21,672**
Non-current liabilities			
Long term debt, net of deferred finance costs	8	108,114	97,883
Other non-current liabilities		-	680
Total non-current liabilities		**108,114**	**98,563**
Total liabilities		**119,822**	**120,235**

The accompanying notes are an integral part of these consolidated financial statements.

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

	Notes	December 31, 2015	December 31, 2014
Commitments and contingencies	6		
Shareholders' equity	7		
Common Stock, $0.001 par value; 500,000,000 shares authorized; 30,331,547 issued and outstanding as at December 31, 2015 and 23,188,690 as at December 31, 2014.		30	23
Additional paid in capital		297,904	273,386
Accumulated deficit		(111,810)	(14,889)
Total shareholders' equity		**186,124**	**258,520**
Total liabilities and shareholders' equity		**305,946**	**378,755**

The accompanying notes are an integral part of these consolidated financial statements.

Pioneer Marine Inc. and its Subsidiaries
Consolidated statements of operations
(In thousands of U.S. Dollars except per share data)

	Notes	Year ended December 31, 2015	Year ended December 31, 2014
Revenue, net	9	**38,132**	**41,498**
Voyage expenses	10	(11,584)	(13,822)
Vessel operating expenses	10	(24,408)	(23,068)
Dry-docking expenses		(3,421)	(1,233)
Depreciation	4	(11,136)	(9,631)
General and administration expenses		(5,762)	(4,361)
Write off of capitalised expenses	5	(591)	-
Impairment of vessels	4	(74,379)	-
Other expenses and taxes, net	3,14	(177)	(197)
Total expenses		**(131,458)**	**(52,312)**
Interest expenses and finance cost, net	11	(3,658)	(1,809)
Interest income		63	39
Net loss		**(96,921)**	**(12,584)**
Net loss per share, basic and diluted - $	13	(3.72)	(0.58)

The accompanying notes are an integral part of these consolidated financial statements.

Pioneer Marine Inc. and its Subsidiaries
Consolidated cash flow statements
(In thousands of U.S. Dollars)

	Year ended December 31, 2015	Year ended December 31, 2014
Cash flows from operating activities		
Net loss	(96,921)	(12,584)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	11,136	9,631
Amortization and write off of deferred finance fees	1,707	381
Write off of inventory	72	-
Write off of capitalised expenses	591	-
Impairment charge	74,379	-
Changes in operating assets and liabilities:		
Decrease/(increase) in trade accounts receivable and accrued revenue	712	(2,072)
Decrease/(increase) in inventories	950	(1,177)
Increase in prepayments and other receivables	(353)	(57)
Increase in other non-current assets	-	(62)
(Decrease)/increase in accounts payable and accrued liabilities	(502)	4,101
(Decrease)/increase in deferred revenue	(1,000)	1,286
Net cash used in operating activities	**(9,229)**	**(553)**
Cash flows from investing activities		
Payments for vessel acquisitions, improvements and vessels under construction	(44,570)	(195,763)
Purchase of other fixed assets	(85)	(201)
Increase in receivable from shareholder	(2)	(102)
Increase in restricted cash	(6,714)	(6,176)
Net cash used in investing activities	**(51,371)**	**(202,242)**

The accompanying notes are an integral part of these consolidated financial statements.

Pioneer Marine Inc. and its Subsidiaries
Consolidated cash flow statements
(In thousands of U.S. Dollars)

	Year ended December 31, 2015	Year ended December 31, 2014
Cash flows from financing activities		
Loan proceeds	25,065	119,410
Payment of deferred finance fees	(4,303)	(2,114)
Loan repayments	(23,515)	(3,466)
Contributions from owners	-	86,429
Cash received in connection with common stock exchange for interest in subsidiaries	-	28,546
Proceeds from issuance of common stock	24,624	71,830
Payment of expenses relating to issuance of common stock	(97)	(369)
Net cash provided by financing activities	**21,774**	**300,266**
Net (decrease)/increase in cash and cash equivalents	**(38,826)**	**97,471**
Cash and cash equivalents at the beginning of the year	98,829	1,358
Cash and cash equivalents at the end of the year	**60,003**	**98,829**
Supplemental disclosure of cash flow information		
Cash interest paid, net of capitalised interest	1,058	1,388
Non cash financing activities		
Loan cancellation fee	179	-
Fair value of warrants issued for no consideration	-	1,184
Unpaid deferred finance fees	972	985

The accompanying notes are an integral part of these consolidated financial statements.

Pioneer Marine Inc. and its Subsidiaries
Consolidated statements of shareholders' equity
(In thousands of U.S. Dollars, except number of shares)

	Number of shares	Common stock	Additional paid in capital	Owners' capital	Accumulated deficit	Total
Balance, January 1, 2014	-	-	-	**85,789**	**(1,121)**	**84,668**
Owners' contributions	-	-	-	86,429	-	86,429
Incorporation of Pioneer Marine Inc.	1	-	-	-	-	-
Share cancellation	(1)	-	-	-	-	-
Issuance of common stock in exchange for interest in subsidiaries and cash (refer to Note 1 and 7)	17,419,459	17	200,747	(172,218)	-	28,546
Issuance of common stock, net (Note 7)	5,769,231	6	71,455	-	-	71,461
Issuance of 576,923 warrants for no consideration (Note 7)	-	-	1,184	-	(1,184)	-
Net loss for the year	-	-	-	-	(12,584)	(12,584)
Balance, December 31, 2014	**23,188,690**	**23**	**273,386**	-	**(14,889)**	**258,520**
Issuance of common stock, net (Note 7)	7,142,857	7	24,518	-	-	**24,525**
Net loss for the year	-	-	-	-	(96,921)	**(96,921)**
Balance, December 31, 2015	**30,331,547**	**30**	**297,904**	-	**(111,810)**	**186,124**

The accompanying notes are an integral part of these consolidated financial statements.

1. Basis of Presentation and General Information

Pioneer Marine Inc. together with its subsidiaries is an international provider of marine transportation of dry bulk commodities on geared Handysize and Handymax carriers. Pioneer Marine Inc. was incorporated in the Republic of the Marshall Islands on February 14, 2014.

On March 5, 2014, based on a Contribution Agreement entered into between Pioneer Marine Holdings LLC ("PMH") and Pioneer Marine Inc., a wholly owned subsidiary of PMH, PMH contributed all its interests in its subsidiaries and its cash on hand to Pioneer Marine Inc. in exchange for 17,419,459 common shares in Pioneer Marine Inc., which represented 100% of the common shares of Pioneer Marine Inc. (the "Reorganization"). Garrison Pioneer LLC (an entity within the Garrison Investment group) is the ultimate controlling shareholder of PMH and Pioneer Marine Inc. and accordingly, can control the outcome of matters on which shareholders are entitled to vote, including the election of the Board of Directors and other significant corporate actions.

For the periods prior to the formation of Pioneer Marine Inc., the financial statements represent the combined statements of the entities in the table below which had been incorporated prior to February14, 2014, using the historical carrying costs of the assets and liabilities of these entities as if the entities were consolidated subsidiaries of Pioneer Marine Inc. from their dates of incorporation. The Reorganization is not deemed to be a business combination within the scope of Accounting Standards Codification 805, *Business Combinations* as it is a combination of entities under common control and accordingly, these financial statements reflect the carryover basis of accounting whereby:

- The carrying amount of assets and liabilities included are based on the historical carrying amounts of such assets and liabilities recognized by the subsidiaries;
- The results and cash flows are presented as though the Reorganization occurred on September 12, 2013 (the earliest date of incorporation of the subsidiaries) and reflects the results and cash flows of the subsidiaries; and
- The amount recognized in equity is based on the historical carrying amounts recognized by the subsidiaries.

All references to the Company hereinafter prior to the formation of Pioneer Marine Inc. refer to the combined financial statements of the entities incorporated prior to February 14, 2014 and references to the Company subsequent to February 14, 2014 refer to Pioneer Marine Inc. and its subsidiaries. For convenience hereinafter the financial statements are referred to as consolidated financial statements.

As of December 31, 2015, Pioneer Marine Inc. owns 100% of the interests of the following subsidiaries:

Company name	Date of incorporation
Pioneer Marine LLC (1)	September 12, 2013
Pioneer Marine Trading LLC (1)	September 23, 2013
Pioneer Marine Acquisitions LLC (1)	September 24, 2013
Pioneer Marine Advisers Pte Ltd. (2)	September 24, 2013
Bay Trading LLC (1)	November 12, 2013
Pioneer Marine Advisers India Pvt Ltd (3)	June 11, 2014
Way Point Marine Inc. (1)	July 24, 2014
Pioneer Marine Hellas SA (1)	July 25, 2014
Pioneer Chartering SA (1)	December 16, 2014

1. Basis of Presentation and General Information - Continued

Vessel owning companies

Name	Date of incorporation	Vessel acquisition date	Vessel name	DWT (4)	Year built
PNR Marine Trading I LLC (1)	September 23, 2013	November 1, 2013	Reunion Bay	32,354	2006
PNR Marine Trading II LLC (1)	September 23, 2013	November 11, 2013	Paradise Bay	46,232	2003
PNR Marine Trading III LLC (1)	September 23, 2013	December 2, 2013	Eden Bay	28,342	2008
PNR Marine Trading IV LLC (1)	September 23, 2013	March 4, 2014	Fortune Bay	28,671	2006
PNR Marine Trading V LLC (1)	November 5, 2013	December 2, 2013	Mykonos Bay	32,411	2009
PNR Marine Trading VI LLC (1)	November 5, 2013	January 27, 2014	Emerald Bay	32,258	2008
PNR Marine Trading VII LLC (1)	November 5, 2013	March 10, 2014	Azure Bay	31,700	2005
PNR Marine Trading VIII LLC (1)	December 11, 2013	January 17, 2014	Teal Bay	32,327	2007
PNR Marine Trading IX LLC (1)	December 11, 2013	March 4, 2014	Calm Bay	37,534	2006
PNR Marine Trading X LLC (1)	December 11, 2013	February 14, 2014	Ha Long Bay	32,311	2007
PNR Marine Trading XI LLC (1)	February 6, 2014	April 22, 2014	Jupiter Bay	30,153	2012
PNR Marine Trading XII LLC (1)	February 6, 2014	March 31, 2014	Venus Bay	30,003	2012
PNR Marine Trading XIII LLC (1)	February 6, 2014	March 25, 2014	Orion Bay	30,009	2012
PNR Guoyu I, LLC (1)	September 18, 2013	August 28, 2015	Falcon Bay	38,464	2015
PNR Guoyu II, LLC (1)	September 18, 2013	January 7, 2016	Kite Bay	38,419	2016

Vessels under construction companies

Name	Date of incorporation	Expected vessel delivery date	Hull number	DWT(4)
PNR Guoyu III, LLC (1)	September 18, 2013	2016	GY313	38,800
PNR Guoyu IV, LLC (1)	September 18, 2013	2016	GY314	38,800
PNR Guoyu V LLC (1)	January 20, 2014	2016	GY315	38,800
PNR Guoyu VI LLC (1)	January 20, 2014	2016	GY316	38,800
PNR Guoyu VII LLC (1)	January 20, 2014	2017	GY317	38,800
PNR Guoyu VIII LLC (1)	January 20, 2014	2017	GY318	38,800
PNR Perseverance LLC (1)	April 1, 2014	2017	GY 319	38,800
Dormant companies	**Date of incorporation**			
PNR Sanfu I LLC (1)	September 24, 2013	-	-	-
PNR Sanfu II LLC (1)	September 24, 2013	-	-	-
PNR Courage LLC (1)	April 1, 2014	-	-	-
PNR Endurance LLC (1)	April 1, 2014	-	-	-
PNR Tenacity LLC (1)	April 1, 2014	-	-	-

(1) Incorporated under the laws of the Republic of the Marshall Islands.
(2) Incorporated under the laws of Singapore.
(3) Incorporated under the laws of India.
(4) DWT: Dead Weight Ton, a standard measure for dry bulk carriers indicating how much weight a ship can carry.

1. Basis of Presentation and General Information - Continued

The Company outsources the technical management and crew management of its vessels to a third-party ship manager. All other vessel management is performed by in-house staff employed by subsidiaries of Pioneer Marine Inc.

Major charterers: None of the charterers accounted for more than 10% of the Company's charter revenue for the year ended December 31, 2015 and only one charterer accounted for more than 10% of the Company's charter revenue for the year ended December 31, 2014.

2. Significant Accounting Policies

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The significant accounting policies are set out below.

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the entities listed in Note 1 (the "subsidiaries"). Income and expenses of subsidiaries are included in the consolidated statements of operation from the effective date of acquisition and up to the effective date of disposal, as appropriate. All significant intercompany balances and transactions are eliminated upon consolidation.

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 period. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Significant estimates include the residual value and the useful life of vessels.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits with an original maturity of three months or less and which are not restricted for use or withdrawal.

Restricted cash

Restricted cash reflects deposits in retention or restricted accounts with certain banks that can only be used to pay the current loan instalments and interest or are required to be maintained as certain minimum security deposits and other reserve requirements per mortgaged vessel. Cash required to be maintained as unrestricted liquidity is not considered restricted cash if the relevant account has no restrictions for use or withdrawal.

2. Significant Accounting Policies - Continued

Trade accounts receivable

Trade accounts receivable reflect receivables from charterers for hire, freight and demurrage billings, net of a provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts. There has been no provision for doubtful accounts for the years presented.

Foreign currencies

The consolidated financial statements of the Company are presented in U.S. dollars which is the functional currency of Pioneer Marine Inc. and its subsidiaries because the Company's vessels operate in international shipping markets and therefore primarily transact business in U.S. dollars.

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 as incurred. At the end of each reporting period, monetary assets and liabilities denominated in a currency other than the functional currency are retranslated into U.S. dollars at rates prevailing at that date and all resulting exchange differences are recognized in the consolidated statement of operations.

Vessels

Vessels are stated at cost, less impairment and accumulated depreciation. The cost of vessels purchased consists of the contract price, less discounts, plus any direct expenses incurred upon acquisition, broker commission paid, delivery expenses and other expenditures to prepare the vessel for initial voyage. Subsequent expenditures for conversion and major improvements are also capitalised when they appreciably extend the life, increases the earnings capacity or improve the efficiency or safety of the vessels.

Vessels are depreciated on a straight-line basis over the estimated useful life of the vessels which management estimates to be 25 years from the date of initial delivery from the shipyard. Second-hand vessels are depreciated from the date of their acquisition through their remaining estimated useful life. Depreciation is based on cost less the estimated residual value which is the lightweight tonnage ("LWT") of each vessel multiplied by estimated scrap value per ton. The Company, based on Management's best estimate, estimated the residual value of its vessels to be $250 per LWT.

Advances for vessel acquisitions and vessels under construction

Advances paid for vessel acquisitions and vessels under construction are presented at cost, less identified impairment losses, if any. Advances for vessel acquisition include advances and other directly attributable costs, including commissions, if any. Advances for vessels under construction include shipyard instalment payments and other costs incurred during the construction period that are directly attributable to the acquisition or construction of the vessels, net of any commissions or discounts received from the shipyard and include interest costs incurred during the construction period. Vessels under construction are not depreciated until such time as they are ready for use. On delivery of the vessel, the related cost is transferred to vessels and accounted in accordance with the accounting policy for vessels.

2. Significant Accounting Policies - Continued

Impairment of long-lived assets

The Company reviews its tangible fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

In evaluating useful lives and carrying values of long-lived assets, the Company reviews certain indicators of potential impairment, such as market values, vessel sales and purchases, business plans and overall market conditions. If indicators of impairment are present, the Company performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets.

In developing estimates of future undiscounted cash flows, the Company makes assumptions and estimates about the vessels' future performance, with the significant assumptions being related to charter rates, fleet utilization, operating expenses, capital expenditures, residual value and the estimated remaining useful life of each vessel.

The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations. To the extent impairment indicators are present, the Company determines undiscounted projected net operating cash flows for each vessel and compares them to their carrying value.

If the carrying value of the related asset exceeds the undiscounted future net cash flows, the carrying value is reduced, by recording a charge to operations, to its fair value.

Revenue

Revenue, which is presented net of commissions to charterers (address commissions), is recognized when an agreement exists, the vessel is made available to the charterer or services are provided, the charter hire rate is determinable and collection of the related revenue is reasonably assured.

Vessel revenue is comprised of time charter revenue and voyage revenue.

(a) Time charter revenue is recognized ra teably over the term of the charter as service is provided, excluding any off-hire period. Time charter revenues received in advance of the provision of charter service are recorded as deferred income and recognized when the charter service is rendered.

(b) Voyage charter agreements are charter hires, where a contract is made in the spot market for the use of a vessel for a specific voyage for a specified charter rate. Revenue from voyage charter agreements is recognized on a pro rata basis based on the relative transit time in each period. The period over which voyage revenues are recognized commences at the time the vessel departs from its last discharge port and ends at the time the discharge of cargo at the next discharge port is completed, however, the Company does not begin recognizing revenue until a charter has been agreed with the charterer, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage. Demurrage income represents payments by the charterer to the vessel owner when loading or discharging time exceeds the stipulated time in the voyage charter and is recognized when earned and collection is reasonably assured. Dispatch expense represents payments by the Company to the charterer when loading or discharging time is less than the stipulated time in the voyage charter and is recognized as incurred. Voyage charter revenue relating to voyages in progress as of the balance sheet date are accrued and presented within trade accounts receivable and accrued revenue in the consolidated balance sheet.

2. Significant Accounting Policies - Continued

Voyage expenses

Voyage expenses, which primarily include bunkers (fuel oil used to operate a vessel's engines, generators and boilers), port charges, canal tolls, cargo handling operations, war risk insurances and brokerage commissions paid by the Company under voyage charters are expensed as incurred. Voyage expenses also include losses from the sale of bunkers to charterers and bunkers consumed during off-hire periods and while travelling to and from dry-docking.

Vessel operating expenses

Vessel operating expenses, which include crewing, repairs and maintenance, insurance, spares and consumable stores, lube oils and communication expenses are expensed as incurred.

Additionally, these costs include technical management fees that are payable to our technical ship managers.

Dry-docking and special survey expenses

Dry-docking and special survey expenses are expensed in the period incurred.

Inventories

Inventories consist of bunker fuel on board when vessels are unemployed or are operating under voyage charters and lubricating oils on board vessels. Inventories are stated at the lower of cost and market. Cost is determined using the first in first out method. Stores and spares are charged to vessel operating costs when purchased.

Segment reporting

Each of the Company's vessels serve the same type of customer, have similar operations and maintenance requirements, operate in the same regulatory environment, and are subject to similar economic characteristics. Based on this, the Company's Chief Operating Decision Maker, which is the CEO, reviews operating results as one operating segment. Furthermore, when the Company charters a vessel to a charterer, the charterer is free to trade the vessel worldwide and, as a result, the disclosure of geographic information is impracticable.

Other comprehensive income/(loss)

The Company follows the accounting guidance relating to comprehensive income, which requires separate presentation of certain transactions that are recorded directly as components of equity. The Company has no other comprehensive income/(loss) and accordingly, comprehensive loss equals the net loss for the period/year presented and thus has not presented this in the statement of operations or in a separate statement.

2. Significant Accounting Policies - Continued

Financing costs

Financing fees incurred for obtaining new loans and credit facilities are deferred and amortized to interest expense over the respective term of the loan or credit facility using the effective interest rate method. The unamortized financing costs are presented as a direct deduction of the related debt liability in the accompanying consolidated balance sheet. Finance cost related to undrawn facilities are presented as non-current asset in the accompanying consolidate balance sheet.

Capitalization of borrowing costs

Interest costs incurred to finance the cost of vessels during their construction period are capitalized to vessels under construction.

Recent accounting pronouncements

On May 28, 2014, the FASB issued the final standard on revenue from contracts with customers. The standard, issued as ASU 2014-09 by the FASB, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. On August 12, 2015, the FASB issued ASU 2015-14, which defers the effective date of the Board's revenue standard, ASU 2014-09, by one year for all entities. The ASU is hence effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017, for public entities. Early adoption is permitted as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within those annual periods. For non-public companies, the new guidance will be required for annual reporting periods beginning after December 15, 2018, and interim and annual reporting periods after those reporting periods. A non-public entity may elect early application, but no earlier than that for public entities. Entities have the option of using either a full retrospective or a modified approach to adopt the guidance in the ASU. The Company has not yet evaluated the impact, if any, of the adoption of this new standard.

On August 27, 2014, the FASB issued ASU No. 2014-15–Presentation of Financial Statements - Going Concern. ASU 2014-15 provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 requires an entity's management to evaluate at each reporting period based on the relevant conditions and events that are known at the date of financial statements are issued, whether there are conditions or events, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued and to disclose the necessary information. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company has not early adopted this standard. The effect from the adoption of this standard would be the requirement to evaluate the entity's ability to continue as a going concern for a period of twelve months after the date of the issuance of the financial statements as opposed to current requirement for an evaluation to be performed for twelve months after the balance sheet date.

2. Significant Accounting Policies - Continued

Recent accounting pronouncements- continued

In July 2015, the FASB issued ASU 2015-11 - Simplifying the Measurement of Inventory to simplify the measurement of inventory using first-in, first out (FIFO) or average cost method. According to this ASU an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices less reasonably predictable costs of completion, disposal and transportation. This update is effective for public entities with reporting periods beginning after December 15, 2016. Early adoption is permitted. For all other entities, the ASU is effective prospectively for annual periods beginning after December 15, 2016, and interim periods thereafter. Early adoption is permitted. The Company believes that the implementation of this update will not have any material impact on its financial statements and has not elected the early adoption.

On February 25, 2016 the FASB issued ASU 2016-02 - Leases. The standard amends the existing accounting standards for lease accounting and adds additional disclosures about leasing arrangements. The ASU requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by most leases while lessor accounting remains largely unchanged. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. This update is effective for public entities with reporting periods beginning after December 15, 2018. For all other entities, the ASU is effective for annual periods beginning after December 15, 2019, and interim periods thereafter. Early adoption is permitted for all entities. The Company has not yet evaluated the impact, if any, of the adoption of this new standard.

3. Inventories

Inventories are analyzed as follows:

USD in thousands	**December 31, 2015**	**December 31, 2014**
Bunkers	234	1,146
Lubricants	993	1,103
Total	**1,227**	**2,249**

As at December 31, 2015 bunkers inventory was written down to its market value and an impairment charge of $72 thousand was included in the statement of operations under other expenses and taxes, net.

4. Vessels, Net

Vessels are analyzed as follows:

USD in thousands	Vessel cost	Accumulated depreciation	Net book value
Balance, January 1, 2014	**68,573**	**(403)**	**68,170**
Vessel acquisitions	155,594	-	155,594
Transfer from advances for vessels acquisitions	5,015	-	5,015
Depreciation expense		(9,515)	(9,515)
Balance, December 31, 2014	**229,182**	**(9,918)**	**219,264**
Vessel improvements	754	-	754
Transfer from advances for vessels under construction	22,516	-	22,516
Depreciation expense	-	(11,052)	(11,052)
Impairment charge	(95,082)	20,703	(74,379)
Balance, December 31, 2015	**157,370**	**(267)**	**157,103**

Vessel acquisitions during 2014 relate to the cost of the M/V Fortune Bay, M/V Emerald Bay, M/V Azure Bay, M/V Teal Bay, M/V Calm Bay, M/V Ha Long Bay, M/V Venus Bay, M/V Orion Bay and M/V Jupiter Bay delivered to the Company during 2014. All vessels were acquired from unrelated third parties and with the exception of the M/V Calm Bay were acquired on a charter free basis. The M/V Calm Bay was purchased with a time charter attached, which was novated to the Company with a remaining term of approximately two months at no additional consideration because the charter rate was at market rates.

Vessel acquisitions during 2015 relate to the cost of the M/V Falcon Bay delivered on August 28, 2015.

As discussed in Note 2 above, tangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

The cash flows were determined for a period over the remaining estimated life of the vessels assumed to be 25 years from the delivery of the vessel from the shipyard. Projected net operating cash flows as of December 31, 2015 were determined by considering the charter revenues from existing time charters for the fixed fleet days, if any, and an estimated daily time charter equivalent for the unfixed days. The Company estimated the daily time charter equivalent for the unfixed days for 2016 and 2017 utilizing future forward freight rates for similar vessels and for the remaining useful life by using the most recent twenty year historical average for similar vessels excluding outliers, net of brokerage commissions. Expected outflows for operating expenses (including planned dry-docking and special survey expenditures) were based on historical average, assuming an average annual inflation rate of 1.5% and fleet utilization of 95%. Cash inflow from the salvage value was estimated to be $250 per light weight ton (LWT) for vessels in accordance with the Company's vessels depreciation policy.

4. Vessels, Net - Continued

The Company recognised an impairment loss of $74,379 thousand for the year ended December 31, 2015. The Company's impairment test indicated that with the exception of the M/V Falcon Bay, the carrying value of the remaining vessels exceeded the undiscounted projected net operating cash flows. The impairment loss of $74,379 thousand represents the write down of the carrying values of the impaired vessels to their fair value. No impairment loss was recognized for the year ended December 31, 2014 as the estimated undiscounted projected net operating cash flows exceeded the carrying values of the vessels as of December 31, 2014.

All the Company's vessels are mortgaged as security for the loan facilities, refer to Note 8.

As of December 31, 2015 other fixed assets represent office assets with a cost of $0.4 million and accumulated depreciation of $0.2 million. Depreciation charged on other fixed assets amounted to $0.1 million for the year ended December 31, 2015.

5. Advances Vessels under Construction

USD in thousands	Advances for vessels acquisition	Advances for vessels under construction	Total
Balance, January 1, 2014	**5,015**	**8,606**	**13,621**
Additions	-	40,169	40,169
Transfer to vessels, net	(5,015)	-	(5,015)
Balance, December 31, 2014	-	**48,775**	**48,775**
Additions	-	43,816	43,816
Transfer to vessels, net	-	(22,516)	(22,516)
Write off of capitalised expenses	-	(591)	(591)
Balance, December 31, 2015	-	**69,484**	**69,484**

Additions to vessels under construction of $43,816 thousand represent the scheduled payments of $38,788 thousand made to the shipyard and capitalised cost of $5,028 thousand incurred during the year ended December 31, 2015. Transfer to Vessels, net of $22,516 thousand relates to the shipyard payments and capitalised expenses for the acquisition of vessels M/V Falcon Bay that was delivered on August 28, 2015.

On November 9, 2015, the Company terminated its three newbuilding contracts for Hulls GY320, GY321 & GY322 with no cancellation penalty. The shipyard agreed to apply the advances paid on the cancelled contracts totalling $8,660 thousand to Hulls GY317, GY318 & GY319 and also agreed to an aggregate $2,000 thousand reduction to the contract purchase price of these three hulls and to delivery delays.

Capitalized expenses for the three cancelled hulls amounting to $591 thousand were expensed and are presented as Write off of capitalised expenses in the Statement of Operation.

6. Commitments and Contingencies

(a) Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Company's vessels. Currently, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements. The Company is a member of a protection and indemnity association, or P&I Club that is a member of the International Group of P&I Clubs, which covers its third party liabilities in connection with its shipping activities. A member of a P&I Club that is a member of the International Group is typically subject to possible supplemental amounts or calls, payable to its P&I Club based on its claim records as well as the claim records of all other members of the individual associations, and members of the International Group.

The Company accrues for the cost of environmental liabilities when management becomes aware that a liability is probable and is able to reasonably estimate the probable exposure. Currently, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements. The Company's protection and indemnity (P&I) insurance coverage for pollution is $1 billion per vessel per incident.

(b) The Company's outstanding commitments as of December 31, 2015 under its shipbuilding contracts, as amended, are payable as follows:

	Twelve month period ending		
USD in thousands	**December 31, 2016**	**December 31, 2017**	**Total**
Shipbuilding contracts	72,127	35,105	107,232
Total	**72,127**	**35,105**	**107,232**

These commitments will be settled with available cash on hand and the available bank debt facilities. (Note 8)

(c) The Company's minimum rent payments as of December 31, 2015 are as follows :

	Twelve month period ending December 31					
USD in thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Rent	221	172	21	21	14	449
Total	**221**	**172**	**21**	**21**	**14**	**449**

7. Common Stock/Additional Paid in Capital

Pioneer Marine Inc. was incorporated on February 14, 2014 with authorized capital of 100 registered shares of $0.01 per share of which 1 share was subscribed by PMH.

On March 18, 2014 the Company's authorized share capital was amended to 500 million shares of common stock with a par value of $0.001 each based on the Amended and Restated Articles of Incorporation of the Company. Owners' contributions of $86.4 million represent contributions to the subsidiaries from January 1, 2014 to March 5, 2014 to fund vessel acquisitions and advances to the shipyards.

As described in Note 1 on March 5, 2014, based on a Contribution Agreement entered into between the Company and PMH, PMH contributed all its interest in its subsidiaries and its cash on hand which amounted to $28.5 million to the Company in exchange for 17,419,459 common shares in the Company. The 17,419,459 shares were issued upon effectiveness of the Amended and Restated Articles of Incorporation of the Company dated March 18, 2014.

On March 25, 2014, Pioneer Marine Inc. completed a private placement ("Private Placement") with the sale and issue of 5,769,231 common shares at a price of $ 13.00 per share and raised net proceeds of $71.5 million and registered its shares on the Norwegian OTC market under the symbol PNRM.

On August 5, 2015 Pioneer Marine Inc. completed a second private placement ("Second Private Placement") with the sale and issue of 7,142,857 common shares at a price of $ 3.50 per share and raised net proceeds of $24.5 million.

Warrant Agreement

On March 18, 2014, Pioneer Marine Inc. issued to Garrison Pioneer Profits D LLC, a Garrison Investment group owned entity, for no consideration, 576,923 warrants. Each warrant entitles the holder to purchase one common share at an exercise price of $13.00 per share (subscription price). The warrants are transferable by notice to the Company. The warrants expire on March 19, 2017 ("Expiration Date") and are exercisable at any time before and up to the Expiration Date based on the volume-weighted average share price of the shares of the Company over any period of ten (10) consecutive trading days, provided that there is a minimum cumulative trading volume, during any period of ten consecutive trading days of $ 2 million (VWAP) as follows:

- 20% of warrants vest when VWAP is at least 35% higher than the subscription price
- 20% of warrants vest when VWAP is at least 45% higher than the subscription price
- 20% of warrants vest when VWAP is at least 55% higher than the subscription price
- 20% of warrants vest when VWAP is at least 65% higher than the subscription price
- 20% of warrants vest when VWAP is at least 75% higher than the subscription price

provided, however, that warrants cannot be exercised prior to the earlier of (i) a listing of the common stock on a stock exchange or regulated market, (ii) a sale, approved by the board of directors of the Company, of all of the common stock or all, or substantially all, of the Company's assets, and (iii) twenty-four (24) months from the date of the agreement (March 18, 2014).

The Company evaluated the criteria under ASC 815- *Derivatives and Hedging* and concluded that the warrants meet the criteria for equity classification and recorded the warrants at fair value on the date of issuance with no subsequent recognition of changes in fair value. As the warrants were issued to a company wholly owned by the Garrison Investment Group for no consideration, the transaction has been treated as equivalent to an equity distribution, resulting in a charge to accumulated deficit equal to the fair value of the warrants.

7. Common Stock/Additional Paid in Capital - Continued

Warrant Valuation: The fair value of the warrants on the date of issuance of $1.2 million was estimated using the Monte Carlo simulation methodology and the assumptions used to calculate the fair value were the underlying stock price of $13 based on the subscription price under the Private Placement, exercise price based upon the warrant agreement, volatility of 27.3% based on an average volatility of peer companies and includes a downward adjustment to account for the lower volatility of the Handysize segment, time to expiration based upon the contractual life, no exercise in the 1st year due to the trading volume restriction, short-term (risk-free) interest rate and no dividends being paid.

As of December 31, 2015 and 2014, all the 576,923 warrants were outstanding.

8. Long Term Debt

An analysis of long term debt is as follows:

USD in thousands	December 31, 2015	December 31, 2014
Sinosure Facility	24,793	-
DVB Bank Ltd, ABN AMRO Bank N.V (DVB/ABN)	61,073	70,234
CIT Finance LLC (CIT)	31,627	45,711
Total principal outstanding	117,493	115,945
Less: Deferred financing costs	(3,173)	(2,718)
Total	**114,320**	**113,227**
Presented as follows:		
Current portion of long term debt, net of deferred finance cost	6,206	15,344
Long term debt, net of deferred finance cost	108,114	97,883

The minimum annual principal payments due after December 31, 2015 in accordance with the loan agreements and supplemental agreements are set out below:

USD in thousands	Amount
Year	
December 31, 2016	7,055
December 31, 2017	14,668
December 31, 2018	14,668
December 31, 2019	64,664
December 31, 2020	2,089
December 31, 2021 and thereafter	14,349
Total	**117,493**

8. Long Term Debt - Continued

Commercial Facility: On May 19, 2015 as amended on July 22, 2015, Pioneer Marine Inc. and Pioneer Marine LLC as guarantors and six of our subsidiaries with vessels under construction entered into a secured loan facility with ABN AMRO Bank N.V, Deutsche Bank AG and Norddeutche Landesbank Girozentrale for an amount up to the lower, of $71.8 million on joint and several basis and 55% of the market value at the delivery of the vessels to provide post-delivery financing for six of our new buildings. The credit facility bears interest at LIBOR plus a margin and is repayable in twenty eight consecutive quarterly instalments each in a sum equal to one sixtieth (1/60th) of the amount of the loan, which will be advanced on each vessel delivery, and a balloon payment concurrently with the final instalment, commencing three months after the delivery date of each newbuilding.

As a result of the cancellation of the three hulls (refer to Note 5), the loan facilities relating to these three hulls were cancelled and a termination fee was payable.

Deferred finance costs relating to the cancelled tranches and the termination fee amounting to a total of $1,116 thousand are expensed in the statement of operations and are included under Interest expense and finance cost, net for the year ended December 31, 2015 (Note 11).

As of December 31, 2015, no amount was drawn down from this loan facility.

Sinosure Facility: On May 19, 2015 as amended on July 22, 2015, each of six of our subsidiaries with vessels under construction together with Pioneer Marine Inc. and Pioneer Marine LLC as guarantors each individually entered into a secured loan facility with ABN AMRO Bank, N.V, Deutsche Bank AG and Norddeutche Landesbank Girozentrale aggregating an amount up to the lower of $78.3 million and 60% of the market value at the delivery of the vessels to provide post-delivery financing for our remaining six new buildings, with insurance cover to be provided from China Export & Credit Insurance Corporation, or Sinosure. For each facility the other five subsidiaries with vessels under construction act as guarantors. The credit facility bears interest at LIBOR plus a margin and is repayable in forty consecutive quarterly instalments each in a sum equal to one forty eight (1/48th) of the amount of the loan, which will be advanced on each vessel's delivery, and a balloon repayment together with the final instalment, commencing three months after the delivery date of each newbuilding. As of December 31, 2015 the outstanding amount was $24,793 thousand.

CIT: On August 11, 2014, five of our ship-owning subsidiaries entered into a secured loan facility agreement with CIT for an amount up to $47.4 million on a joint and several basis to partially refinance the purchase price of five vessels. The agreement is comprised of five tranches which were fully drawn on August 18, 2014. Each tranche is repayable in 21 quarterly instalments commencing on September 30, 2014 with a total balloon payment of $24.9 million to be paid on the last repayment date scheduled for September 2019. The loan bears interest at LIBOR plus a margin and is secured over the respective vessels.

As of December 31, 2014 the Company was not in compliance with the EBITDA to the aggregate of debt service covenant. In May 2015 CIT agreed to waive the EBITDA to debt service financial covenant for a period up to March 31, 2016 (not inclusive) and to postpone testing of minimum asset coverage ratio until March 31, 2016 (not inclusive) in connection with this waiver the Company agreed to prepay the quarterly instalments due for the second, third and fourth quarter of 2015.

8. Long Term Debt - Continued

On December 22, 2015 the Company entered into a supplement loan agreement ("Second Omnibus agreement") whereby the lender agreed to waive the EBITDA to debt service financial covenant for a period up to March 31, 2017 (not inclusive) and to postpone testing of minimum asset coverage ratio until March 31, 2017 (not inclusive). Furthermore the Second Omnibus agreement included amendments to the minimum liquidity and reserve requirement of the facility and provided for a prepayment in the amount of $6,950 thousand representing four quarterly repayments that were initially due during the year ended December 31, 2016 and an additional amount that will reduce the scheduled repayments in inverse order of maturity commencing with balloon payment. Prepayment occurred on December 30, 2015 and the outstanding amount of the facility as at December 31, 2015 was $31,627 thousand.

DVB/ABN: On June 16, 2014, Pioneer Marine Inc. and Pioneer Marine Trading LLC as guarantors and eight of our ship-owning subsidiaries entered into a secured term loan facility with DVB Group Merchant Bank (Asia) Ltd. and ABN AMRO Bank NV, for up to $72 million on a joint and several basis to partly refinance the purchase price of eight vessels. The facility was fully drawn down on July 2, 2014. The facility agreement is comprised of eight tranches. Each tranche of the facility is repayable in 20 quarterly instalments with a balloon payment for all tranches amounting to $38.7 million to be paid on the last repayment date scheduled for July 2019. The loan bears interest at LIBOR plus a margin and is secured over the respective vessels.

As of December 31, 2014 the Company was not in compliance with the EBITDA to debt service financial covenant. In May 2015 the Company entered into a supplemental agreement whereby lenders under the DVB-ABN facility agreed to covenant test waivers for the EBITDA to debt service financial covenant for the period from December 31, 2014 to December 31, 2015 (inclusive) and the Company agreed to prepay the next four quarterly instalments falling due under the repayment schedule.

On December 29, 2015 the Company entered into a supplemental agreement ("Third Supplemental Agreement") whereby it was agreed that the financial covenant relating to the EBITDA to debt service ratio is amended in order to include a cure mechanism in case of breach of covenant ("EBITDA shortfall" as defined in the agreement), whereby the Company can place the EBITDA shortfall amount in a retention account. The outstanding amount under this facility amounts to $61,073 thousand as at December 31, 2015.

The Company's loan facilities include, among other things, the requirement to comply with various covenants including asset coverage ratios, value to loan ratio, minimum security deposits, maintenance of minimum cash and other reserve requirements, ratio of net debt to total assets and ratio of EBITDA to debt service payable. Compliance with the financial covenants is required on a quarterly basis.

As of December 31, 2015 the Company presented as restricted cash an amount of $3.6 million representing additional security required by the loan facilities relating to EBITDA shortfall. Additional restricted cash relating to minimum cash and other reserve requirements was $9.4 million (December 31, 2014: $6.2 million).

As of December 31, 2015 the Company was in compliance with the required financial covenants under its loan agreements, as amended.

All credit facilities are secured by a first mortgage over the respective vessels/Hulls and by other customary maritime securities.

8. Long Term Debt - Continued

Deferred finance costs consist of loan arrangement fees and legal fees of $3,099 thousand incurred in 2014 and $4,471 thousand in 2015 in connection with the credit facilities.

During the year ended December 31, 2015 the amortization charge amounted to $768 thousand, the write off of deferred finance fees relating to the cancelled facilities amounted to $936 thousand (Note 5). Also an amount of $180 thousand was reclassified as the respective bank agreed to provide financial advisory fees for this amount.

As of December 31, 2015, arrangement, co-ordination, commitment, legal and agency fees of $2,132 thousand incurred for obtaining new loans that will be drawn upon delivery of the vessels have been classified in non-current assets in the balance sheet and will be classified contra to debt on the drawdown date.

Weighted average interest rate for the year ended December 31, 2015 was 4%. (December 31, 2014: 3.89%)

9. Revenue, Net

Revenue, net comprises of the following for the twelve month periods presented:

USD in thousands	**December 31, 2015**	**December 31, 2014**
Time charter revenue	21,543	23,333
Voyage charter revenue	17,817	19,704
Less: Address commission	(1,228)	(1,539)
Total	**38,132**	**41,498**

10. Voyage and Vessel Operating Expenses

The amounts shown in the accompanying consolidated statements of operations are analysed as follows:

USD in thousands	December 31, 2015	December 31, 2014
Voyage expenses		
Bunkers consumption	7,089	9,586
Agency costs	2,827	2,352
Commissions and other voyage cost	1,668	1,884
Total voyage expenses	**11,584**	**13,822**
Vessel operating expenses		
Crew wages and expenses	14,905	11,192
Lubricants consumption	1,464	1,694
Stores, spares and repairs	3,500	4,297
Insurance	1,323	1,143
Management fee	1,535	1,387
Other operating expenses	1,681	3,355
Total operating expenses	**24,408**	**23,068**

11. Interest Expenses and Finance Cost, Net

Interest expense and finance cost, net comprises of the following:

USD in thousands	December 31, 2015	December 31, 2014
Loan interest expense and other finance charges	4,531	2,150
Amortization of deferred finance cost	770	381
Capitalized borrowing cost	(2,759)	(722)
Termination fee & write off of deferred finance costs (Note 8)	1,116	-
Interest expense and finance cost, net	**3,658**	**1,809**

12. Financial Instruments

The principal financial assets of the Company consist of cash and cash equivalents, restricted cash and trade accounts receivable. The principal financial liabilities of the Company consist of bank debt, accounts payables and accrued liabilities.

(a) ***Interest rate risk:*** The Company's bank loans are based on LIBOR and hence the Company is exposed to movements in LIBOR.

(b) ***Concentration of credit risk:*** Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of trade accounts receivable, and, cash and cash equivalents. The Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its trade accounts receivable. The Company places its cash and cash equivalents, with high credit quality financial institutions. The Company performs periodic evaluations of the relative credit standing of those financial institutions.

(c) ***Fair value:*** The carrying values of trade accounts receivable, cash and cash equivalents, restricted cash, accounts payable and accrued liabilities are reasonable estimates of their fair value due to the short-term nature of these financial instruments. Cash and cash equivalents and restricted cash are considered Level 1 items in accordance with fair value hierarchy as they represent liquid assets with short-term maturities. The fair value of bank debt approximates the recorded value, due to its variable interest rate, being the LIBOR. LIBOR rates are observable at commonly quoted intervals for the full terms of the loans and hence bank loans are considered Level 2 items in accordance with the fair value hierarchy.

(d) ***Asset Measured at Fair Value on a Non-recurring Basis:*** As of December 31, 2015 the Company reviewed the carrying amount in connection with the estimated amount of each of its vessels. The review indicated that such carrying amount was not recoverable for 13 of the Company's vessel. Details of the impairment charge for each vessel are noted in the table below.

Vessel	Significant Other Observable Inputs (Level 2) (amounts in $thousand)	Loss (amounts in $thousand)
Reunion Bay	$9,000	$5,865
Paradise Bay	$7,000	$7,046
Eden Bay	$9,000	$6,655
Fortune Bay	$7,250	$7,267
Mykonos Bay	$10,250	$6,765
Emerald Bay	$9,500	$7,140
Azure Bay	$7,850	$6,773
Teal Bay	$9,000	$7,204
Calm Bay	$9,000	$6,437
Ha long Bay	$9,000	$7,655
Jupiter Bay	$16,000	$1,827
Venus Bay	$16,000	$1,852
Orion Bay	$16,000	$1,893
Total	**$134,850**	**$74,379**

12. Financial Instruments - Continued

The Company recognized the total impairment loss of $74.4 million, which was included in the consolidated statements of operations for the year.

The fair value is based on the Company's best estimate of the value of each vessel on a time charter free basis as of December 31, 2015, and is supported by vessel valuations of independent shipbrokers as of November 23, 2015, which are based on the sale and purchase market conditions prevailing at the time, and an adjustment to reflect management's estimate for the decrease in prices by December 31, 2015.

The Company did not have any other assets or liabilities measured at fair value on a non-recurring basis during the years ended December 31, 2015 and 2014.

13. Net Loss Per Share

	Year ended December 31, 2015	Year ended December 31, 2014
Net loss (USD in thousands)	(96,921)	(12,584)
Weighted average number of common shares outstanding, basic and diluted	26,084,972	21,876,783
Net loss per share, basic and diluted in USD	**(3.72)**	**(0.58)**

The weighted average number of common shares outstanding for the year ended December 31, 2014 gives retroactive effect to the 17,419,459 shares issued under the Reorganization (refer to Note 1). The Company excluded the effect of the 576,923 warrants in calculating dilutive loss per share for the year ended December 31, 2015 and December 31, 2014, as they were anti-dilutive.

14. Taxes

The entities which are incorporated in the Republic of the Marshall Islands are not subject to Marshall Islands' income tax in accordance with the income tax laws of the Marshall Islands.

In addition, pursuant to § 883 of the Internal Revenue Code of the United States (the "Code"), U.S. source income from the international operation of ships is generally exempt from U.S. Federal income tax on such income upon meeting certain requirements.

The Company does not meet the exemption requirement and as a result, the Company does not qualify for exemption under § 883 of the Code from the 4 % U.S. Federal income tax on its U.S source gross transportation income which for the year ended December 31, 2015 amounted to $33 thousand (2014:$42 thousand) and is included under other taxes in the statement of operations.

Furthermore, pursuant to the Indian Income tax act, the Company is subject to approximately 3% freight tax on shipping income derived in India. During 2015 none of the Company's vessels were liable for such tax (2014: $160 thousand).

Finally, other minor taxes amounting to $35 thousand (2014: $4 thousand) are included under other taxes in the statement of operations.

15. Subsequent Events

On January 7, 2015 the Company took delivery of the M/V Kite Bay previously a hull under construction.

Subsequent events have been evaluated through March 3, 2016 the date that the financial statements were available to be issued.