

**PIONEER MARINE INC.  
AND ITS SUBSIDIARIES**

**Consolidated Financial Statements  
Year ended December 31, 2019**



## **Index to audited consolidated financial statements**

	<b><u>Page</u></b>
Report of Independent Registered Public Accounting Firm	2
Consolidated Balance Sheets as of December 31, 2019 and December 31, 2018	3-4
Consolidated Statements of Profit and Loss for the year ended December 31, 2019 and December 31, 2018	5
Consolidated Cash Flow Statements for the year ended December 31, 2019 and December 31, 2018	6-7
Consolidated Statements of Shareholders Equity for year ended December 31, 2019 and December 31, 2018	8
Notes to the Consolidated Financial Statements	9



ERNST & YOUNG (HELLAS)  
Certified Auditors-Accountants S.A.  
8B Chimarras str., Maroussi  
151 25 Athens, Greece

Tel: +30 210 2886 000  
Fax: +30 210 2886 905  
ey.com

To the Shareholders and the Board of Directors of Pioneer Marine Inc.

#### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Pioneer Marine Inc. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of profit and loss, shareholders' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

#### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and 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 financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

The signature logo for Ernst &amp; Young, featuring the company name in a stylized, cursive script.

We have served as the Company's auditor since 2016.

Athens, Greece  
February 27, 2020

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

	<u>Notes</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	16,362	15,218
Restricted cash	3	237	254
Trade accounts receivable and accrued revenue		4,540	5,699
Inventories	4	1,697	1,302
Prepayments and other receivables		631	1,029
Right of use asset		26	-
Assets held for sale	5	7,350	-
<b>Total current assets</b>		<b><u>30,843</u></b>	<b><u>23,502</u></b>
<b>Non-Current assets</b>			
Vessels, net	5	174,635	201,774
Other fixed assets	5	103	141
Restricted cash	3	10,720	11,323
Other non-current assets	6	531	200
<b>Total non-current assets</b>		<b><u>185,989</u></b>	<b><u>213,438</u></b>
<b>Total assets</b>		<b><u>216,832</u></b>	<b><u>236,940</u></b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		4,858	4,263
Deferred revenue		1,144	682
Operating lease liability		26	-
Current portion of long-term debt, net of deferred finance costs	8	17,053	15,919
<b>Total current liabilities</b>		<b><u>23,081</u></b>	<b><u>20,864</u></b>
<b>Non-current liabilities</b>			
Long term debt, net of deferred finance costs	8	67,720	89,755
Other non current liabilities		130	77
<b>Total non-current liabilities</b>		<b><u>67,850</u></b>	<b><u>89,832</u></b>
<b>Total liabilities</b>		<b><u>90,931</u></b>	<b><u>110,696</u></b>

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

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

	<u>Notes</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Commitments and contingencies</b>	6	-	-
<b>Shareholders' equity</b>	7		
Common Stock, \$0.001 par value; 500,000,000 shares authorized; 25,463,715 issued and outstanding as at December 31, 2019 and 26,290,485 issued and outstanding as at December 31, 2018		30	30
Additional paid in capital		262,864	273,050
Treasury Stock, \$0.001 par value, 4,867,832 shares repurchased as at December 31, 2019 and 4,041,062 shares repurchased as at December 31, 2018		(12,331)	(9,722)
Accumulated deficit		(124,662)	(137,114)
<b>Total shareholders' equity</b>		<u><b>125,901</b></u>	<u><b>126,244</b></u>
<b>Total liabilities and shareholders' equity</b>		<u><b>216,832</b></u>	<u><b>236,940</b></u>

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

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

	<u>Notes</u>	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
<b>Revenue, net</b>	9	<u><b>60,707</b></u>	<u><b>67,171</b></u>
Voyage expenses	10	(6,642)	(8,149)
Vessel operating expenses	10	(28,298)	(28,827)
Dry-docking expenses		(1,067)	(2,449)
Depreciation	5	(9,412)	(8,936)
General and administration expenses		(3,637)	(4,205)
Gain on vessel disposal, net	5	6,778	-
Other expenses and taxes, net	14	(731)	(884)
<b>Total expenses</b>		<u><b>(43,009)</b></u>	<u><b>(53,450)</b></u>
Interest expenses and finance cost, net	11	(5,566)	(6,108)
Loss on debt extinguishment	8	-	(1,289)
Interest income		320	625
<b>Net income</b>		<u><b>12,452</b></u>	<u><b>6,949</b></u>
<b>Net income per share, basic and diluted- \$</b>	13	<u><b>0.48</b></u>	<u><b>0.25</b></u>

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 except per share data)

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
<b>Cash flows from operating activities</b>		
Net Income	12,452	6,949
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation expense	9,412	8,936
Amortization of deferred finance fees	330	552
Gain on vessel disposal	(6,778)	-
Loss on debt extinguishment	-	1,289
<b>(Increase)/decrease in operating assets:</b>		
Trade accounts receivable and accrued revenue	1,159	(3,333)
Inventories	(740)	523
Prepayments and other receivables	398	(218)
Other non-current assets	(331)	200
<b>(Decrease)/increase in operating liabilities:</b>		
Accounts payable and accrued liabilities	782	(81)
Deferred revenue	462	26
<b>Net cash provided by operating activities</b>	<u><b>17,146</b></u>	<u><b>14,843</b></u>
<b>Cash flows from investing activities</b>		
Payments for vessel acquisitions and improvements	(555)	(39,240)
Cash proceeds from vessel sale	18,189	-
Purchase of other fixed assets	(71)	(130)
<b>Net cash provided by/ ( used in) investing activities</b>	<u><b>17,563</b></u>	<u><b>(39,370)</b></u>

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 except per share data)

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
<b>Cash flows from financing activities</b>		
Loan Proceeds	-	93,710
Payment of deferred finance fees and other loan fees	(160)	(375)
Payment of debt extinguishment fees	(21)	(775)
Loan repayments and prepayments	(21,209)	(81,090)
Repurchase of common stock	(2,609)	(9,116)
Dividends paid	(10,186)	(24,854)
<b>Net cash used in financing activities</b>	<u>(34,185)</u>	<u>(22,500)</u>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<u>524</u>	<u>(47,027)</u>
Cash and cash equivalents and Restricted cash at the beginning of the year	26,795	73,822
<b>Cash and cash equivalents and Restricted cash at the end of the year</b>	<u>27,319</u>	<u>26,795</u>
<b>Reconciliation of cash, cash equivalents and restricted cash</b>		
<b>Current assets:</b>		
Cash and cash equivalents	16,362	15,218
Restricted cash	237	254
<b>Non- current assets</b>		
Restricted cash	10,720	11,323
<b>Total cash, cash equivalents and restricted cash</b>	<u>27,319</u>	<u>26,795</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash interest paid, net of capitalised interest	5,287	5,360

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 per share data)

	<u>Number of shares</u>	<u>Common stock</u>	<u>Additional paid in capital</u>	<u>Treasury Stock</u>	<u>Accumulated deficit</u>	<u>Total</u>
<b>Balance January 1, 2018</b>	<b>29,493,703</b>	<b>30</b>	<b>297,904</b>	<b>(606)</b>	<b>(144,048)</b>	<b>153,280</b>
Effect of initial adoption as per ASU 2014-09	-	-	-	-	(15)	(15)
Repurchase of common stock, net (Note 7)	(3,203,218)	-	-	(9,116)	-	(9,116)
Dividends paid (Note 7)	-	-	(24,854)	-	-	(24,854)
Net Income	-	-	-	-	6,949	6,949
<b>Balance, December 31, 2018</b>	<b>26,290,485</b>	<b>30</b>	<b>273,050</b>	<b>(9,722)</b>	<b>(137,114)</b>	<b>126,244</b>
Repurchase of common stock, net (Note 7)	(826,770)	-	-	(2,609)	-	(2,609)
Dividends paid (Note 7)	-	-	(10,186)	-	-	(10,186)
Net Income	-	-	-	-	12,452	12,452
<b>Balance, December 31, 2019</b>	<b>25,463,715</b>	<b>30</b>	<b>262,864</b>	<b>(12,331)</b>	<b>(124,662)</b>	<b>125,901</b>

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

**Pioneer Marine Inc. and its Subsidiaries**  
**Notes to the 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 carriers. Pioneer Marine Inc. was incorporated in the Republic of the Marshall Islands on February 14, 2014.

As of December 31, 2019 Pioneer, Marine Inc. owns 100% of the interests of the following subsidiaries:

<u>Company name</u>	<u>Date of incorporation</u>
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
Pioneer Marine Commercial SA (1)	July 5, 2019

**Vessel owning companies**

<u>Name</u>	<u>Date of incorporation</u>	<u>Vessel acquisition date</u>	<u>Vessel name</u>	<u>DWT (4)</u>	<u>Year built</u>
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
PNR Marine Trading I LLC (1)	September 23, 2013	November 1, 2013	Reunion Bay	32,354	2006
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 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 Resolute LLC (1)	September 14, 2016	October 11, 2016	Resolute Bay	36,767	2012
PNR Monterey LLC (1)	April 3, 2018	June 5, 2018	Monterey Bay	36,887	2013
PNR Alsea LLC (1)	April 3, 2018	June 18, 2018	Alsea Bay	36,892	2011
PNR Liberty LLC (1)	April 3, 2018	July 2, 2018	Liberty Bay	36,892	2012

(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.

**Pioneer Marine Inc. and its Subsidiaries**  
**Notes to the consolidated financial statements**

**1. Basis of Presentation and General Information- continued:**

**Other Companies**

<u>Name</u>	<u>Date of incorporation</u>	<u>Date of cancellation</u>
PNR Marine Trading VII LLC (1)	November 5, 2013	November 1, 2019
PNR Marine Trading II LLC (1)	September 23, 2013	-
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.

The Company outsources the technical management and crew management of its vessels to third-party ship managers. Commercial vessel management is performed by in-house personnel. The Company also offers commercial management services to third party companies.

For the year ended December 31, 2018 the Company presented in the line item “Prepayments and other receivables”, the prepayments made for the installation of Ballast Water Treatment System (“BWTS”) of \$200 thousand. As at December 31, 2019 the amount of \$531 thousand included in the line item “Other non-current assets” reflects advance payments made for installation of BWTS and the amount of the comparative period as at December 31, 2018 is also presented in the same line item for comparative purposes.

**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.

***Going concern***

The Company evaluates whether there is substantial doubt about its ability to continue as a going concern by applying the provisions of ASU No. 2014-15. In more detail, the Company evaluates whether there are conditions or events that raise substantial doubt about the Company’s ability to continue as a going concern within one year from the date the financial statements are issued. As part of such evaluation, the Company did not identify any conditions that raise substantial doubt about the entity’s ability to continue as a going concern within one year from the date the financial statements are issued. As a result, there was no impact in the Company’s results of operations, financial position, cash flows or disclosure.

**Pioneer Marine Inc. and its Subsidiaries**  
**Notes to the consolidated financial statements**

**2. Significant Accounting Policies- continued:**

***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.

***Statement of Cash Flows***

In November 2016, the FASB issued ASU No. 2016-18—Statement of Cash Flows (Topic 230) - Restricted Cash, which addresses the requirement that a statement of cash flows explain the change during the period in the total of cash and 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 with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017 including interim periods within that reporting period. On January 1, 2018, the Company adopted the aforementioned ASU. The only effect the adoption of ASU No. 2016-18 had is the presentation of the restricted cash on the statement of cash flows. More precisely, the line item “Decrease/(increase) in restricted cash” was removed from the investing activities section of the statement of cash flows and the beginning period and ending period cash balances now include restricted cash. The comparative period of the statement of cash flow has been retrospectively adjusted to reflect the adoption of ASU No. 2016-18.

***Treasury stock***

Treasury stock is stock that is repurchased by the issuing entity, reducing the number of outstanding shares in the open market. When shares are repurchased, they may either be cancelled or held for reissue. If not cancelled, such shares are referred to as treasury stock. Treasury stock is essentially the same as unissued capital and reduces ordinary share capital. The cost of the acquired shares should generally be shown as a deduction from stockholders’ equity. Gains and losses on sales of treasury stock should be accounted for as adjustments to stockholders’ equity and not as part of income. Depending on whether the shares are acquired for reissuance or retirement, treasury stock is accounted for under the cost method or the constructive retirement method. The cost method is also used, when reporting entity management has not made decisions as to whether the reacquired shares will be retired, held indefinitely or reissued. The Company elected for the repurchase of its common shares to be accounted for under the cost method. Under this method, the treasury stock account is charged for the aggregate cost of shares reacquired.

***Trade accounts receivable, net***

Trade accounts receivable reflect receivables from charterers for hire, freight and demurrage billings, net of 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 is a provision of \$24 thousand for the year ended December 31, 2019 while there was no provision for the year ended December 31, 2018.

**Pioneer Marine Inc. and its Subsidiaries**  
**Notes to the consolidated financial statements**

**2. Significant Accounting Policies- continued:**

*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

*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 net realizable value. Cost is determined using the first in first out method. Stores and spares are charged to vessel operating costs when purchased. The Company has adopted ASU 2015-11- Simplifying the Measurement of Inventory effective January 1, 2017. The adoption of this guidance has had no impact on the Company's results of operations, cash flows and net assets.

*Staff Leaving Indemnities - Administrative Personnel*

The Company's office administrative employees are entitled to termination payments in the event of dismissal or retirement with the amount of payment varying in relation to the employees' compensation, length of service and manner of termination (dismissed or retired). Such plans are not funded and are defined benefit plans in accordance with ASC 715. Employees who resign, or are dismissed with cause, are not entitled to termination payments. The company charges the accrued benefits in each period with a corresponding increase in Other non-current liabilities. The liabilities of the Company arising from the obligation to pay termination indemnities are determined through actuarial study, conducted by independent actuaries. The Company's liability at December 31, 2019 amounted to \$130 thousand and is presented under noncurrent liabilities. The amount of \$77 thousand of the comparative period is reclassified from Accounts payable and accrued liabilities to noncurrent liabilities for comparative purposes.

*Vessels, net*

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, which Management estimates 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 for in accordance with the accounting policy for vessels.

**Pioneer Marine Inc. and its Subsidiaries**  
**Notes to the consolidated financial statements**

**2. Significant Accounting Policies- continued:**

*Long lived assets held for sale*

The Company classifies long lived assets and disposal groups as being held for sale in accordance with ASC 360, Property, Plant and Equipment, when: (i) management, having the authority to approve the action, commits to a plan to sell the asset; (ii) the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets; (iii) an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated; (iv) the sale of the asset is probable, and transfer of the asset is expected to qualify for recognition as a completed sale, within one year; (v) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value and (vi) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Long lived assets classified as held for sale are measured at the lower of their carrying amount or fair value less cost to sell. These assets are not depreciated once they meet the criteria to be held for sale.

When the Company concludes a Memorandum of Agreement for the disposal of a vessel which has yet to complete a time charter, it is considered that the held for sale criteria discussed above are not met until the time charter has been completed as the vessel is not available for immediate sale. As a result, such vessels are not classified as held for sale.

When the Company concludes a Memorandum of Agreement for the disposal of a vessel which has no time charter to complete or a contract that is transferable to a buyer, it is considered that the held for sale criteria discussed above are met. As a result, such vessels are classified as held for sale.

As at December 31, 2019 M/V Calm Bay is classified as held for sale while as of December 31, 2018 there were no vessels classified as held for sale.

*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 and taking into account historical revenue data and published forecasts on global economic growth and inflation. The Company determines the fair value of its vessels based on third party valuations and the use of available market data.

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.

**Pioneer Marine Inc. and its Subsidiaries**  
**Notes to the consolidated financial statements**

**2. Significant Accounting Policies- continued:**

*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 year presented and thus is not presented in the statement of operations or in a separate statement.

*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 assets in the accompanying consolidated balance sheet

*Debt Modifications and extinguishments*

The Company follows the provisions of ASC 470-50, "Modifications and Extinguishments" to account for all modifications or extinguishments of debt instruments, except debt that is extinguished through a troubled debt restructuring (see Subtopic 470-60) or a conversion of debt to equity securities of the debtor pursuant to conversion privileges provided in terms of the debt at issuance (see Subtopic 470-20). This subtopic also provides guidance on whether an exchange of debt instruments with the same creditor constitutes an extinguishment and whether a modification of a debt instrument should be accounted for in the same manner as an extinguishment. In circumstances where an exchange of debt instruments or a modification of a debt instrument does not result in extinguishment accounting, this Subtopic provides guidance on the appropriate accounting treatment.

*Dry-docking and special survey expenses*

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

*Revenue from Contracts with Customers and Expenses*

Vessel revenue is comprised of voyage revenue, time charter revenue and revenue from commercial services. On January 1, 2018, the Company adopted ASU 2014-09 (Topic 606) using the modified retrospective method. Its adoption mainly changed the method of recognizing revenue over time for voyage charters from the discharge-to-discharge method to the loading-to-discharge method. Under the loading-to-discharge method the commencement date of each voyage charter shall be deemed to be upon the loading of the current cargo, decreasing the period of time for recognizing revenue for voyages. Demurrage income estimate is included in revenue upon occurrence of the delays only to the extent that is probable that will not be a significant reversal of revenue in future period, using the "most likely amount method". Despatch will follow the same recognition approach as Demurrage income and both variable considerations will be allocated consistently with the recognition of freight revenue.

With respect to the recognition of voyage charters costs, the related costs (i.e. commissions) continue to be expensed as incurred, on the basis that the Company's voyage charters do not exceed one year. Under ASC 606, for voyage charters, the Company capitalizes the direct costs, which are voyage expenses, of relocating the vessel to the load port to be amortized during transport of the cargo. At December 31, 2019 and December 31, 2018, the costs related to voyages that were not yet completed were nil.

The Company adopted ASU 2014-09 on January 1, 2018, using the modified retrospective transition method applied to those spot market voyage charter contracts which were not completed as of January 1, 2018. The cumulative effect of the initial adoption amounted to approximately \$15 thousands and posted as an increase to the opening Retain Earnings/Accumulated Deficit for the period ended December 31, 2018. Prior periods were not adjusted retrospectively.

**Pioneer Marine Inc. and its Subsidiaries**  
**Notes to the consolidated financial statements**

**2. Significant Accounting Policies- continued:**

*Leases*

On January 1, 2019, the Company adopted ASU No. 2016-02, Leases (ASC 842), as amended from time to time, using the modified retrospective transition method. The Company elected to apply the additional and optional transition method to existing leases at the beginning of the period of adoption through a cumulative effect adjustment to the opening retained earnings as of January 1, 2019. The prior period comparative information has not been restated and continues to be reported under the accounting guidance in effect for those periods (ASC 840), including the disclosure requirements. Also, the Company elected to apply a package of practical expedients under ASC 842, which allowed the Company, not to reassess (i) whether any existing contracts, on the date of adoption, contained a lease, (ii) lease classification of existing leases classified as operating leases in accordance with ASC 840 and (iii) initial direct costs for any existing leases. As all existing contracts with charterers, at January 1, 2019, are operating leases and as the Company did not account for initial direct costs related to existing leases at January 1, 2019, there were no amounts to be recorded as a cumulative effect adjustment to opening retained earnings on January 1, 2019. Additionally, the Company, as lessor, elected to apply the practical expedient, to not separate lease and associated non-lease components, and instead to account for each separate lease component and the associated non-lease components as a single component, as the criteria of the paragraphs ASC 842-10-15-42A through 42B are met. There was no cumulative effect from the adoption of the standard to opening retained earnings as at January 1, 2019.

In addition, following the adoption of ASC 842 the Company has recognized a Right of Use (“ROU”) asset for the operating lease in relation to the office space leased in Athens, Greece. The lease agreement has a term of more than 12 months; thus, the applicable ROU asset and the lease liability were recognized in the accompanying consolidated balance sheet.

The table below presents charterers that represent more than 10% of the Company’s revenue:

<u>% of Company’s charter revenue</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Charterer A	13%	-
Charterer B	10%	-

*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.

*Segment reporting*

The Company reports financial information and evaluates its operations by charter revenues and not by the length of ship employment for its customers, i.e., spot or time charters. The Company does not use discrete financial information to evaluate the operating results for each such type of charter. Although revenue can be identified for these types of charters, management cannot and does not identify expenses, profitability or other financial information for these charters. Furthermore, when the Company charters a vessel to a charterer, the charterer is free to trade the vessel worldwide (subject to certain agreed exclusions) and, as a result, the disclosure of geographic information is impracticable. As a result, management, including the chief operating decision maker, reviews operating results solely by revenue per day and operating results of the fleet and thus the Company has determined that it operates under one reportable segment.



**2. Significant Accounting Policies- continued:**

*Earnings per share*

Earnings per share are computed in accordance with guidance related to Earnings per Share. Basic earnings per share are calculated by dividing net income available to common shareholders by the basic weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by the treasury stock method whereby all of the Company's dilutive securities are assumed to be exercised and the proceeds used to repurchase common shares are calculated at the weighted average market price of the Company's common stock during the relevant periods. The incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) are included in the denominator of the diluted earnings per share computation (Note 13).

**Recent accounting pronouncement- Not yet adopted**

In June 2016, the FASB issued **ASU No. 2016-13—Financial Instruments—Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments**. ASU No. 2016-13 amended guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For public entities, the amendments of this Update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early application is permitted.

Furthermore, in November 2018, the FASB issued ASU 2018-19, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses". The amendments clarify that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases.

In addition, in April 2019, the FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825 Financial Instruments", the amendments of which clarify the modification of accounting for available for sale debt securities excluding applicable accrued interest, which must be individually assessed for credit losses when fair value is less than the amortized cost basis.

In May 2019, the FASB issued ASU 2019-05, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825 Financial Instruments", the amendments of which provide entities that have certain instruments within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost, with an option to irrevocably elect the fair value option in Subtopic 825-10, Financial Instruments—Overall, applied on an instrument-by-instrument basis for eligible instruments, upon adoption of Topic 326. The fair value option election does not apply to held-to-maturity debt securities. An entity that elects the fair value option should subsequently apply the guidance in Subtopics 820-10, Fair Value Measurement—Overall, and 825-10. The effective date and transition requirements for the amendments in these Updates are the same as the effective dates and transition requirements in Update 2016-13, as amended by these Updates. The Company is currently assessing the impact of the adoption of the new accounting standard on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued **ASU 2018-13, "Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement"**, which improves the effectiveness of fair value measurement disclosures. In particular, the amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in FASB Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements, including the consideration of costs and benefits. The amendments in the Update apply to all entities that are required under existing GAAP to make disclosures about recurring and non-recurring fair value measurements. ASU 2018-13 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of this Update. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this Update and delay adoption of the additional disclosures until their effective date. The Company is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements and related disclosures.

**Pioneer Marine Inc. and its Subsidiaries**  
**Notes to the consolidated financial statements**

**2. Significant Accounting Policies- continued:**

In October 2018, the FASB issued ASU 2018-17, “Consolidation (Topic 810)—Targeted Improvements to Related Party Guidance for Variable Interest Entities”. The FASB is issuing this Update in response to stakeholders’ observations that Topic 810, Consolidation, could be improved in the following areas: (i) applying the variable interest entity (VIE) guidance to private companies under common control and (ii) considering indirect interests held through related parties under common control for determining whether fees paid to decision makers and service providers are variable interests. The amendments in this Update improve the accounting for those areas, thereby improving general purpose financial reporting. ASU 2018-17 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. All entities are required to apply the amendments in this Update retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. Early adoption is permitted. The Company is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements and related disclosures.

**3. Cash and Cash Equivalents:**

Cash and cash equivalents consisted of the following:

<u>USD in thousands</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and at banks	16,362	6,218
Short term time deposits	-	9,000
<b>Total</b>	<b>16,362</b>	<b>15,218</b>

Short term time deposits relate to time deposit accounts with original maturity of three months or less held in banks for general purposes. As of December 31, 2019, restricted cash relating to minimum cash and other reserve requirements was \$10,957 thousand (December 31, 2018: \$11,577 thousand).

**4. Inventories:**

Inventories are analysed as follows:

<u>USD in thousands</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bunkers	1,130	427
Lubricants	567	875
<b>Total</b>	<b>1,697</b>	<b>1,302</b>

**5. Vessels, Net and Other fixed Assets:**

Vessels are analysed as follows:

<u>USD in thousands</u>	<u>Vessel cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
<b>Balance, January 1, 2018</b>	<b>187,123</b>	<b>(15,736)</b>	<b>171,387</b>
Vessels additions	272	-	272
Depreciation expense	-	(8,885)	(8,885)
Vessels acquisition	39,000	-	39,000
<b>Balance, December 31, 2018</b>	<b>226,395</b>	<b>(24,621)</b>	<b>201,774</b>
Vessels additions	555	-	555
Depreciation expense	-	(9,303)	(9,303)
Vessel held for sale	(9,269)	1,919	(7,350)
Vessels disposal	(12,953)	1,912	(11,041)
<b>Balance, December 31, 2019</b>	<b>204,728</b>	<b>(30,093)</b>	<b>174,635</b>

On January 23, 2019, the Company entered into a Memorandum of Agreement (“MOA”) for the sale of M/V Paradise Bay to an unrelated third party on a charter free basis. The vessel was delivered to her new owners on April 10, 2019 and as a result of the sale the Company recognized a gain of \$3,851 thousand included within “Gain on vessel disposal, net” in the accompanying consolidated statements of Profit and Loss.

**Pioneer Marine Inc. and its Subsidiaries**  
**Notes to the consolidated financial statements**

**5. Vessels, Net and Other fixed Assets- continued:**

On October 24, 2019, the Company entered into a MOA for the sale of M/V Fortune Bay to an unrelated third party on a charter free basis. As of December 31, 2019, the vessel had yet to complete a time charter and as such the Company concluded that not all criteria required by the relevant accounting standard for the classification of the vessel as “held for sale” were met. The vessel is expected to be delivered to her new owners by the end of second quarter or early third quarter of 2020

On November 14, 2019, the Company entered into a MOA for the sale of M/V Tenacity Bay to an unrelated third party on a charter free basis. The vessel was delivered to her new owners on December 18, 2019 and as a result of the sale the Company recognized a gain of \$3,045 thousand included within “Gain on vessel disposal, net” in the accompanying consolidated statements of Profit and Loss.

On December 24, 2019, the Company entered into a Memorandum of Agreement (“MOA”) for the sale of M/V Calm Bay to an unrelated third party on a charter free basis. The Company concluded that all criteria required by the relevant accounting standard for the classification of the vessel as “held for sale” were met.

As of December 31, 2019, the amount of \$7,350 thousand separately reflected in “Vessels held for sale” in the accompanying consolidated balance sheet, represent the fair market value of the vessel based on the vessel’s agree sale price net of commission and costs to sell. The difference between the estimated fair value less cost to sell the vessel and the vessel’s carrying value amounting to \$118 thousand is included within “Gain on vessel disposal, net” in the accompanying consolidated statements of Profit and Loss. On January 17, 2020, the sale of M/V Calm Bay was completed, and the vessel was delivered to her new owners.

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 are 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 or up to the expected vessel disposal date when an agreement is in place for such disposal.

Projected net operating cash flows are 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, net of brokerage commissions. The Company estimated the daily time charter equivalent for the unfixed days for the two first years utilizing the Marsoft rates and for the remaining useful life by using the most recent twenty-year historical averages publicly provided by major brokers. The twenty-year historical average, given the wide spread of annual rates between the peaks and troughs over the period, provides as fair as any other assumption that could be used in determining a rate for a long-term forecast.

Expected outflows for operating expenses (including planned dry-docking and special survey expenditures) were based on the 2019 average per type of vessel, assuming an average annual inflation rate of 1.8% and fleet utilization of 98.5%. 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.

The review of the carrying amounts in connection with the estimated recoverable amount of the Company’s vessels as of December 31, 2019, did not indicate an impairment charge.

As of December 31, 2019, all Company’s vessels are mortgaged as security for the loan facilities, refer to Note 8.

As of December 31, 2019, other fixed assets represent office assets with a cost of \$232 thousand and accumulated depreciation of \$129 thousand. Depreciation charged on other fixed assets amounted to \$109 thousand for the year ended December 31, 2019.

**Pioneer Marine Inc. and its Subsidiaries**  
**Notes to the consolidated financial statements**

**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.
- b) 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 ("IG"), which covers its third-party liabilities in connection with the vessels' shipping activities. A member of the IG may subject to supplemental amounts or calls, payable to its P&I Club based the claim records of all members of the P&I Club.

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

- c) Following the adoption of ASC 842 "Leases" as discussed in Note 2, the Company has evaluated the impact of the new guidance adopted on the presentation of the operating lease for the Company's offices in Athens. Accordingly, the Company recognised the Right of use of the asset in the amount of \$26 thousand as current asset in the accompanying balance sheet as the term of the lease is less than 12 months. The applicable liability of \$26 thousand was recognised as current operating lease liability in the accompanying balance sheet.

As of December 31,2019, the company's minimum rental payments up to contract's expiration on August 2020 are as follows:

<b>Twelve-month period ending December 31,2019</b>		
<b>USD in thousands</b>	<b>2020</b>	<b>Total</b>
Rent	28	28
<b>Total</b>	<b>28</b>	<b>28</b>

- d) The Company has entered into a contract for the purchase of the Ballast Water Treatment System equipment for five vessels of its fleet. As of December 31, 2019, the remaining commitments in relation to the above-mentioned contract amount to \$270 thousand and are due for payment within the next 12 months.

On October 28, 2019 the Company successfully completed the en-route installation of Ballast Water Treatment System on the M/V Emerald Bay.

**7. Shareholders' Equity:**

Within 2019, the Company repurchased 826,770 of its own shares for a total amount of \$2,609 thousand. The repurchased shares were not retired and are presented as Treasury Stock in the accompanying consolidated balance sheet

On November 20, 2019, the Board of Directors of Pioneer Marine Inc. declared a cash dividend of \$0.40 per outstanding share of company's Common Stock and the amount of \$10,186 was paid on December 6, 2019.

**Pioneer Marine Inc. and its Subsidiaries**  
**Notes to the consolidated financial statements**

**8. Long Term Debt:**

An analysis of long-term debt is as follows:

<b>USD in thousands</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
ABN Facility (“ABN”)	51,499	60,099
Sinosure Facility (“Sinosure”)	16,438	18,527
DVB Bank SE (“DVB Refinancing facility”)	17,645	28,164
Total principal outstanding	85,582	106,790
Less: Deferred financing costs	(809)	(1,116)
<b>Total</b>	<b>84,773</b>	<b>105,674</b>

**Presented as follows:**

Current portion of long-term debt, net of deferred finance cost	17,053	15,919
Long term debt, net of deferred finance cost	67,720	89,755

The annual principal payments required to be made after December 31, 2019, in accordance with the loan agreements and supplemental agreements, including balloon payments, totalling \$85,582 thousand are as follows:

<b>USD in thousands</b>	<b>Amount</b>
<b>Year</b>	
December 31, 2020	17,316
December 31, 2021	13,449
December 31, 2022	13,449
December 31, 2023	33,285
December 31, 2024	2,089
December 31, 2025 and thereafter	5,994
<b>Total</b>	<b>85,582</b>

**ABN facility:** On June 13, 2018 eleven of our ship-owning subsidiaries entered a secured term loan facility with ABN Amro Bank N.V. for an amount of up to \$64,400 thousand. The purpose of the facility was to refinance the existing loan facility with ABN/DVB as well as to partially finance the three secondhand vessels acquisitions. The full amount of the loan facility of \$64,400 thousand was drawn within June 2018.

As of December 31, 2019, the outstanding facility is repayable in fourteen quarterly instalments of \$2,150 thousand each and a balloon payment of \$21,395 thousand to be paid on the last repayment date scheduled for June 2023. The loan bears interest at LIBOR plus a margin and is secured over the respective vessels.

Pursuant to a Memorandum of Agreement (“MOA”) for the sale of the MV Calm Bay (Note 5), the Company prepaid on January 14, 2020 the amount of \$3,868 thousand (the “Calm Bay Prepayment”) and the vessel was released from mortgage. Following the Calm Bay Prepayment the outstanding amount of the ABN facility is repayable in fourteen quarterly instalments of \$1,969 thousand each and a balloon payment of \$20,065 thousand to be paid on the last repayment date scheduled for June 2023

**DVB Refinancing facility:** On September 20, 2018, six of Company’s ship-owning subsidiaries entered into a secured term loan facility with DVB Bank SA, Amsterdam Branch for an amount of \$29,310 thousand divided into two tranches, Tranche A and Tranche B. The loan bears interest at LIBOR plus a margin and is secured over the respective vessels.

**Pioneer Marine Inc. and its Subsidiaries**  
**Notes to the consolidated financial statements**

**8. Long Term Debt- continued:**

The purpose of the facility was to refinance the existing CIT and DVB loan facilities. The full amount of the new loan facility of \$29,310 thousand was drawn down on September 25, 2018.

Pursuant to a Memorandum of Agreement (“MOA”) for the sale of the MV Paradise Bay (Note 5), the Company prepaid the full outstanding amount of the DVB loan tranche assigned to this vessel and accordingly the vessel mortgage was released. To this effect the amount of \$2,500 thousand was prepaid on March 26, 2019.

Pursuant to a Memorandum of Agreement (“MOA”) for the sale of M/V Tenacity Bay (Note 5), the Company prepaid the full outstanding amount of the DVB loan tranche assigned to this vessel and accordingly the vessel mortgage was released. To this effect the amount of \$3,490 thousand was prepaid on December 17, 2019.

As of December 31, 2019, the facility is repayable into fifteen quarterly instalments of \$871 thousands and a balloon payment of \$4,580 thousands payable together with the last instalment scheduled for September 2023.

**Sinosure facility:** On May 19, 2015, as amended on July 22, 2015 (“First Supplemental Agreement”), the ship owning companies of M/V Falcon Bay and M/V Kite Bay 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 Norddeutsche Landesbank Girozentrale bearing interest at Libor plus a margin and is secured over the respective vessels. The credit facility 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.

On August 17, 2017, the Company entered into a supplemental agreement for the Sinosure facility (“Second Supplemental Agreement”) whereby Lenders provided their consent for the change of Company’s CEO. Additionally, the Second Supplemental Agreement provided for a prepayment in the amount of \$1,044 thousand representing the two quarterly repayments beginning on August 28, 2017.

On June 25, 2019 the Company entered into a supplemental agreement for the Sinosure Facility (“Third Supplemental Agreement”) whereby Lenders, provided their consent to distribute dividends and acquire treasury stock without their prior approval, subject to compliance with the terms of the loan agreement.

As of December 31, 2019, the outstanding loan amount for MV Falcon Bay is repayable in twenty-three quarterly instalments in the amount of \$272 thousand, with a total balloon payment of \$2,175 thousand to be paid on the last repayment date scheduled for August 2025. The outstanding loan amount for MV Kite Bay is repayable in twenty-four quarterly instalments in the amount of \$250 thousand, with a total balloon payment of \$2,003 thousand to be paid on the last repayment date scheduled for November 2025.

As of December 31, 2019, the Company was in compliance with the required financial covenants under its loan agreements, as amended and agreed from time to time.

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

**ABN/DVB facility:** Following the drawdown of the above discussed ABN Facility, the Company fully repaid the outstanding loan balance of the ABN/DVB facility in the amount of \$41,209 thousand on June 21, 2018, along with interest then due and other break costs of \$536 thousand.

On June 23, 2018 the total amount \$6,914 thousand previously included in the retention accounts of the relevant ABN/DVB facility borrowers was released to the Company.

**CIT facility:** Following the drawdown of the above discussed DVB Refinancing facility, the Company fully repaid the outstanding loan balance of the CIT Facility in the amount of \$24,676 thousand on September 25, 2018, along with interest then due and other break costs of \$386 thousand.

On October 5, 2018 the total amount \$5,162 thousand previously included in the retention accounts of the CIT facility borrowers was released to the Company.

**Pioneer Marine Inc. and its Subsidiaries**  
**Notes to the consolidated financial statements**

**8. Long Term Debt- continued:**

**DVB facility:** Following the drawdown of the above discussed DVB Refinancing facility, the Company fully repaid the outstanding loan balance of the DVB facility (Tenacity Bay) in the amount of \$4,310 thousand on September 25, 2018, along with interest then due and other break costs of \$41 thousand.

The full repayment of ABN/DVB facility, CIT facility and DVB facility was accounted for in accordance with ASC 405-20-40 as loan extinguishment and a loss in the amount of \$1,289 thousand is included in in the Statement of Profit and Loss for the year ended December 31, 2018 as Loss on debt extinguishment.

Unamortized deferred finance cost amounted to \$1,116 thousand as of December 31, 2018. During the year ended December 31, 2019, loan related fees were incurred in connection with Company's credit facilities amounted to \$23 thousand. During the same period amortization charge amounted to \$330 thousand. Unamortized deferred finance costs amount to \$809 thousand as at December 31, 2019.

Weighted average interest rate for the year ended December 31, 2019, was 5.22%. (December 31, 2018: 5.29%)

**9. Revenue, Net:**

Revenue, net comprises of the following:

<u>USD in thousands</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Time charter revenues	56,908	55,309
Voyage charter revenues	5,725	14,202
Less: Address commissions	(2,191)	(2,349)
<b>Sub Total Revenue</b>	<b>60,442</b>	<b>67,162</b>
Commercial Revenue Fee	265	9
<b>Total Revenue</b>	<b>60,707</b>	<b>67,171</b>

**10. Voyage and Vessel Operating Expenses:**

<u>USD in thousands</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Voyage Expenses</b>		
Bunkers consumption	3,781	4,662
Agency costs	1,000	1,543
Commissions and other voyage costs	1,861	1,944
<b>Total Voyage Expenses</b>	<b>6,642</b>	<b>8,149</b>

<u>USD in thousands</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Vessel Operating Expenses</b>		
Crew wages and expenses	17,891	17,047
Lubricants consumption	1,165	1,442
Stores, spares and repairs	3,984	5,045
Insurance	1,639	1,639
Management fee and expenses	2,262	2,046
Other operating expenses	1,357	1,608
<b>Total Operating Expenses</b>	<b>28,298</b>	<b>28,827</b>

**Pioneer Marine Inc. and its Subsidiaries**  
**Notes to the consolidated financial statements**

**11. Interest Expenses and Finance Costs, Net:**

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

<u>USD in thousands</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Loan interest expense and other finance charges	5,236	5,556
Amortization of deferred finance cost	328	552
<b>Interest expense and finance cost, net</b>	<b>5,564</b>	<b>6,108</b>

**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.

**13. Net Income Per Share:**

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Net income (USD in thousands)	12,452	6,949
Weighted average number of common shares outstanding, basic and diluted	25,992,104	28,021,590
<b>Net income per share, basic and diluted in USD</b>	<b>0.48</b>	<b>0.25</b>

The computation of basic and diluted loss per share is based on the weighted average number of common shares outstanding during the period presented in the table above.

**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, 2019, amounted to \$170 thousand (2018: \$139 thousand) and is included under other expenses and taxes, net in the consolidated statement of Profit and Loss.



**Pioneer Marine Inc. and its Subsidiaries**  
**Notes to the consolidated financial statements**

**14. Taxes- continued:**

Finally, other minor taxes amounting to \$78 thousand (2018: \$72 thousand) mainly relating to tonnage tax paid for vessels managed from Greek company under Law 89/79 are included under other expenses and taxes, net in the accompanying consolidated statement of Profit and Loss.

**15. Subsequent Events:**

On February 27, 2020, the Board of Directors of Pioneer Marine Inc. declared a cash dividend of \$0.30 per outstanding share of company's Common Stock. The dividend is payable on March 12, 2020 to stockholders of record as of March 5, 2020.

Subsequent events have been evaluated through February 27, 2020 the date that the financial statements were available to be issued.