

Western Bulk Chartering AS

Third quarter report 2016



www.westernbulk.com

Content

- 1 Key Figures and Highlights3
 - 1.1 Key Financial Highlights.....3
 - 1.2 Dry Bulk Market Highlights.....5
- 2 Operational and Financial Review6
 - 2.1 Third Quarter Results.....6
 - 2.2 Debt Financing.....6
- 3 Outlook.....7
- 4 Financial Statements for Third Quarter 20168

About Western Bulk Chartering AS:
 Western Bulk Chartering AS is a major dry bulk shipping operator. The company is privately owned by a group of about 250 shareholders. See www.westernbulk.com for more information.

1 KEY FIGURES AND HIGHLIGHTS

1.1 Key Financial Highlights¹

WB Chartering Group, Condensed Income Statement (USDm)	YTD 2016	Q3 2016	Q2 2016	FY 2015	FY 2014
Net T/C result ^{1) 2)}	1,8	0,9	(5,4)	44,5	26,2
Administration expenses	(17,7)	(6,3)	(5,4)	(35,4)	(35,0)
EBITDA ^{1) 2)}	(15,9)	(5,4)	(10,8)	9,1	(8,8)
Profit/(loss) after tax ^{1) 2) 3)}	(17,8)	(7,4)	(11,4)	7,2	(11,7)
Net TC Margin per ship day (USD) ^{1,2)}	54	78	-543	785	426
Average number of ships operated	122	126	109	155	169
1) Excluding one-off gain of USD 10.7 million in 2014					
2) Excluding one-off loss of USD 4.0 million in Q1 2016 related to vessels chartered in from Bulk Invest					
3) Excluding write-down of loan provided to Bulk Invest of USD 3.7 million in Q1 2016 and USD 23.3 million in 2015					
WB Chartering Group, Condensed Balance Sheet (USDm)	30.09.16	30.06.16	31.12.15	31.12.14	
Non current assets	1,9	1,9	1,8	1,8	
Bank deposits ⁴⁾	35,9	46,9	52,7	57,2	
Other current assets	50,5	38,0	62,8	138,8	
Total assets	88,3	86,9	117,3	197,8	
Equity	10,6	15,9	47,1	66,9	
Long term liabilities	39,2	37,6	5,2	6,3	
Short term liabilities	38,5	33,4	65,0	124,6	
Total equity and liabilities	88,3	86,9	117,3	197,8	
4) Of which restricted cash amounts to (USDm)					
	6,7	6,4	6,4	10,3	

Comments to the results

The Group had a significant improvement in performance from Q2-16 to Q3-16, with both increased Net TC and operated fleet.

The Net TC result improved from the very weak level of USD -5.4 million in Q2-16 to USD 0.9 million in Q3-16. At the same time the operated fleet increased from 109 vessels in Q2-16 to 126 vessels on average for Q3-16 and was steadily increasing throughout the quarter, with 138 vessels operated on average in September.

The negative EBITDA in Q2-16 was reduced by 50% quarter-on-quarter with Q3-16 at USD -5.4 million, while the net result was USD -7.4 million in Q3-16 compared to USD -11.4 million the previous quarter.

The Group's cash position was robust at the end of the quarter, with USD 35.9 million. The Group's USD 6 million bank credit line remains undrawn.

Expansions in Q3-16

The Group continues to increase its market presence, and has during Q3-16 seen another 3 persons joining the US Gulf business unit in Miami. In addition, an office in Morocco has been opened to support new business in the West Africa area. Both of these markets have great potential for the Group looking forward.

Equity transaction in Q3-16

In September, the Group completed a share issue directed at the smaller, former Bulk Invest ASA shareholders, raising about USD 2 million in new equity (on top of the about USD 20 million raised from approximately 20 larger shareholders in June). Following the transaction in September, a group of about 250 shareholders now owns Western Bulk Chartering AS. Kistefos AS remains the majority shareholder, controlling approximately 74% of the shares through two of its subsidiaries.

Subsequent events

Update from the Bulk Invest bankruptcy estate:

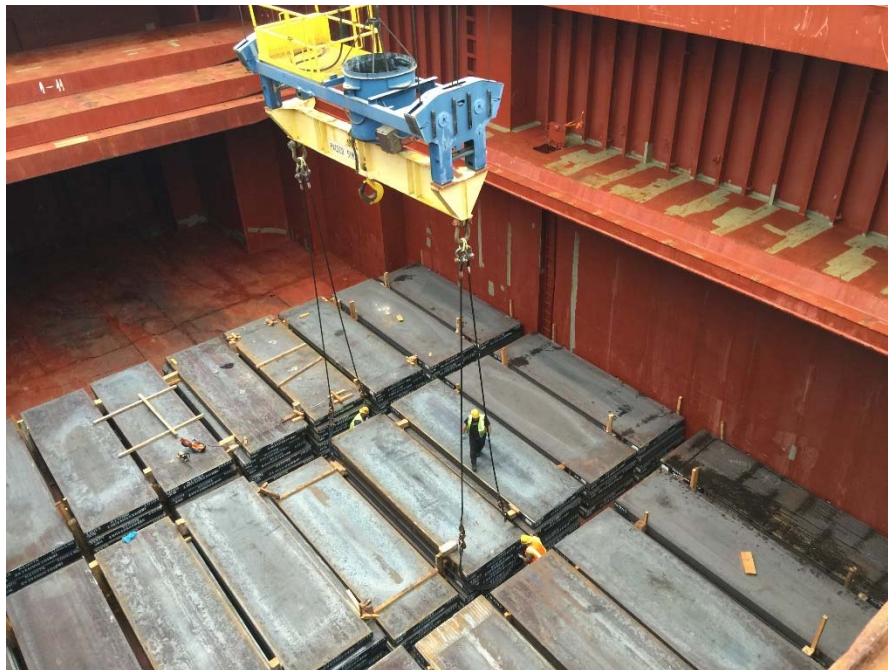
In November, the bankruptcy estate of Bulk Invest ASA issued a report which summarizes the estate's review of the development of Bulk Invest ASA's financial situation prior to the bankruptcy in March 2016, the sale by Bulk Invest ASA of Western Bulk Chartering AS and certain other matters.

¹ Definition of Net TC Result: The Net TC result equals gross revenues, less charter hire paid for the vessels, commissions, bunker fuel expenses, port charges and other voyage related expenses, including any realised gain/loss from hedging instruments related to the performed activity in the relevant period. Office expenses, administrative overhead, salaries and bonuses to on-shore staff are not included.

The conclusion of the bankruptcy estate is that there is no basis for any claims (including a reversal of the sale of Western Bulk Chartering AS) as a result of the sale of Western Bulk Chartering AS, or the decision by Bulk Invest ASA not to carry out a contemplated rights issue. Further, the estate has also concluded that there is no basis for making any claims against the members of the board of directors of Bulk Invest ASA.

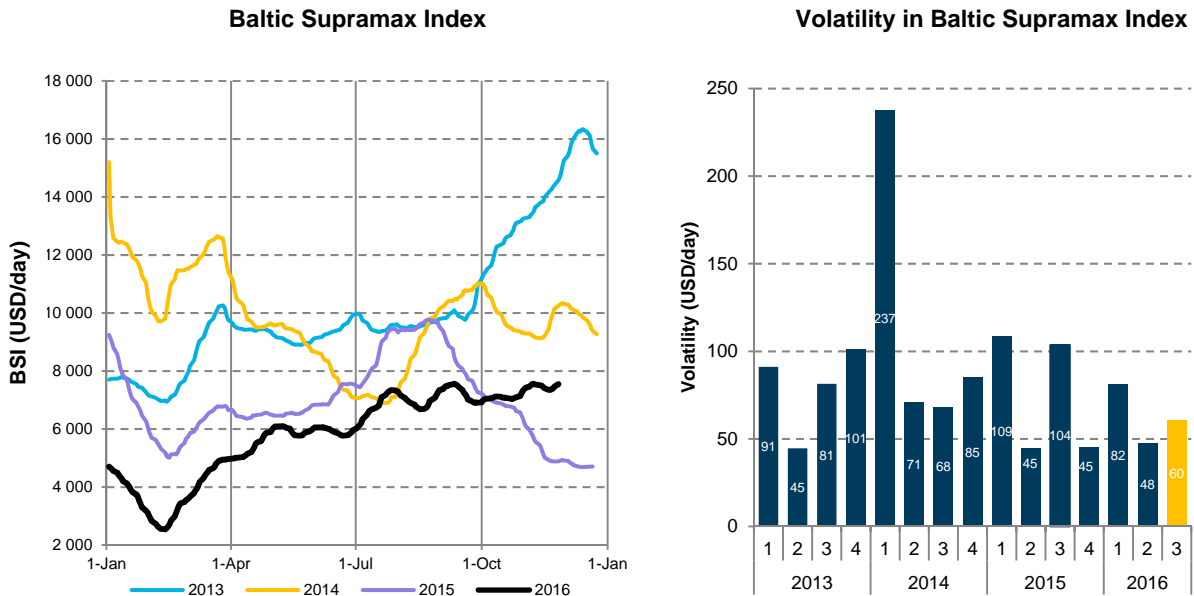
Further strengthening of the equity and cash position of the Group:

To strengthen the book equity and cash position of the Group, Western Bulk Chartering AS will raise USD 15 million in additional equity from existing shareholders in a private placement. The transaction is backed with a subscription and guarantee agreement from the two largest shareholders; Kistefos AS and Ojada AS, which are guaranteeing USD 13.8 million and USD 1.2 million respectively. In connection with the equity transaction, the Group has requested the bond holders to approve certain amendments in the bond loan agreement. The request has already been pre-accepted by a majority of the bond holders, ahead of the bond holder meeting to be held on or about 15 December 2016 to approve the requested changes.



1.2 Dry Bulk Market Highlights

The third quarter of 2016 was a relatively flat one for the Baltic Supramax Index (BSI) as the market hovered around 7,000/day without showing any real direction. Rates ended the quarter around USD 7,100/day, which was an improvement of 10% or about USD 600/day from the beginning of the quarter. Volatility remained low as rates remained within a tight band for the quarter.



Both the Atlantic and Pacific basin followed the BSI trend wise, with slightly more volatility in the Atlantic. The Atlantic shed USD 1,000/day to end at USD 7,000/day down 13% whilst the Pacific basin gained 9%, adding USD 500/day; ending at USD 6,400/day.

On the demand side, there was mostly positive movements, as both volumes and tonne-miles have pushed upwards. Volumes for major bulk² improved with increased demand from China for high quality foreign iron ore and coal as domestic coal production was cut. Global volumes for iron ore are up 4.8% quarter on quarter and 5.3% ahead versus YTD-15. Whilst global coal volumes still remain down compared to YTD-15 (down 3.7%), quarter on quarter coal volumes increased some 2.2% as solid demand from Japan and smaller Asian economies added on to a small spike in Chinese demand.

The main minor bulk volumes (Grain/soybean, Bauxite, Alumina, Fertilizers, Cement, Steel products and Nickel ore) posted a volume growth of 1.1% quarter on quarter and 4.8% compared to YTD-15. Increased tonne-miles also helped occupy tonnage for longer periods. Nickel ore and particularly bauxite have had a positive effect on minor bulk volumes; up 14% compared to this time last year as Guinea takes more market share of volumes heading to China. Steel volumes remain high, but with no growth compared to YTD-15 with the previous growth seen in Chinese exports being more muted, as western protectionism forces Chinese steel to travel shorter distances to neighboring Asian economies. Agribulk volumes showed good growth with a 10% increase compared to YTD-15.

The supply side remains the main challenge of the dry bulk shipping market, as fleet growth and a lack of scrapping keeps a firm lid on market rates. The world's Supramax fleet grew by approximately 1.3% net of scrapping in Q3-16 and the annualized growth currently stands at 5.3%. Supramax scrapping came in at around 0.5m dwt (1.5m dwt in Q2-16), the lowest quarterly scrapping since 2011, as the slight uptick in charter rates led owners to hold on to their tonnage for a while longer. Deliveries remained constant to last quarter with 3.1m dwt delivered (Q2-16: 3.1m dwt). Order activity for new vessels remains virtually non-existent, with the Supramax order book to current fleet ratio now at its lowest level since 2002.

² Based on statistics and estimates as data is typically lagging 1-2 months. Figures may be inaccurate.

2 OPERATIONAL AND FINANCIAL REVIEW

2.1 Third Quarter Results

Net TC result is generated by WB Chartering's seven business units. The Net TC result for the Group saw a significant improvement in Q3-16 compared to the previous quarter, aided by an improved dry bulk market, better operational performance and an increased fleet.

USD million	YTD 2016	Q3 2016	Q2 2016	Full year '15
Net T/C result (mUSD) ¹⁾	1,8	0,9	(5,4)	44,5
Net TC Margin per ship day ¹⁾	54	78	(543)	785
Average number of ships operated	122	126	109	155
Number of ship days	33 426	11 635	9 886	56 677
Number of voyages	859	326	257	1 322

1) Excluding one-off loss of USD 4.0 million in Q1 2016 related to vessels chartered in from Bulk Invest

Administration expenses were USD -6.3 million in Q3-16 compared to USD -5.4 million in Q2-16 and USD -7.5 million in Q3-15, and are related to salaries, bonus accruals, office expenses and other administrative expenses. The reduction in these expenses from Q3-15 to Q3-16 was caused by an overall reduction in costs and positive currency effects (USD 0.8 million) and lower bonus accruals (USD 0.4 million).

Financial items of USD -1.8 million in Q3-16 were mainly related to:

Financial Items (USD million)	YTD 2016	Q3 2016	Q2 2016	Full year '15
Interest income/(expense), net	(0,5)	(0,6)	(0,1)	0,8
Net FX gain/(loss), excluding amount related to bond loan	0,2	0,2	0,1	0,4
FX gain/(loss) related to bond loan	(1,7)	(1,3)	(0,4)	-
Other financial items	(0,2)	(0,0)	(0,1)	0,2
Total Financial Items	(2,1)	(1,8)	(0,4)	1,3

The USD -1.3 million currency effect on the bond loan was caused by the fact that the bond is issued in NOK and that the NOK strengthened against the USD during Q3-16. A currency hedge has been established for the bond loan's principal amount, capping the downside risk. See section 2.2. for further information.

2.2 Debt Financing

Apart from a bond loan and a bank credit facility, the Group has no other interest-bearing debt obligations as of 30.9.2016.

Bond loan

The Group has issued a NOK 300 million unsecured bond loan. The loan matures in full in April 2019. The Group owned NOK 29 million of its outstanding bonds as of 30.9.2016). The interest rate exposure inherent from the bond loan is currently unhedged, while the currency exposure inherent in the bond's principal amount has a downside protection in form of a currency option that kicks in if the NOK appreciates against the USD to an exchange rate level of 7.68 or lower.

Bank Credit Facility

The Group has a USD 6 million bank credit facility which was undrawn as of 30.9.2016. The credit facility is secured with pledge over the Group's accounts receivables and bank accounts.

3 OUTLOOK

The dry bulk Supramax market rates most likely bottomed out in Q1-16 and have since increased to current levels of around USD 9,000 per day. Although the market is significantly better than earlier this year, the market rates are still at relatively low levels, with pockets of both stronger and weaker rates in the different geographic areas. In general, the supply and demand balance is expected to remain challenging for the next year with a large number of vessels being delivered during fourth quarter 2016 and in the beginning of 2017. In the very near-term however, we are cautiously optimistic and expect the recent positive uptick for the dry bulk market to be maintained in Q4-16 and possibly into the beginning of 2017.

The delivery of new vessels is expected to slow down in 2017, as ordering of new vessels has halted and the order book is rapidly declining with the new deliveries this year. Hence, the somewhat longer-term outlook is a gradual improvement in rates, as long as the demand growth and the recycling of vessels are at a reasonable level going forward.

The WB Chartering group of companies expects an improvement in its Net TC margin in Q4-16 compared to Q3-16, in line with the previously communicated expectation that the results gradually will improve during second half of 2016.

The Group's main risk factors are described in Western Bulk Chartering's annual report for 2015, which is available at www.westernbulk.com.

Oslo, 30.11.2016

The Board of Directors of Western Bulk Chartering AS

Bengt A. Rem, Chairman

Erik Borgen, Board member

Jens Ismar, CEO

DISCLAIMER

This report includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. Such forward-looking information and statements are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for Western Bulk Chartering AS and its subsidiaries and affiliates (the "Group") lines of business. These expectations, estimates, and projections are generally identifiable by statements containing words such as "expects," "believes," "estimates" or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, economic and market conditions in the geographic areas and industries that are or will be major markets for the Group's businesses, oil prices, market acceptance of new products and services, changes in governmental regulations, interest rates, fluctuations in currency exchange rates and such other factors as may be discussed from time to time. Although the Group believes that its expectations and the information in this release were based upon reasonable assumptions at the time when they were made, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in this release. Neither Western Bulk Chartering AS nor any other company within the Group is making any representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the information in the release, and neither Western Bulk Chartering AS, any other company within the Group nor any of their directors, officers or employees will have any liability to you or any other persons resulting from your use of the information in the release. This release speaks of the date hereof and Western Bulk Chartering AS undertakes no obligation to publicly update or revise any forward-looking information or statements in the release, other than what is required by law.

The Group consists of many legally independent entities, constituting their own separate identities. Western Bulk Chartering AS is used as the common brand or trade mark for most of these entities. In this release we may sometimes use "Group", "we," or "us," when we refer to Western Bulk Chartering's Group companies in general or where no useful purpose is served by identifying any particular company of the Group.

4 FINANCIAL STATEMENTS FOR THIRD QUARTER 2016

Included in this section are the consolidated interim financial statements for Western Bulk Chartering AS and its subsidiaries.

The interim report is not audited or reviewed by auditors.

Consolidated Condensed Income Statement

WESTERN BULK CHARTERING GROUP					
(USD 1,000)	Q3 2016	Q3 2015	YTD 2016	YTD 2015	Full year '15
Gross revenues	156 703	255 511	452 092	757 108	989 846
Voyage expenses	(73 226)	(118 124)	(232 802)	(359 216)	(467 814)
T/C expenses	(81 719)	(127 702)	(218 983)	(363 860)	(474 346)
Other vessel expenses	(853)	(804)	(2 497)	(2 456)	(3 197)
Net T/C result	904	8 882	(2 190)	31 576	44 489
Administration expenses	(6 275)	(7 508)	(17 669)	(26 361)	(35 388)
Result before depreciation and impairment, finance items and income tax (EBITDA)	(5 370)	1 373	(19 859)	5 215	9 101
Provision for future loss	-	-	1 000	-	(1 000)
Depreciation	(74)	(50)	(220)	(175)	(225)
Provision for doubtful debt	-	-	(3 772)	-	(23 331)
Gain/(loss) on disposal of property, plant and equipment	-	-	-	-	1
Operating profit/(loss)	(5 445)	1 324	(22 851)	5 040	(15 455)
Financial income	47	419	286	873	2 079
Financial expenses	(1 807)	(82)	(2 369)	(590)	(771)
Realized gain/(loss) financial assets	-	-	-	3	3
Result before tax	(7 204)	1 661	(24 934)	5 326	(14 144)
Income tax expense	(185)	(201)	(528)	(752)	(1 934)
Result for the period	(7 389)	1 460	(25 462)	4 574	(16 077)

Consolidated Condensed Balance Sheet

WESTERN BULK CHARTERING GROUP

(USD 1,000)	30.09.16	30.06.16	31.12.15
ASSETS			
Non current assets			
Deferred tax asset	794	764	726
Intangible assets	702	754	861
Property, plant and equipment	254	276	242
Investment in financial assets	153	153	-
Long term receivables	-	-	-
Total non current assets	1 903	1 947	1 829
Current Assets			
Bunker stocks	27 883	19 510	23 519
Accounts receivable	16 734	10 390	24 326
Other receivables	4 208	3 151	2 097
Prepaid cost	883	4 144	12 283
Receivable parent company	771	795	591
Bank deposits	35 898	46 917	52 685
Total current assets	86 377	84 906	115 501
TOTAL ASSETS	88 280	86 853	117 330
EQUITY AND LIABILITIES			
Equity			
Share capital	68	64	35
Share premium	10 500	15 786	24 983
Other paid-in capital	-	-	11 165
Retained earnings	-	-	10 957
Total equity	10 568	15 851	47 139
Long term liabilities			
Deferred tax liability	475	456	434
Pension liabilities	4 301	4 054	3 676
Interest-bearing debt	33 657	32 348	-
Other long-term liabilities	751	741	1 100
Total long term liabilities	39 184	37 599	5 210
Current liabilities			
Accounts payable	6 203	10 155	13 852
Prepaid freight	-	-	10 085
Prepaid income	2 261	881	-
Taxes payable	1 378	1 149	1 614
Accrued cost	26 870	19 230	29 802
Other current liabilities	1 817	1 989	9 628
Total current liabilities	38 529	33 403	64 981
Total liabilities	77 713	71 002	70 191
TOTAL EQUITY AND LIABILITIES	88 280	86 853	117 330

Oslo, 30.11.2016

The Board of Directors of Western Bulk Chartering AS

Bengt A. Rem, Chairman

Erik Borgen, Board member

Jens Ismar, CEO

Consolidated Condensed Statement of Changes in Equity

WESTERN BULK CHARTERING GROUP

(USD 1,000)	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
January 01, 2016	35	24 983	11 165	10 957	47 139
Result for the period		(7 389)	(7 119)	(10 954)	(25 462)
Share capital increase, net	33	21 645			21 678
Bond loan transfer		(28 669)	(4 056)		(32 725)
Other		-70	10	(3)	(63)
September 30, 2016	68	10 500	0	0	10 568

Consolidated Condensed Statement of Cash Flow

WESTERN BULK CHARTERING GROUP

(USD 1,000)		Q3 2016	Q3 2015	YTD 2016	YTD 2015	Full year 2015
CASH FLOW FROM OPERATIONS						
Profit/(loss) before tax		(7 204)	1 661	(24 934)	5 326	(14 144)
Taxes paid		(2)	(24)	(887)	(1 657)	(1 744)
Ordinary depreciation		74	50	220	175	225
Writedown and provisions		-	-	2 772	-	24 331
(Gain)/loss on disposal fixed assets		-	-	-	-	(1)
Changes in current receivables and current liabilities		(6 014)	(11 351)	-11 645	8 242	14 337
Net cash flow from/(to) operating activities	(A)	(13 146)	(9 664)	(34 474)	12 086	23 005
CASH FLOW FROM INVESTMENTS						
Investments in fixed and intangible assets		-	(270)	(76)	(490)	(802)
Disposal of fixed assets		-	-	4	-	-
Investment in/ disposal of financial assets		-	-	(153)	-	-
Changes in long term receivables		-	(5 624)	-	(5 624)	6
Net cash flow from investments	(B)	-	(5 894)	(225)	(6 114)	(796)
CASH FLOW FROM FINANCING ACTIVITIES						
Group Contribution paid		-	-	-	(3 868)	(3 868)
Changes in receivables from/ liabilities to group companies		-	-	(3 716)	-	(22 825)
Share capital increase		2 128	-	21 630	-	-
Net cash flow from financing activities	(C)	2 128	-	17 914	(3 868)	(26 693)
Net change in cash and cash equivalents	(A+B+C)	(11 019)	(15 558)	(16 786)	2 104	(4 483)
Cash and cash equivalents at start of the period		46 917	74 830	52 685	57 168	57 168
Cash and cash equivalents at end of the period		35 898	59 272	35 898	59 272	52 685
Restricted bank deposits at end of the period		6 650	7 105	6 650	7 105	6 373
Available cash and cash equivalents at end of the period		29 248	52 167	29 248	52 167	46 312

(excluding undrawn credit line)

Selected Explanatory Notes

Note 1. General information

Western Bulk Chartering AS is a private limited company incorporated and domiciled in Norway. The registered address of the office is Henrik Ibsens Gate 100, N-0255 Oslo.

Western Bulk Chartering AS and its subsidiaries ("WB Chartering") is a major operator in the dry bulk shipping market and a charterer of primarily Supramax/Ultramax and Handysize dry bulk vessels, running an average fleet of 126 vessels in Q3 2016.

This interim report is authorised for issue by the Board of Directors as of 30.11.2016.

Note 2. Accounting policies

The interim condensed financial statements of Western Bulk Chartering AS and its subsidiaries (the "Group") are prepared in accordance with Norwegian Generally Accepted Accounting Principles (N-GAAP). Please refer to the 2015 annual report for a detailed description of the accounting policies. The report is available on www.westernbulk.com.

Note 3. Significant judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions. These estimates are based on the actual underlying business, its present and forecast profitability over time, and expectations about external factors such as dry bulk shipping freight rates, interest rates, foreign exchange rates, oil prices and more which are outside the Group's and parent company's control. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Group is involved in several disputes, including lawsuits, both as defendant and plaintiff. Based upon the Group's own views as well as opinions received from lawyers, provisions based on best estimate have been made in respect of the Group's total exposure. The actual outcomes of these disputes are unknown, and it could take several years before the disputes and claims are finally settled. Consequently, there are uncertainties related to the estimates for provisions which, depending on the outcome of each case, could prove to be insufficient to cover potential liabilities.