Annual Report 2017

Western Bulk

Contents

Highlights

Dry Bulk Market

The dry bulk shipping market performed better than many expected in 2017, as demand surprised positively and supply growth began to tail off. During the second half of 2017, the Baltic Supramax Index (BSI) reached the highest average rates since the first half of 2014, and saw the USD 12,000/day barrier breached for the first time since March 2014.

Operational Performance

With improved market conditions and strong trading performance, particularly in the second part of the year, the Group reached a net profit after tax of USD 4.3 million in 2017, compared to a USD 36.9 million loss in 2016. The Group achieved a substantial increase in Net TC from USD 4.4 million in 2016 to USD 40.5 million (USD 792 per ship day) in 2017. The activity also increased in 2017 with overall improved performance and positive outlook for the Group. The average number of ships operated was 140 for the full year, an increase from 125 in 2016.

Building strong cash position

In 2017, the Group generated USD 6.8 million in cash flow from operations in addition to USD 17.9 million in increased cash from the private placement of shares completed in March 2017. The Group is building a strong cash position with free cash of USD 49.9 million and an undrawn credit line of USD 6 million at the end of the year.

This is the 2017 annual report for Western Bulk Chartering AS. In this report, Western Bulk Chartering AS and its subsidiaries are referred to as "the Group" or "Western Bulk".

Lisbeth Nordbø, Aditi Khilnani, Ting En Lim, Stewart Sanjay

Western Bulk Chartering Group - Key Figures

CONSOLIDATED FOR THE GROUP

(USD million)	2017	2016	2015
Net TC Result [1]	40,5	4,4	44,5
EBITDA [1]	8,3	-19,3	9,1
Annual result [2]	**4,3**	**-20,1**	**7,2**
Total assets	101,4	98,6	117,3
Book equity	20,2	13,8	47,1
Total liabilities	81,2	84,8	70,2
Free cash	49,9	26,7	46,3
Restricted cash	7,3	6,3	6,4
Total cash	**57,2**	**33,0**	**52,7**
Average number of vessels operated	140	125	155
Net TC margin per ship day (USD) [1]	792	96	785

1) FY 2016 figures are excluding USD -16.9m in losses, write-offs, provisions, and other impairment charges with no cash effect.
FY 2015 figures are excluding USD -23.3m in write-offs.
2) The book equity amount as of 31.12.16 includes USD 15m related to the private placement which was completed in March 2017, raising a total of USD 18m.
The USD 15m included 31.12.16 equals the minimum amount which was guaranteed prior to year-end.
The corresponding receivable for the subscription amount was included as Other current assets at the balance sheet date.

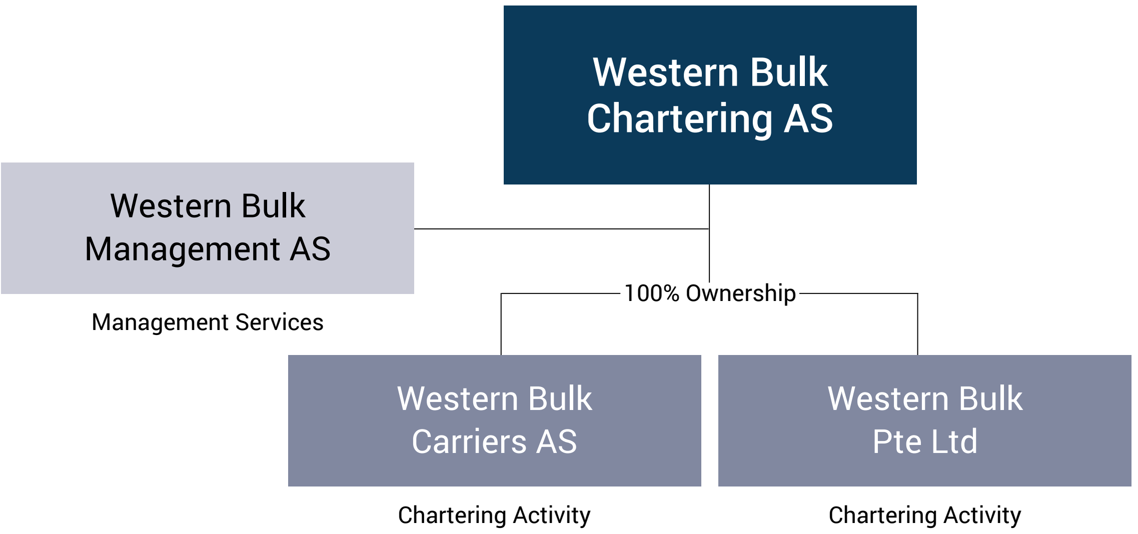
Didrik Almgren, Lars Christian Svensen, Nina Bjerregaard, Karina C. Ystehede

Oznur Ozhan, Henrik Synnes, Ryan Reddy

About Western Bulk

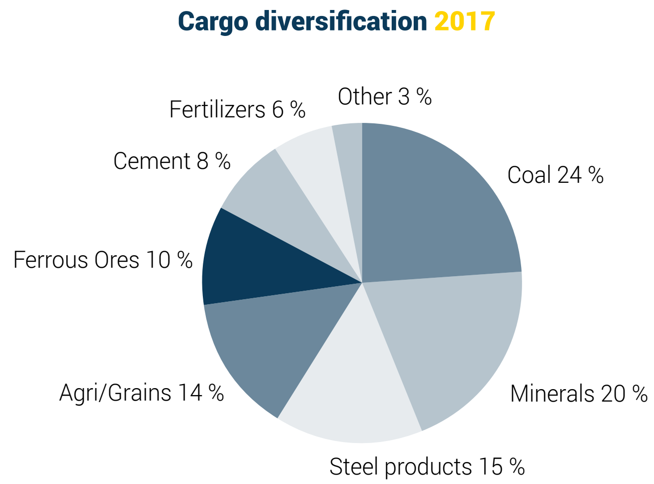
Western Bulk is a major operator of dry bulk vessels in the Handysize, Supramax and Ultramax segments, operating a fleet of around 130-150 vessels. The Group operates its chartered-in fleet and cargo contracts through its two subsidiaries Western Bulk Carriers AS and Western Bulk Pte Ltd, which are supported by chartering and operations teams in Oslo (Norway), Singapore, Seattle (USA), Santiago (Chile) and Casablanca (Morocco). The Group is privately owned by about 240 shareholders. The Kistefos Group is the main shareholder, controlling about 75% of the shares.

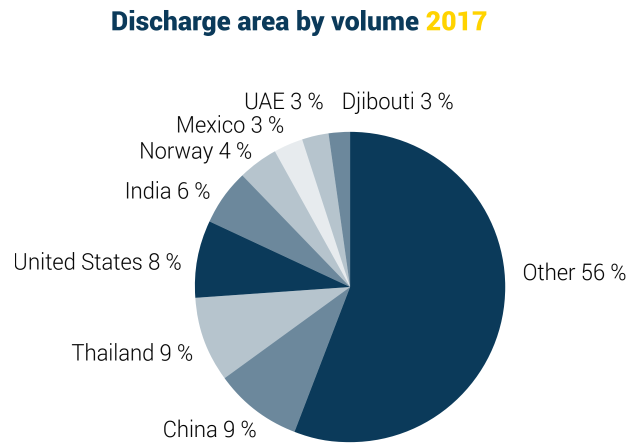
Group structure: The below chart shows the main companies of the Group.



Western Bulk has a global reach and a local presence with offices located in strategically important areas for shipping and trade of dry bulk commodities. The Group's six business units operate with local authority and responsibility. Decentralised decision-making authority, matched with alignment of risk and reward for each business unit, makes the Group agile and able to quickly respond to local changes in the market. A centralised risk management team monitors the market risk exposures of each business unit and aggregated for the Group in an advanced risk control system with defined risk limits.

The Group has a highly diversified customer base with a broad cargo mix and diverse geographical footprint. In 2017, the Group did business with more than 300 different cargo customers, of which no single customer exceeded 3% of total revenue. No single commodity accounted for more than 24% of the volume of transported cargo in 2017.





Business model:

Efficiently matching cargoes and vessels to create an optimized transportation service for our customers and partners.

Wei-Min Chia, Rio Liu Rui Chao

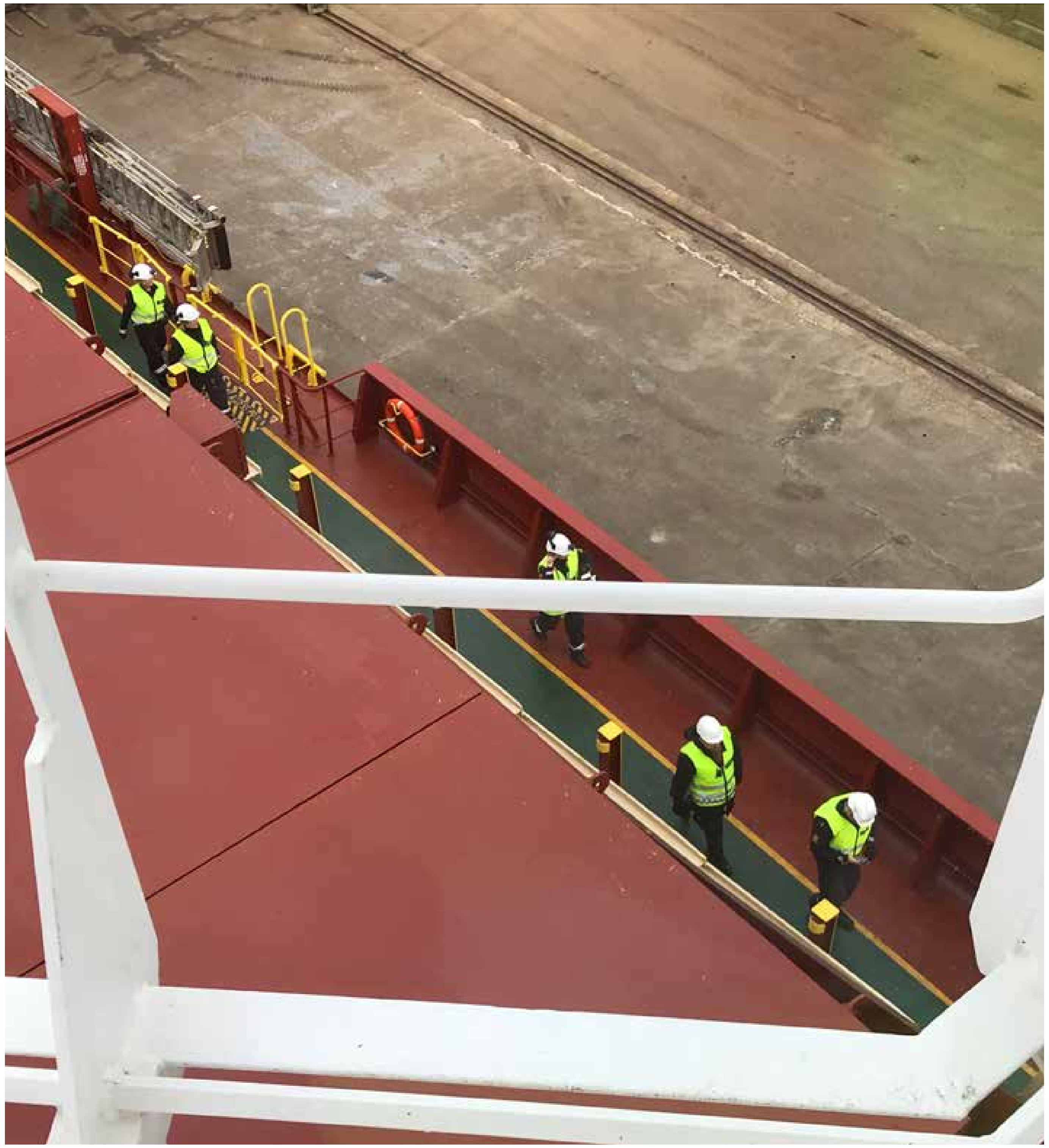
Didrik Almgren, Nina Bjerregaard, Thor Billington

Our values:

AGILE	RELIABLE	RISK AWARE	ENTREPRENEURIAL
Energetic, responsive, flexible and nimble	Dependable, sincere, steadfast and attentive	Making informed and calculated decisions, mindful of challenges	Curious, adventurous, ambitious, always pursuing opportunities

Who we are:

- We are a **highly respected and leading worldwide operator** of Handy and Supra vessels
- **We are optimally structured with our professional and skilled team** to handle all types of commodities under all conditions, offering superior flexibility to cargo and vessel owners
- We are committed to delivering outstanding **execution** and **operational** excellence
- **Our employees** are the core of our business, always seeking opportunities to create value through their expertise, dedication, partnerships and through a consistent **eagerness** to think outside the box
- **Our teams** add to our performance, cooperating and supporting each other across functions and regions



A Service Business	A Margin Business	A People Business
Performs seaborne transportation of commodities for cargo customers	Creates margin from arbitrage and price variances in the market	Relationships, skills (commercial and operational) and systems are crucial assets
Ensures safe employment of vessels for vessel owners (risk intermediation)	Makes use of informational advantage to take limited short-term positions on the market	Flat and decentralised organisational structure

CEO letter

Firing on all cylinders

2017 brought life, luster and optimism back to the dry bulk market as rates returned to a more sustainable level. Sentiment improved significantly, and average rates doubled compared to the previous year. Volatility also increased, generating more trading and arbitrage opportunities. Consequently, as the year developed the market regained some of the self-confidence lost during the drought years.

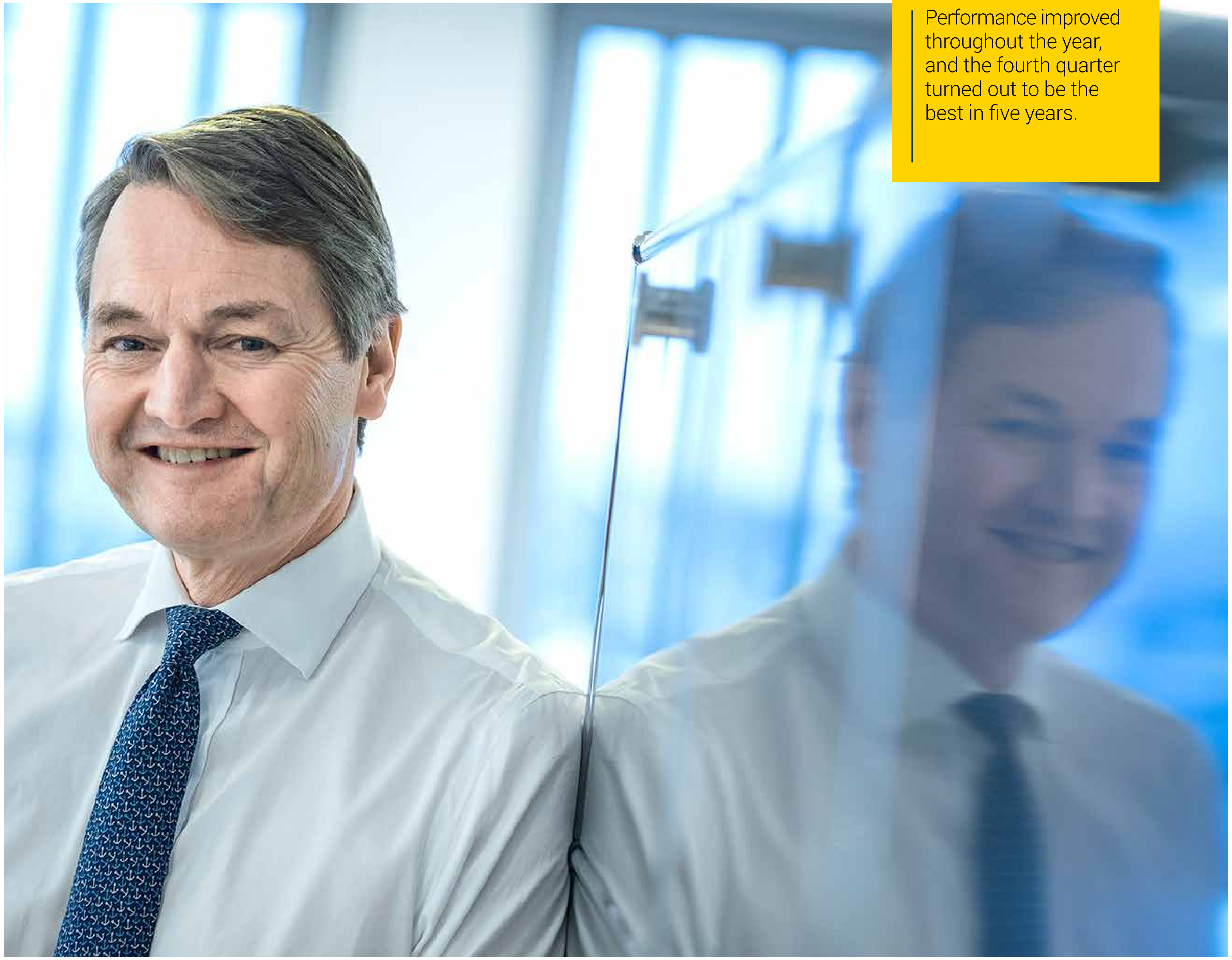
For Western Bulk the year was a major improvement, and an important milestone in proving the success of our business model. After a weak start, performance improved throughout the year, and the fourth quarter turned out to be the best in five years. The group Net TC and profit for the year ended well above what many had expected going into the year, and the result confirms that the organisation is firing on all cylinders!

I would like to thank all our customers, both shipowners and cargo owners for the support, trusting us as a reliable and cost-effective service provider. I would also like to thank all my colleagues for their hard and dedicated work. Without them we could not have staged such a strong comeback. I am very proud of the team and what we have been able to achieve together. Our employees are our most valued asset, and combined with our unique decentralised business model, and risk management culture we are set for success.

Looking forward, continued success is also dependent on our relentless strive to continuously improve in all areas. As the pace of the world increases, what was good enough last year is rarely good enough this year. Among the drivers of change, digitalisation is a trend that will be affecting our industry and that offers opportunities to rethink business models and methods. Technology and people are strategic priorities for Western Bulk and will be central in our efforts to further improve performance and competitiveness going forward.

In conclusion it is fair to say that both we and the dry cargo market are entering 2018 with significantly increased self-confidence. Supported by healthy fundamentals, we expect the positive market trend to continue. The newbuilding orderbook is historically low and is not expected to offer any surprises in the coming year. Although demand growth could end somewhat lower in the coming year, it is still expected moderately higher than the supply, hence fleet utilisation should improve. The question as always is where the risk might be, and as usual we must be prepared for the unexpected. There will be volatility, and we will be agile benefiting from it through our decentralised trading model!

Performance improved throughout the year, and the fourth quarter turned out to be the best in five years.



Jens Ismar, CEO at Western Bulk

Board of Directors' Report 2017

In 2017 Western Bulk Chartering AS and its subsidiaries (the "Group") generated a net profit after tax of USD 4.3 million and USD 6.8 million in cash flow from operations. Volume has increased and Net TC is improving, especially in the fourth quarter with Net TC reaching USD 17.3 million, the highest level in any one quarter since 2012.

Since the restructuring in 2016 the Group has strengthened its relationship with cargo and tonnage owners, and the decentralised business model has been successful in efficiently matching cargos and vessels while ensuring reliable and cost-effective operations. During 2017, the market returned to sustainable levels, and we have entered the new year with increased optimism. For Western Bulk, margins have returned to historical levels and are on average again expected at about 8–12 % of the market going forward. Combined with a slight increase in the average number of vessels this should allow for a further increase in Net TC, strengthening profits and a steady, positive cash flow.

Financial Performance for the Group

With improved market conditions and strong trading performance, particularly in the second part of the year, the Group reached a net profit after tax of USD 4.3 million in 2017, compared to a USD 37.0 million loss in 2016. Net TC ended at USD 40.5 million (USD 792 per ship day), a substantial increase of USD 36.1 million from USD 4.4 million in 2016.

The activity increased in 2017 with overall improved performance and positive outlook for the Group. The average number of ships operated was 140 for the full year, an increase from 125 in 2016. The table below shows the development throughout the year per quarter, with a gradual improvement throughout the year and a particularly strong fourth quarter (Fig 1).*

The Group's turnover, expressed as gross revenues, increased from USD 631.9 million in 2016 to USD 827.3 million in 2017 (an increase of 31%). The increased gross revenue was mainly due to higher freight rates and bunker prices combined with a somewhat higher volume.

Administration expenses for the full year increased by USD 8.5 million from USD 23.7 million in 2016 to USD 32.2 million in 2017, whereof the majority relates to bonus accruals of USD 7.8 million. The additional cost increase was primarily related to full year operation of the Morocco office established in second quarter 2016, as well as investment in training of employees and general inflation. The Group had an average of 101 FTEs employed in 2017 compared to 104 in 2016.

In 2017, the Group generated USD 6.8 million in cash flow from operations in addition to USD 17.9 million in increased cash from the private placement completed in March 2017. The Group is building a strong cash position with total available liquidity (incl. free cash and undrawn credit lines, but excluding restricted cash) at the end of the year of USD 55.9 million. In general, the working capital requirements depend on several factors such as size of the operated fleet, bunker prices, freight rates, trading pattern, mix of contract types for vessels and cargo.

The balance sheet total was USD 101.4 million at the end of 2017 compared to USD 98.6 million the year before. There are no changes to the NOK 300 million bond loan (non-current debt) which the Group assumed the debtor position for from a related company in combination with the new equity being raised in 2016. The Group continues to hold NOK 29 million of its own bonds in treasury, and presents the debt as a net amount in the balance sheet. Total liabilities amounted to USD 81.2 million as of 31.12.2017 compared to USD 84.9 million as of 31.12.2016.

Following the gradual improvement in performance in 2017, the Group further strengthened its equity position to USD 20.2 million at the end of the year. The Board of Directors considers this equity level sufficient as Western Bulk is an asset light business with no ship values and limited exposure or long-term charters.

827 million USD

Gross revenues:

Gross revenues increased by 31% from USD 632 million in 2016.

* Fig 1

	Q1-17	Q2-17	Q3-17	Q4-17	2017
Net TC result (USD million)	3.9	11.2	8.1	17.3	40.5
Average fleet size (vessels)	142	143	140	135	140
Net TC result per ship day (USD)	307	858	627	1,395	792

The Group expects continued good performance in 2018 with a Net TC at around 8-12 percentage points of market rates in addition to an increased number of vessels operated. The Board of Directors aims for dividend payments pending continued improved performance, although restricted by the current financing agreements.

Business Overview

The Group is a world-leading operator within the Handy and Supra dry cargo segment, with a global trading pattern and the experienced staff and robust systems required to handle the large diversity in commodity types, trading routes and operating conditions that these segments offer.

The Group combines operational expertise in dry bulk shipping with portfolio and risk management techniques and approaches adapted from the financial industry. Given the diversity and complexity of the markets in which the Group operates, it has chosen to build a flat and decentralized organizational structure where most of the decision-making authority rests with its six business units. An advanced risk control system and a risk management team monitor our market and counterpart exposures of each business unit and on an aggregate level for the Group.

The Group's six business units are located in our five offices in Oslo, Singapore, Seattle, Santiago de Chile and Casablanca. The former US Gulf business unit with offices in Miami was closed down during 2017, and the activity was transferred to the South Atlantic business unit in Oslo, Norway.

Market Development

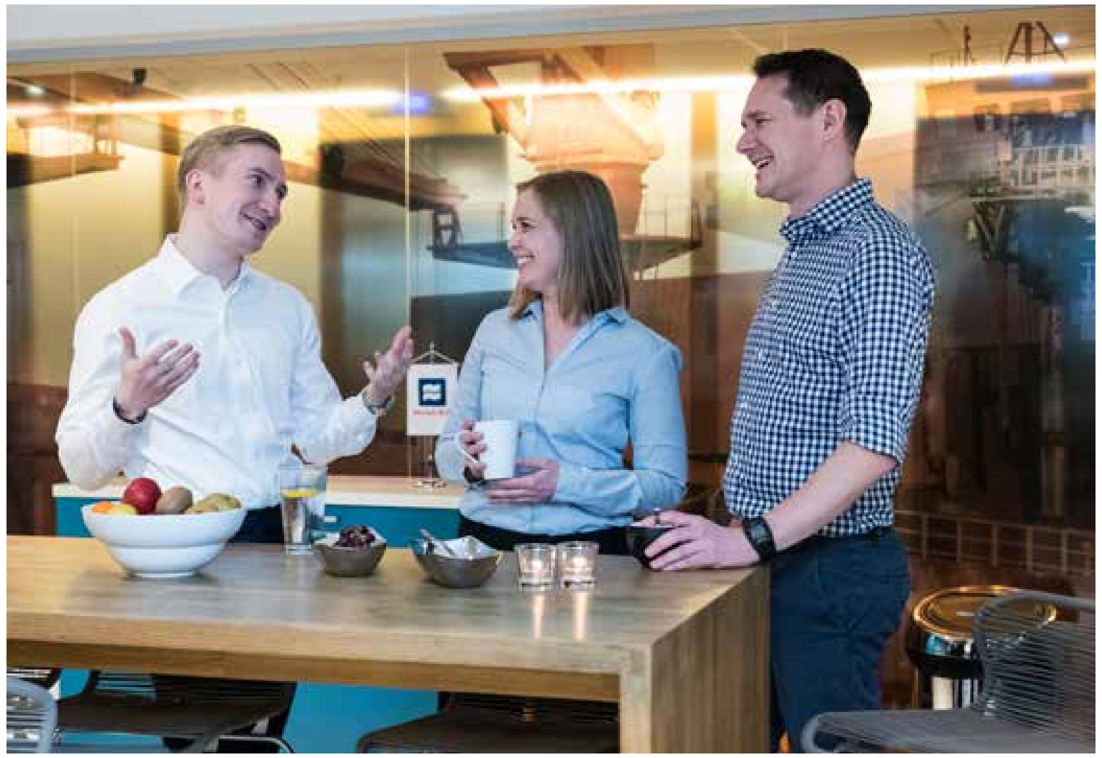
The dry bulk shipping market performed better than many expected in 2017, as demand surprised to the upside and supply growth began to tail off. The Baltic Supramax index (BSI) had a particularly strong third quarter, with rates hitting a 52 week high and breaching the USD 12,000 per day level for the first time since early 2014.

Average rates were about USD 9,345 per day for 2017 compared to an average of about USD 6,200 per day in 2016. The BSI ended 2017 at USD 10,480 per day, an increase of 19% since the start of the year. Basin differences increased between the Atlantic and Pacific, particularly in the fourth quarter, with the Atlantic being significantly stronger than Pacific.

4.3 million USD

Net profit:

The Group reached a net profit after tax of USD 4.3 million in 2017, compared to a net loss of USD 37.0 million in 2016.



Espen Bjornson, Lone Johansen, Martin Stenberg

Dividend policy
For any dividend payments to its shareholders, Western Bulk Chartering AS is currently restricted by its loan agreements, which prohibits dividend payments unless pre-approved by the lenders.

Going Concern
In accordance with §3-3a of the Norwegian Accounting Act, the Board confirms that the financial statements have been prepared under the assumption of going concern. The assumption is based on estimates and expectations for 2018 and the Group's long-term strategy.

Impact on the environment
The Group's activities consist of chartering and operating dry bulk vessels for the transportation of products such as minerals, timber, cement, bauxite, steel products, grains, coal and more. The chartering and operation of chartered-in vessels fully complies with international rules and standards in the jurisdictions and sectors in which they operate.

Organization
The Group cares about people, human rights, labour rights, safety and welfare. The Group is actively working to reduce sick leave and improve its working environment. During the year, no serious accidents or injuries have been reported. Total sick leave in the Norwegian company was 0.94% (2016: 0.77%), divided into 0.94% short time absence, and no long time absence.

The Group aims to be a company with full equality between men and women, and no discrimination based on disability, gender, race, ethnic or cultural background. As of 31.12.2017, 36 of the Group's 101 employees were women (36%).

Risk
The Group is exposed to a number of risks. In addition to the market risks associated with its chartering activity, the Group is also exposed to risks such as counterparty risk, credit risk, currency risk, operational risk and liquidity risk.

The Group operates with a clearly defined risk appetite and has implemented a comprehensive infrastructure of models, measures and internal control routines to mitigate risks or respond to risks to mitigate potential consequences. It has developed a strong risk management culture that emphasises risk awareness in all decisions.

The Board is of the opinion that the Group's exposures to the different risks are satisfactorily monitored and that we will be able to contain the risk at acceptable levels, for customers as well as shareholders.

Geopolitical Risk
With a global trading pattern, the Group is exposed to geopolitical risk and instability that exist or may occur in parts of the world. The Group is paying close attention to concentration of geopolitical risks, and is targeting diversification to mitigate exposure that could potentially cause material effects to its results.

Market Risk
The Group has invested considerable resources in establishing and maintaining a risk control and monitoring system which on a daily basis quantifies the market exposure in the Group. This system allows the Group to measure risk and adjust its risk profile rapidly if required. The Group actively uses derivatives such as freight forward agreements (FFA), bunker swaps and other financial instruments to hedge its market exposure. The Group is not seeking to minimise the market risk, but rather to quantify and measure it to be able to take calculated positions in the market. The risk system sets absolute limits to the level of exposure taken by the Group. Such exposure may include being long/short vessels relative to contract coverage, being long/short on geographical areas, vessel sizes and trade routes, utilising options on cargoes and vessels, and more, to take market rate exposures.

Operational Risk
The Group is exposed to various operational risks in conducting its business worldwide, with vessels sailing to and calling at ports in most areas of the world. Operational responsibility rests with the Group's business units, as most operational risks are related to specific vessels, cargoes or markets. While single incidents mainly will have limited impact on the Group, the Group pays close attention to concentration of risks related to cargo type, geographical area and counterparties, targeting diversification to mitigate exposure that potentially could have material effect.

Financial Risk
The Group's credit risk mainly relates to freight payable from our counterparts for voyages being performed. Such freight is mainly due at commencement of the voyage, and if not paid, the Group will in most cases have a lien on the cargo. As such, credit risk is manageable, and mainly relates to potentially disputed parts of the amount invoiced such as laytime and demurrage upon discharge.
The Group's liquidity risk is mainly related to timing of cash in- and outflows. Cash reserves and available liquidity are continuously monitored to ensure sufficient liquidity is available to meet the known obligations of its operations, minimum liquidity covenants in financing agreements, and to meet measured cash flow risks related to the use of derivatives for hedging purposes.

The Group is exposed to currency risk, mainly for expenses incurred in local currency other than US dollar and a NOK 300 million outstanding bond loan. The Group measures its currency risk applying sensitivity analysis. The Group has entered into a currency hedge to hedge the inherent currency risk from the bond loan's principal amount 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. The Group has also hedged the expected NOK and SGD denominated administrative expenses for 2018 by entering into NOK/USD and SGD/USD currency forward contracts.
The Group is exposed to interest rate risk from its NOK 300 million bond loan. The interest rate risk is currently unhedged.

480
Different ports called:
In 2017, the Group discharge areas were spread across 84 countries with more than 480 different load/discharge ports.

Jonas Gjestang Larsen, Niklas Sindum

33.8 **million tonnes**
Cargo:
In 2017 Western Bulk carried 33.8 million tonnes of cargo.

Future Development
The market returned to a more sustainable level in 2017. The newbuilding orderbooks are historically low and steel prices have been supporting scrapping, leaving expected fleet growth as low as 1–2 % in 2018. Trade growth projections overall remains positive and demand growth is likely to be higher than the supply side, increasing fleet utilization and supporting market levels.

For Western Bulk Net TC margins have returned to sustainable levels and are on average expected at about 8-12 % of the future market rates. Combined with a slight increase in the average number of vessels this should allow for further increase in Net TC. This will allow for the Group to further grow profits and generate a steady cash flow.

Ownership Structure
As of 31.12.2017, Western Bulk Chartering AS is a privately owned company, with about 240 shareholders. The Kistefos Group controls about 75% of the shares.

8.0 **million tonnes**

Coal:

In 2017 Western Bulk carried 8.0 million tonnes of coal. At least 40% of the world's electricity comes from coal (IEA 2011). 8.0 million tonnes of coal can generate 19.6 bn kWh, enough to power 1.8 million average US homes for a year.

Financial Performance for the Parent Company and Allocations
Western Bulk Chartering AS (Parent Company) recorded a profit after tax of USD 19 575 for 2017 and a net positive cash flow of USD 10.6 million. Equity was USD 50.1 million as of 31.12.2017 with a book equity ratio of 54%. The Board recommends the following allocation of the net profit for the 2017 result for the parent company:

Profit for the year	USD	19 575
Transfer to retained earnings	USD	19 575

Oslo, 15. March, 2018

Bengt A. Rem
Chairman of the Board

Tord Meling
Board member

Erik Borgen
Board member

Jens Ismar
CEO

Our Business Units

SOUTH ATLANTIC / US GULF

Lars Christian Svensen
Business Unit Manager

The South Atlantic business unit serves clients loading and/or discharging cargo on the Atlantic coasts of South America and Africa. Cargoes are carried on a trusted base of ships from our core owners and include both spot movements and industrial multi-year contracts. The business unit also serves the US Gulf area and a broad base of clients with diverse ocean transportation needs originating from the US Gulf and neighboring loading zones from East Coast Canada to North Coast South America. The business unit operates on average about 30-40 vessels.

In the spring of 2016, the South Atlantic BU opened an office in Casablanca, Morocco. The office supports our industrial clients on Africa's Atlantic coast and positions the Group to take part in the phenomenal growth across the continent's regions and sectors.

The business unit aims to build on growing volumes with our industrial clients, provide personal service and attention on operational issues, and place the Group at the forefront of future trade opportunities.

PACIFIC

Torbjørn Gjervik
Business Unit Manager

The Pacific business unit is run out of the Singapore office and operated a fleet of about 25–30 vessels on average during 2017, ranging from Handysize to Ultramax.

The size and diversity of the Pacific basin demands the portfolio is not just active in the more established core trades but also in niche cargo flows throughout the region. The business unit is continuously striving to develop new working relationships, although the current customer base already necessitates exposure to most bulk commodities, the unit is considered more of a specialist in slag, fertilizer, clinker, coal and grains.

The huge intra and cross basin trades in the region necessitate the Pacific portfolio to work closely with all the other business units. The business unit also represents the Group towards vessel owners based in the Asia region for both spot and period employment.

US WEST COAST

Oystein Boe
Business Unit Manager

The US West Coast business unit's office is located in Seattle, and has been in operation since 1995 when Western Bulk acquired the Jebsen Bulk Pool.

Being geographically and strategically well placed in the busy Pacific Northwest, the Seattle office assures day-to-day contact with numerous industries, cargo owners, trading houses, and brokers in USA, Canada and Mexico.

The business unit operated about 10 vessels on average during 2017. The Seattle office also looks after the day-to-day operations of all Group vessels calling the West coast from Panama to British Columbia/Alaska and Hawaii. Commodities carried are mainly steel products, grains, fertilizers, iron ore, coal and pet-coke.

CHILE

Marius Haugland
Business Unit Manager

Western Bulk has been active in Chile since 1982. Our Santiago office was opened in 2006. Being one of our core areas since Western Bulk's inception, the Chile operations have produced strong relationships with several major Chilean industrial companies.

The business unit operated on average about 10–15 vessels during 2017. In addition to the traditionally strong forestry and mineral segments, operations here include transportation of grains, coal, and cement clinker.

Geographically, with the time differences to Europe and the Far East, the Santiago office nicely complements our offices in Oslo, Singapore, and Seattle to enable 24-hour accessibility to Western Bulk around the world.

INDIAN OCEAN

Vivek Kumar
Business Unit Manager

The Indian Ocean business unit is based in the Singapore office and operated an average volume of about 20 vessels in the Handysize to Ultramax segment during 2017.

Through its significant customer base, the business unit is active in most dry and break bulk commodities and services clients on spot, short to medium term as well as on long term industrial contracts.

The business unit also runs extensive parceling operations within Asia on various bulk and break bulk commodities. Via joint setups with the other business units it is also involved in cross-basin trading, and thus linking the Singapore office nicely together with the other offices of the Group.

STEEL & BULK / CONTINENT – MEDITERRANEAN

Jan Christian Tungland
Business Unit Manager

The Steel & Bulk / Continent - Mediterranean business unit focuses on developing long term industrial relationships with its customers through offering a service with high degree of flexibility and reliability.

The main activity is transport of various steel and bulk cargoes from Black Sea - Mediterranean and Continent - Baltic worldwide. The business unit is also active in trades to and from other destinations, partly on joint venture basis with the other business units in order to utilize the Group's presence and market knowledge worldwide. Complementary activities include long period tonnage and industrial bulk COAs.

The Steel & Bulk / Cont - Med business unit is managed out of the Oslo office and operated on average about 30 vessels during 2017.

Senior Management Team

Jens Ismar
Chief Executive Officer

Mr. Ismar has a long and diversified background from the shipping industry. Before joining Western Bulk in September 2008, he was with BW Gas as Director for the Chartering and Operations Division. He has also been employed by Inge Steensland AS, Stemoco Shipping AS and Lorentzen & Stemoco AS. At Lorentzen & Stemoco he held the position as Managing Director. Mr Ismar has a Bachelor of Business Administration from the Lund University in Sweden.

Kenneth Thu
Chief Financial Officer

Mr. Thu has a background from retail, energy and management consulting, leaving the position as Acting CFO in Elkjøp Nordic before joining Western Bulk in 2017. Mr. Thu has also been employed by Expert AS, PA Consulting Group AS and Orkla Brands AS. He holds a MSc in Economics and Business Administration from the Norwegian School of Economics (NHH) in Bergen.

Egil Husby
Chief Risk Officer

Mr. Husby is responsible for risk management, business analysis and technology in Western Bulk, and has been employed in the company since late 2004. Prior to that, he was at Norsk Hydro where he worked with risk management and structuring for Hydro's energy trading activities. Mr Husby has an MBA from the University of Adelaide and an MSc in mathematical statistics from the Norwegian University of Science and Technology.

The Board of Directors

Bengt A. Rem
Chairman of the Board

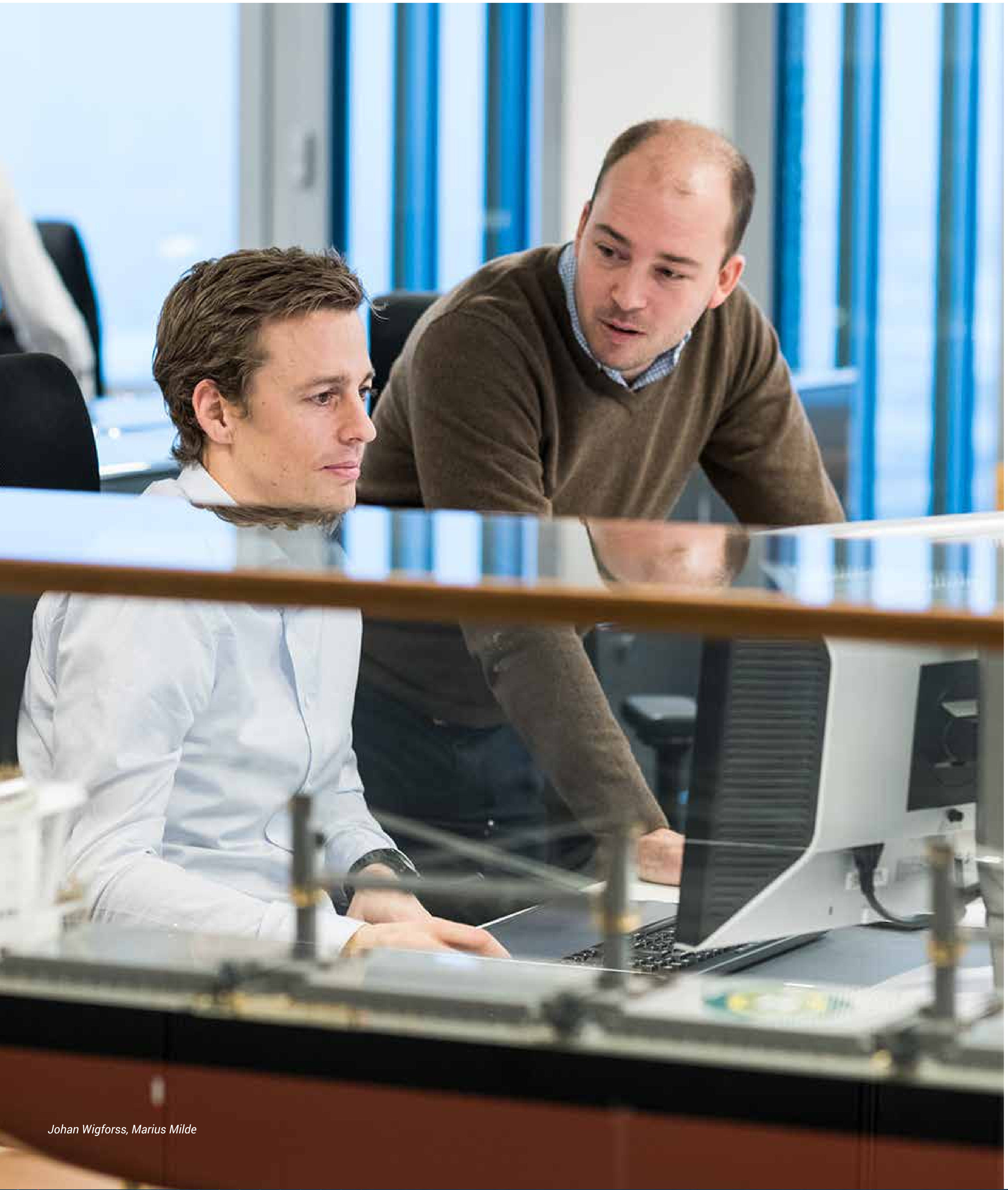
Mr. Rem is the CEO of Kistefos AS, who owns 75% of the shares in Western Bulk Chartering AS. Prior to joining Kistefos AS in 2015, Bengt A. Rem was CEO in Arctic Partners. His previous experience includes Executive Vice President & CFO as well as other leading positions in the industrial investment company Aker ASA, Head of the Department Responsible for Financial Instruments on the Oslo Stock Exchange and state authorized accountant in Arthur Andersen & Co. Mr Rem holds an MSc in Business and Administration and Finance from the Norwegian Business School (BI) and a Master in Accounting and Auditing from the Norwegian School of Economics (NHH).

Erik Borgen
Member of the Board

Mr. Borgen is an Investment Director at Kistefos AS. Prior to joining Kistefos AS in 2016, Erik Borgen was a partner at the private equity firm HitecVision. His previous experience includes partner at Arctic Securities AS as well as other positions in Morgan Stanley and Perella Weinberg Partners. He has previously engaged in projects and activities within the fields of mergers and acquisitions, debt capital markets, IPO's and restructuring. Mr. Borgen holds an MSc in Finance from the Norwegian School of Economics (NHH).

Tord Meling
Member of the Board

Mr. Meling is an Investment Director at Ojada AS, our second largest shareholder. He has worked more than 10 years in the airline Norwegian ASA, with experience in business development, aircraft financing and corporate finance. He also has experience from Deloitte. Mr. Meling holds a Master of Science in Finance from the Norwegian School of Economics (NHH).


Johan Wigforss, Marius Milde

Profit and Loss Statement

WESTERN BULK CHARTERING AS - CONSOLIDATED GROUP

(USD 1 000)	Note	2017	2016
Gross revenues	3	827 280	631 932
Voyage expenses		-326 968	-317 196
Freight revenues on T/C-basis		**500 312**	**314 736**
T/C expenses		-456 289	-307 082
Other vessel expenses		-3 531	-3 284
Administration expenses	8	-32 238	-23 677
Operating expenses		**-492 057**	**-334 043**
Depreciations	7	-333	-309
Gain/(loss) on disposal of fixed assets		1	-
Provision for future loss	13	1 600	-5 200
Bad debt provision and write-offs	13	-	- 6 980
Operating profit		**9 523**	**-31 795**
Net interest income		221	197
Net interest expense		-2 570	-1 319
Gain/(loss) on foreign exchange		-1 217	169
Other financial items		-474	-422
Bad debt provision and write-offs, financial items	13	-	-3 772
Net finance		**-4 040**	**-5 147**
Profit/(loss) before tax		**5 483**	**-36 942**
Tax income/(expense)	9	-1 189	-42
Profit/(loss) for the year		**4 294**	**-36 984**

Balance Sheet

WESTERN BULK CHARTERING AS - CONSOLIDATED GROUP

(USD 1 000)	Note	31.12.2017	31.12.2016
ASSETS			
Non current assets			
Deferred tax asset	9	1 800	1 442
Intangible assets	7	484	659
Property, plant and equipment	7	358	305
Investment in financial assets		497	153
Long term receivable		5	-
Total non current assets		**3 145**	**2 558**
Current assets			
Accounts receivable	12	18 385	15 365
Receivables from related company	10	-	770
Other receivables		1 401	17 349
Prepaid cost	5	-	1 105
Bunker stocks		21 293	28 506
Bank deposits	11,12	57 193	32 969
Total current assets		**98 272**	**96 063**
TOTAL ASSETS		**101 416**	**98 621**

WESTERN BULK CHARTERING AS - CONSOLIDATED GROUP

(USD 1 000)	Note	31.12.2017	31.12.2016
SHAREHOLDERS` EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital		95	68
Share premium		20 092	20 933
Other paid-in capital		-	11 241
Resolved, but not yet paid-in capital increase			14 965
Total paid-in capital		**20 187**	**47 207**
Retained earnings			
Other equity / (uncovered loss)		-	- 33 457
Total retained earnings		**-**	**- 33 457**
TOTAL SHAREHOLDERS' EQUITY	14	**20 187**	**13 750**
LIABILITIES			
Long term liabilities			
Deferred tax liability	9	261	376
Pension liabilities	8	5 311	3 992
Other long-term liabilities		1 398	487
Interest-bearing debt	12	33 029	31 438
Total long term liabilities		**39 999**	**36 295**
Short term liabilities			
Accounts payable		6 997	6 299
Prepaid freight		4 026	-
Prepaid income	5	6 683	5 898
Taxes payable	9	1 137	764
Accrued cost		13 305	26 430
Liabilities to related company	10	148	734
Other current liabilities	13	8 934	8 452
Total short term liabilities		**41 230**	**48 577**
TOTAL LIABILITIES		**81 229**	**84 871**
TOTAL SHAREHOLDERS` EQUITY AND LIABILITIES		**101 416**	**98 621**

Oslo, 15.03. 2018

Bengt A. Rem
Chairman of the Board

Erik Borgen
Board member

Jens Ismar
CEO

Tord Meling
Board member

Cash Flow Statement

WESTERN BULK CHARTERING AS - CONSOLIDATED GROUP

(USD 1 000)	2017	2016
CASH FLOW FROM OPERATIONS		
Profit/(loss) before tax	5 483	-36 942
Taxes paid	-1 059	-1 735
Depreciations	333	309
Writedown and provisions	-1 600	15 952
Changes in current receivables and current liabilities	3 686	-18 338
Net cash flow from/(to) operating activities	**6 842**	**-40 754**
CASH FLOW FROM INVESTMENTS		
Investments in fixed- and intangible assets	-212	-173
Disposal of fixed assets	-	4
Investments in/ disposal of financial assets	-344	-153
Changes in long term receivables	-5	-
Net cash flow from investments	**-561**	**-322**
CASH FLOW FROM FINANCING ACTIVITIES		
Share capital increase, net of expenses	17 943	21 361
Net cash flow from financing activities	**17 943**	**21 361**
Net change in liquidity during the year	**24 224**	**-19 715**
Liquid assets as of 01.01.	32 969	52 685
Liquid assets as of 31.12.	**57 193**	**32 969**
Restricted bank deposits as of 31.12.	7 310	6 299
Available liquid assets as of 31.12.	**49 883**	**26 669**

Notes to the accounts

Note 1 – Accounting principles

The accounts have been prepared in accordance with the Accounting Act of 1998 and generally accepted accounting principles in Norway. The main accounting principles are described below. Unless otherwise stated, all figures specified in the notes are quoted in US dollars (USD) 1,000. The annual accounts have been prepared on a going concern basis.

Segment information
The Group's main activity is related to chartering and operation of vessels.

Reporting currency and functional currency
Both the parent company accounts and the consolidated accounts are reported in US dollars (USD). Group business activities are primarily denominated in USD. Based on historical figures for the Group, almost 100% of freight income, operating expenses for the vessels, receivables, accounts payable, and external financing (except for the bond loan) are denominated in USD. The consolidated accounts are presented in USD.

Foreign currency
Monetary items, receivables and liabilities in the balance sheet denominated in other currencies than USD are recorded at the year end exchange rates. Profit and loss items in foreign currencies are recorded at exchange rates prevailing at the time of the transaction. Both realized and unrealized gains and losses are included under financial items in the profit and loss statement.

The following exchange rate has been used as of 31.12.2017: USD/NOK 8,205.

Consolidation principles
Included in the Group is the parent company Western Bulk Chartering AS (the "Company") and companies where Western Bulk Chartering AS directly or indirectly has a majority of the voting capital. All intercompany balances and transactions between the companies have been eliminated in the consolidated accounts.

The cost price of shares and partnership shares are eliminated against the equity in the underlying companies at the time of purchase. Any excess of purchase consideration over fair value of assets and liabilities acquired is recorded as goodwill. Goodwill is not amortized. The accounts of foreign subsidiaries are kept in USD as well as in a secondary currency. The Group's consolidated accounts are prepared based on uniform accounting principles.

Classification of assets and liabilities
Current assets and current liabilities include items that fall due within one year as well as items associated with the business flows. Other items are defined as fixed assets/long term liabilities.

Revenue recognition
Revenues are measured at the fair value of the consideration received or receivable, and are presented net of commissions. Revenues and expenses related to a vessel's voyages are accrued based on the number of days before and after the end of each accounting period. A voyage is defined as starting after unloading the previous voyage (discharge-to-discharge). Hence the voyage result is also accrued with the inclusion of actual number of days resulting from the period of ballast, waiting for orders and loading the vessel. Although the Group has major freight contracts covering several accounting years, accounting is based on individual voyages.

Dividends/group contributions are accounted for at the time when such dividend/group contribution is received. However, when the Group has a controlling interest, dividend/group contribution is accounted for, then provisions are made in the contributing company.

Use of estimates
In accordance with generally accepted accounting principles, the company's management must make estimates and assumptions that influence the value of assets and liabilities in the balance sheet and the amount of revenues and expenses included in the accounts during the accounting period. The actual figures may vary from these estimates.

When preparing the accounts, best estimates are used based on information available at the time the accounts are prepared.

Intangible assets
Costs for intangible assets are reflected in the balance sheet providing a future financial benefit relating to the development of an identifiable intangible asset can be identified, and the expenses can be reliably measured. Otherwise such expenses are expensed as and when incurred. Software expenses are depreciated on a straight-line basis over the asset's expected useful life. Expenses related to ordinary maintenance are expensed when incurred.

Gains/losses from sale of intangible assets are shown on a separate line under operating expenses.

Fixed assets
Fixed assets are included in the balance sheet at cost less ordinary depreciation and impairment. The straight-line method for calculating ordinary depreciation for the year has been applied. Fixed assets are depreciated over the expected economic life of the assets. Expenses related to ordinary maintenance are expensed when incurred.

Gains/losses from sale of fixed assets are shown on a separate line under operating expenses.

Impairment of intangible and fixed assets
Impairment is recognized for the amount by which the asset's carrying value exceeds its recoverable amount unless the reduction in value is temporary. The recoverable amount is the higher of net sales value and net present value of future cash flows.

Leases
The Group differentiates between financial leasing and operational leasing based on an evaluation of the lease contract at the time of inception. A lease contract is classified as a financial lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operational leases. When a lease contract is classified as a financial lease where the Group is the lessee, the rights and obligations relating to the leasing contracts are recognized in the balance sheet as assets and liabilities. The interest element in the lease payment is included in the interest costs and the capital amount of the lease payment is recorded as repayment of debt. The lease liability is the remaining part of the principal. For operational leases, the rental amount is recorded as an ordinary operating cost.

Both in 2017 and 2016, all of the Group's leases were classified as operational leases.

Bunkers, other inventory, and receivables
Inventories are valued at the lower of historical cost price according to the "first in first out" principle and estimated market value. Receivables are recorded at nominal value less expected losses.

Financial investments
Financial investments classified as current assets are recorded at the lower of cost price or market value.

Pensions
The Group has defined benefit plans and defined contribution plans. For defined contribution plans the annual contribution is expensed, and there is no pension asset or liability recognized in the balance sheet.

For defined benefit plans, the annual pension expense is calculated based on actuarial estimates, including the premium paid during the year, and a pension asset or liability is recognized in the balance sheet based on the actuarial reports. The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled.

All pension schemes are valued in accordance with the IAS 19R which can be used under NGAAP (NRS 6) as well as under IFRS. Actuarial gains and losses are recognized directly to equity and not included in the result for the current period.

Taxes
The tax expense in the profit and loss accounts includes both taxes payable for the period and changes in deferred taxes. The change in deferred tax reflects changes in future tax liabilities and assets as a result of timing differences between the tax and the accounts. Deferred tax is the tax that relates to the accumulated result, but is paid in a subsequent period. Deferred tax/deferred tax assets have been calculated on net positive temporary differences between accounting and tax-based balance sheet values and which are reversed within a reasonable period of time together with the deferred tax asset related to tax losses carried forward.

Deferred tax liabilities/deferred tax assets within the same tax system are recorded on a net basis. Deferred tax asset is recorded only if the future utilization is probable.

Contingent loss/gain
Provisions have been made for contingent losses that are likely and quantifiable. Contingent gains are not recorded.

Financial instruments and hedge accounting
The Group has defined a hedging strategy and applies financial instruments such as freight derivatives, bunker derivatives and currency derivatives to hedge future results. In accordance with the Norwegian Accounting Act §4-1 no. 5, profit/(loss) on hedging contracts are recognised in the same period as the profit/(loss) related to the hedged object is recognised for all derivatives entered into as part of the hedging policy. The Group has classified the hedges as cash flow hedges for accounting purposes. The market values of the derivatives are kept off-balance until realised. Option premiums paid/received and for any cleared derivatives the settlements paid or received are recognised as current assets and liabilities respectively, until maturity of the derivative when gain/loss is recognised in the profit and loss statement or whenever the assets are considered impaired.

Impairment is recognised for the amount by which the mark-to-market value of the Group's total contract portfolio (TCs, COAs, FFAs and bunker hedges) is negative. If the negative amount exceeds the assets related to the portfolio, including any prepaid amounts for derivatives, an accrual for the liabilities is made.

Profit and loss from derivatives is classified as T/C expenses for freight derivatives, Voyage expenses for bunker derivatives and as part of the administration expenses for currency derivatives serving as currency hedge for administration expenses in other currencies than USD.

The Group also holds a currency option that hedges a part of the currency risk associated with its outstanding bond loan, which is denominated in NOK.

This derivative is classified as a fair value hedge, and is recognised in the balance sheet with its fair value at balance sheet date. Changes in its fair value is recognised in the profit and loss statement as gain or loss on foreign exchange.

Cash flow statements
The cash flow statements are based on the indirect method. Restricted bank deposits are recorded as cash equivalents. Shares are considered to have a high price risk and are not classified as cash equivalents.

Subsequent events
New information related to events that existed on the balance sheet date has been included in the estimates. Important events taking place after the balance sheet date are described in the notes.

Changes in accounting principles
The principle for recognition of actuarial gains and losses has been changed as from 2017. Changes in the pension obligations as a result of changes in the actuarial assumptions and variations between actual and anticipated return on pension funds, are recognised in equity and not included in the result of the current period.

Note 2 - Risk factors

The Group is exposed to a number of risks affecting its financial performance. The risk management team identifies and measures potential risks and implements the risk management policies set by the Board of Directors.

Dry bulk freight market
The Group is exposed to the global market for dry bulk freight, and its result will vary with freight rates, depending on its positioning in the market. The Group may at times have a surplus or a shortage of chartered tonnage, relative to its cargo commitments. In addition, the Group utilizes freight derivatives to hedge or adjust its exposures in the physical freight market. Its net position will generally be non-zero, and as a consequence it is exposed to changes in freight rates for the net surplus/shortage of vessels.

Operational risk
The Group is exposed to its ability to maintain a high utilization rate for its fleet and the ability to operate the vessels in the most efficient and economical manner. This depends on the skills of its chartering and operations personnel, as well as the general conditions in the freight market. The Group has credit and counterpart risk related to its business activity, and has well-established policies for monitoring counterparty approval and for monitoring counterparties' performance. The procedure for approval of counterparts is based on both external rating services and internal investigations. The Group's credit risk mainly relates to freight payable from our counterparts for voyages being performed. Such freight is mainly due at commencement of the voyage, and if not paid, the Group will in most cases have a lien on the cargo. As such, credit risk is manageable, and mainly related to potentially disputed parts of the amount invoiced such as laytime and demurrage upon discharge.

Bunker prices
Fluctuations in fuel oil prices is another substantial risk for the Group, as fuel costs constitute a significant part of voyage costs. Exposures are created when future freight rates are set without indexation to fuel oil prices. The Group hedges its exposures in the energy market using fuel oil swaps and options or similar products.

Foreign exchange and interest rate risk
The Group's business operations are mainly USD denominated, and the functional currency is USD. However, the Group has a foreign exchange exposure related to administrative costs at its offices worldwide denominated in other currencies than USD, and an outstanding bond loan denominated in NOK. The exposures are hedged according to the Group's hedging policy.

Liquidity and cash flow risk
The Group monitors its cash reserves and available liquidity at all times to ensure sufficient liquidity to meet known obligations of its operations, minimum liquidity covenants in financing agreements, and to meet measured cash flow risks related to the use of derivatives for hedging purposes.

Note 3 – Revenues

(USD million)	2017	2016
BY BUSINESS AREA		
Chartering and Operation	827	632
Total	**827**	**632**
GEOGRAPHICAL DISTRIBUTION		
Singapore	109	79
Switzerland	92	86
U.S.A.	68	56
U.A.E.	35	21
France	30	23
Hong Kong	27	16
Korea, Republic	26	3
Panama	24	11
Barbados	23	9
U.K.	22	20
Chile	19	24
South Africa	19	12
Turkey	19	11
Denmark	19	5
Germany	18	9
Japan	18	12
Belarus	17	9
Morocco	15	17
Norway	14	9
Brazil	14	4
Other	200	197
Total	**827**	**632**

The geographical distribution of revenues has been based on the customer's (charterer's) location.

Note 4 – Financial instruments

Bunkers instruments

The Group hedges its bunkers exposure related to freight contracts. The mark-to-market value of the hedging contracts as of 31.12.2017 amounted to USD 4.5 million.

(USD million)	Market value
Bunker hedges (swaps and options) maturing in 2018	4,0
Bunker hedges (swaps and options) maturing in 2019	0,5
Total	**4,5**

Freight instruments

As of 31.12.2017 the Group had entered into FFA contracts (forward freight agreements) and freight options for the period 2018–2022. The mark-to-market value of the hedging contracts as of 31.12.2017 amounted to USD 2.6 million.

(USD million)	Market value
FFA (forward freight agreements incl. options) maturing in 2018	1,3
FFA (forward freight agreements incl. options) maturing in 2019	0,6
FFA (forward freight agreements incl. options) maturing in 2020	0,4
FFA (forward freight agreements incl. options) maturing in 2021	0,3
Total	**2,6**

FX-hedge for G&A expenses

As of 31.12.2017 the Group has hedged its NOK and SGD G&A requirements for 2018 with forward currency contracts. The fair value of these derivatives as of 31.12.2017 amounted to USD 0.3 million.

FX-hedge for the principal amount of the bond loan

The currency risk associated with the bond loan is currently unhedged, except for a currency option capping the down-side risk of the principal amount if the NOK appreciates against the USD to an exchange rate level of 7.68 or lower. The fair value of this derivative as of 31.12.2017 amounted to USD 0.7 million.

Note 5 – Prepaid income/cost

Prepaid income/cost is related to cleared FFA/Bunker hedge contracts. Prepaid income amounts to USD 6.7 million as of 31.12.2017.

(USD million)	Book value
Cleared FFA/ Bunker hedge contracts maturing in 2018	5,0
Cleared FFA/ Bunker hedge contracts maturing in 2019	1,0
Cleared FFA/ Bunker hedge contracts maturing in 2020	0,4
Cleared FFA/ Bunker hedge contracts maturing in 2021	0,3
Total	**6,7**

Note 6 – Shares in subsidiaries

Western Bulk Chartering AS has the following direct ownership in subsidiaries as of 31.12.2017	Ownership share/ voting share	Business office	Currency	Share capital
Western Bulk Management AS	100,0 %	Oslo	NOK	1 500 000
Western Bulk Carriers AS	100,0 %	Oslo	NOK	300 000
Western Bulk Pte Ltd	100,0 %	Singapore	USD	37 500 001
Western Bulk Carriers KS	100,0 %	Oslo	NOK	34 160 000
Western Bulk Carriers (Seattle) Inc.	100,0 %	Seattle	USD	100
Western Bulk (Miami) Inc.	100,0 %	Miami	USD	10
Western Bulk Carriers (Switzerland) SA (in liquidation)	100,0 %	Bulle	CHF	20 000
Western Bulk Carriers (Sweden) AB	100,0 %	Lerum	SEK	50 000
Western Bulk (Chile) Ltda	100,0 %	Santiago	CLP	26 882 500
WBC I AS	100,0 %	Oslo	NOK	200 000
WB Barging AS	100,0 %	Oslo	NOK	300 000
WBC VI AS	100,0 %	Oslo	NOK	100 000
Western Bulk Carriers, GBMH (in liquidation)	100,0 %	Hamburg	EUR	-

Note 7 – Fixed- and intangible assets

(USD 1 000)	Grabs	Intangible	Other	Total
Acquisition cost as of 01.01.2017	132	1 163	1 765	3 059
Additions during the year	-	16	197	213
Disposals during the year	-			-
Acquisition cost as of 31.12.2017	**132**	**1 179**	**1 962**	**3 272**
Accumulated depreciation as of 01.01.2017	119	504	1 474	2 097
Depreciation for the year	3	190	140	333
Disposals	-		-	-
Accumulated depreciation as of 31.12.2017	**122**	**694**	**1 614**	**2 430**
Book value as of 31.12.2017	**10**	**484**	**348**	**842**
Economic life time	5 year	5 year	5 year	

Other fixed assets is mainly related to office equipment.

Note 8 – Administrative expenses

(USD 1 000)	2017	2016
Salaries (incl. bonuses)	20 030	11 846
Employer's part of social security	1 388	1 285
Pension expenses, contribution plans	333	588
Pension expenses, benefit plans	838	674
Other benefits	1 872	1 451
Total salaries and social expenses	**24 460**	**15 844**
Other administrative expenses	7 777	7 833
Total	**32 238**	**23 677**
Persons employed (average for the year)	101	104

A bonus scheme has been established for the employees, based on financial results and other criteria.

Remuneration to the Board of Directors and CEO

The Board of Directors have not received any remuneration.

Principles for determination of compensation for executive management

The focus of the Company is to hire qualified managers and to pay according to the market. Salary and remuneration of the CEO is determined by the Board of Directors, and payment to other employees is determined by the CEO. The CFO and the CRO are defined as the other members of the executive management. The executive management, including the CEO principally have four payment components:

1. Fixed salary
2. Pension scheme
3. Bonus payments (cash) based on financial results
4. Other benefits

Fixed salary and pension scheme for the executive management, including the CEO, are on commercial terms and conditions. The executive management, including the CEO, also have a bonus incentive scheme after which they receive a bonus payment in cash on the basis of the financial results in WB Chartering before bonus- and tax payments for the previous financial year.

The members of the executive management have ordinary benefits in kind such as free use of phone, newspaper subscriptions, ordinary pension contributions, life insurance and health insurance. In addition the CEO has a company car. As a guideline, the Company shall not agree to severance pay for members of executive management unless required under applicable law or required for the Company to secure the necessary expertise and takes place in accordance with the fundamental principle for the Company's salary policy for management as stated above.

Remuneration to the CEO

(USD 1 000)	2017	2016
Salary	554	543
Bonus paid	-	202
Other remuneration	48	48
Total remuneration	602	**793**
Pension premium/cost	241	211

The CEO is entitled to 18 months' severance pay if he is released from his position by the Board. The CEO has the right to retire at the age of 62, receiving 66 % of his salary as pension until the age of 67. From the age of 67, the ordinary pension scheme applies.

Auditor fees

Fees to the auditor consist of the following services (USD 1 000)	2017	2016
Statutory audit	121	79
Tax advice	7	4
Other services outside the audit scope	10	45
Total	**139**	**128**

Pensions

The Group has several pension schemes for the employees, both contribution plans and defined benefit plans. The pension schemes satisfy the respective statutory pension schemes.

Pension cost recognized in income statement (USD 1 000)	2017	2016
Defined contribution plans - expense	333	456
Defined benefits plan - expense	838	806
Total	**1 171**	**1 262**
Actuarial (gain)/losses recognised in equity	973	-132

Details of the defined benefit plan, including cost and assets/ liabilities

The defined benefit plans are set up with a life insurance company to provide pension benefits for its employees. The scheme provides entitlement to benefits based on future service from the commencement date of the scheme. These benefits are principally dependent on an employees pension qualifying period, salary at retirement age and the size of benefits from the National Insurance Scheme. Main terms are that the employee after 30 years of service is entitled to 66 % pension of the pension base salary at 1st of January in the year of retirement. For the secured benefit plan, the pension base salary is limited to 12 times the National Insurance Scheme's basic amount (G). The Group's unsecured benefit plan covers pensions for employees with salaries exceeding 12G. The scheme also includes entitlement to disability, spouse's and children's pensions. The retirement age under the scheme is aged 67 years.

The Group may at any time make alterations to the terms and conditions of the pension scheme and undertake that they will inform the employees of any such changes. The benefits accruing under the scheme are funded obligations.

As of 31.12.2017 there were 26 (30 as of 31.12.2016) employees in the defined benefit pension scheme, of which 9 (11 as of 31.12.2016) received pensions.

All pension schemes are valued in accordance with the IFRS (IAS 19R). Changes in the pension obligations as a result of changes in the actuarial assumptions and variations between actual and anticipated return on pension funds, are recognised in equity and not included in the result of the current period.

Assumptions used in the actuarial calculations

The calculation of pension liabilities involves the use of judgement and estimates across a range of parameters. The discount rate is set at 2.4 % for Norwegian pension schemes and is based on high quality corporate bonds (OMF).

The calculations are based on standard assumptions regarding mortality (K2013) and disability rates (KU), together with other demographic factors, which are prepared by Finance Norway (FNO).

When calculating future pensions for the defined benefit plans the following main assumptions have been made:

	2017	2016
Discount rate (OMF)	2,40 %	2,60 %
Expected return on plan assets	2,40 %	2,60 %
Expected rate of compensation increase	2,50 %	2,50 %
Expected increase of social security base amount (G)	2,25 %	2,25 %
Expected rate of pension increase	0,50 %	0,00 %

The discount rate appplied as of year-end 2017 is determined by reference to the market yield on covered bonds, plus an addition that takes into account the relevant duration of the pension commitments. Covered bonds are considered as high quality corporate bonds based on recent market developments.

Net pension expense for the defined benefit plan

(USD 1 000)	2017	2016
Current service cost	638	618
Interest cost	94	86
Administration cost	3	3
Payroll tax	103	99
Pension expense, before remeasurements	**838**	**806**

Net pension obligation in the balance sheet (As of 31.12.)

	Secured		Non-secured		Total	
(USD 1 000)	2017	2016	2017	2016	2017	2016
Net defined benefit obligation (asset)	1 304	609	3 351	2 890	4 655	3 500
Payroll tax	184	86	471	407	655	493
Obligation in financial statement	**1 488**	**695**	**3 822**	**3 297**	**5 311**	**3 992**
Change in benefit obligation (USD 1 000)						
Defined benefit obligation at the beginning of year	3 854	4 170	3 033	2 549	6 887	6 719
Service cost	255	299	383	373	638	672
Interest cost	99	112	77	69	177	181
Past service cost	-	-332	-	-	-	-332
Remeasurements	509	-519	-3	-100	506	-619
Benefits paid	-57	-60	-138	-	-195	-60
Defined benefit obligation at end of year	**4 662**	**3 669**	**3 351**	**2 891**	**8 013**	**6 560**
Change in plan assets (USD 1 000)						
Plan assets at beginning of year	3 215	3 431	-	-	3 215	3 431
Interest income on plan assets	83	95	-	-	83	95
Remeasurements	-315	-487	-	-	-315	-487
Past service cost	474	-279	-	-	474	-279
Contribution	-	395	-	-	-	395
Administrative expenses	-43	-35	-	-	-43	-35
Benefits paid	-57	-60	-	-	-57	-60
Plan assets at end of year	**3 357**	**3 060**	**-**	**-**	**3 357**	**3 060**

Note 9 - Tax

(USD 1 000)	2017	2016
The tax expense for the year consists of:		
Taxes payable	518	140
Tonnage tax	787	667
Correction for previous years tax provisions	244	1
Changes in deferred tax	-359	-766
Total tax expense/(income)	**1 189**	**42**
Deferred tax relates to the following temporary differences:		
Fixed assets	-131	-136
Pensions	-5 302	-3 988
Current assets	-995	-523
Accruals and provisions	-	-
Gain/(loss) account for deferral	2 050	2 441
Tax losses carried forward	-2 061	-2 964
Finance loss carried forward	-2 351	-677
Total temporary differences	**-8 790**	**-5 847**
Deferred tax liability/(asset), net	-2 023	-1 403
Deferred tax asset not recognized in the balance sheet	484	338
Net deferred tax liability/(asset) recognized in the balance sheet	**-1 539**	**-1 065**
Deferred tax (asset), gross	-1 800	-1 442
Deferred tax liability, gross	261	376

Deferred tax liability is related to the tonnage tax system and can not be off-set with the deferred tax asset from ordinary taxation.

Analysis of the effective tax rate of the Group
The parent company Western Bulk Chartering AS is resident in Norway, where the corporate tax rate is 24%, while other parts of the Group are taxed in other jurisdictions. This analysis explains the main reasons for the effective tax rate of the Group differing from 24 %.

(USD 1 000)	2017	2016
Profit before tax	5 483	-36 942
Total tax expense/(income)	1 189	42
Effective tax rate	**22 %**	**0 %**
Calculated tax expense at 24% tax rate (25% in 2016)	1 316	-9 236
Non-deductible expenses:		
Writedown financial assets	-696	5
Bad debt provision within ordinary taxation	-	2 538
Other non deductable costs	378	179
Deductible expenses netted with equity increase:		
Cost related to share capital increase	-	-130
Non-taxable income:		
Tax exempt dividends received	-	-
Difference in pre-tax profit/(loss) between functional currency and NOK and taxable income within tonnage tax system	-750	5 985
Tax not related to result:		
Tonnage tax	787	667
Other tax effects:		
Utilization of tax loss carried forward	-89	-
Correction for previous years tax provisions	244	1
Other adjustments	-	33
Total tax expense/(income)	**1 189**	**42**

Note 10 – Related parties

Related parties
Reference is made to the annual report 2016, note 10 for information about transactions with related parties in 2016. As of the date of this Annual Report, the main shareholder is Kistefos AS, controlling about 75% of the shares of the Issuer through two of its wholly owned subsidiaries: Kistefos Equity Holdings AS and Kistefos Equity Operations AS.

The second largest shareholder, Ojada AS, holds about 9% of the shares. During 2017, the Group has had the following transactions with Kistefos AS, Kistefos Equity Operations AS and Kistefos Equity Holdings AS:

Kistefos AS:
a. Kistefos AS has provided a parent company guarantee for the Group's USD 6 million bank credit line in June 2017. Kistefos AS will receive a guarantee fee in return.

b. Kistefos AS provided a NOK 141.7 million pre-subscription commitment in relation to Western Bulk Chartering AS's private placement in March 2017 and received a pre-subscription commission amounting to NOK 3.2 million.

c. As of 31.12.2017, the total outstanding payable amount to Kistefos AS (guarantee fees on overdraft facility), was USD 0.1 million.

Kistefos Equity Operations AS:
-no transactions

Kistefos Equity Holdings AS:
-no transactions

Ojada AS:
Ojada AS provided a NOK 12.5 million pre-subscription commitment in relation to Western Bulk Chartering AS's private placement in March 2017 and received a pre-subscription commission amounting to NOK 0.3 million.

Note 11 – Bank deposits

As of 31.12.2017, USD 4.6 million of the restricted deposits was tied to deposits in favor of clearing houses. USD 0.4 million was pledged in favor of a bank for guarantees issued on behalf of the Group, USD 0.3 million was taxes withheld from employees and USD 1.5 million was pledged to secure pension commitments.

(USD 1 000)	31.12.2017	31.12.2016
Unrestricted bank deposits	49 883	26 670
Restricted bank deposits	7 310	6 299
Total bank deposits	**57 193**	**32 969**

Reference is made to note 12 about pledge over unrestricted bank accounts.

Note 12 – Interest-bearing debt

Bond loan
The Group has an outstanding bond loan of NOK 300 million, maturing in full in April 2019. Interest is charged with 3mNibor +6,75%, payable on quarterly basis. The Group owns NOK 29 million of the outstanding bond loan, which is presented net in the balance sheet. Reference is made to note 4 regarding the hedge of the currency exposure related to the net outstanding principal amount.

Bank credit line
The Group has a bank credit line of USD 6 million, which was undrawn at 31.12.2017. The credit line is subject to annual renewals in June every year.

Financial covenants
The bond loan and the bank credit line is subject to certain financial covenants. The Group was in compliance with all of its applicable financial covenants as of 31.12.2017.

Security and pledges provided
The Group has provided a pledge of accounts receivables and certain unrestricted bank accounts as security for the bank credit line. The security provided is limited to a maximum of USD 8 million.

Note 13 – Contingencies and provisions

Provisions for disputes
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.

Due to ongoing disputes, the Company chooses not to disclose details of accruals. The total amount provided for where the Group is defendant is USD 3.0 million as of 31.12.2017 compared to USD 2.3 million as of 31.12.2016.

Write-offs and losses
The Group has made no extra ordinary write-offs and incurred losses related to defaulting counterparties and aged receivables in 2017. In 2016 the corresponding amount was USD 10.8 million. Nearly all of the losses in 2016 were related to transactions with the previous parent company (and its subsidiaries) of the Group and were incurred before the restructuring of the Group in February 2016.

Impairment provisions
As of 31.12.2016, a provision of USD 6.2 million was made to cover expected losses related to certain contracts that were considered on an isolated basis from the overall book of contracts. These isolated contracts related to activities closed down and restructured in 2016. About USD 4.6 million of the provision related to estimated negative value for 2017, and has been reversed under T/C expenses during 2017. The FFA and forward market rates have increased during 2017 and the remaining provision of USD 1.6 million, mainly relating to 2018 has been reversed as per 31.12.2017.

Note 14 – Equity, number of shares and shareholders

(USD 1 000)	Share capital	Share premium	Other paid-in capital	Resolved but not yet paid-in capital increase	Retained earnings	Total
Equity as of 31.12.2016	**68**	**20 934**	**11 241**	**14 965**	**-33 457**	**13 750**
Share capital increase	27	17 830	-	-14 965	-	2 893
Pension remeasurements					-749	-749
Profit/(loss) for the year	-	-18 671	-11 241		34 206	4 294
Equity as of 31.12.2017	**95**	**20 093**	**-**	**-**	**-**	**20 187**

Share capital		
Nominal value per share	NOK	0,05
Registered share capital 31.12.2017	NOK	707 282
Registered share capital 31.12.2017, in USD	USD	94 821
Total number of shares issued as of 31.12.2017		14 145 634

Largest shareholders	# of shares	Ownership-%
Kistefos Group	10 605 449	74,97 %
Ojada AS	1 300 000	9,19 %
Norda ASA	319 463	2,26 %
Skips AS Tudor	266 975	1,89 %
Sniptind Invest AS	266 679	1,89 %
Piero AS	225 000	1,59 %
Løren Holding AS	161 000	1,14 %
Skeie Alpha Invest AS	149 700	1,06 %
Other (227 other shareholders)	851 368	6,02 %
	14 145 634	**100 %**

Note 15 – Estimates

Due to the fact that a number of voyage related expenses are received well after a voyage has been completed, expenses are estimated until final invoices are received. As the accounts are based on a number of estimates, the 2017 profit and loss statement has been positively impacted by USD 1.7 million due to the difference between estimated and actual expenses and provisions related to prior period voyages. The 2016 profit and loss statement had a negative adjustment of USD 2.5 million for prior period voyages.

Note 16 – Leasing and other commitments

TC Contracts – Group as lessee

Vessels chartered in on time charter for a period represents a commitment to pay hire. The minimal nominal hire payable represents a lease commitment of USD 84.2 million exclusive of optional periods. For vessels chartered in on floating rates, an estimate has been applied for the hire commitment.

Charter coverage: For 2018 approximately 13 vessels out of a fleet of 20 vessels have employment with existing cargo contracts or have been relet on timecharter, while for the period 2019-2020, approximately 1-0 vessels of a fleet of 2-1 have firm employment.

	2018	2019	2020	2021	Beyond	Total
Nominal Hire Commitment (USD 1 000)	72 770	8 720	2 726	-	-	84 216
Vessel Hire Days	7 451	832	233	-	-	8 516
Average Rate USD/day	9 766	10 481	11 700	n.a.	n.a.	9 889
Vessel Equivalent/year (firm period)	20	2	1	n.a.	n.a.	n.a.

TC contracts – Group as a lessor

16 vessels are chartered out on TC-contracts lasting between 30 and 120 days as of 31.12.2017. These non-cancellable operating leases have terms of renewal but no purchase options or escalation clauses. Future minimum rentals receivable under these non-cancellable operating leases are as follows:

	< 30 days	1-3 months	> 3 months	Total
Nominal Hire Receivable (USD 1 000)	11 771	5 051	489	17 311
Vessel Days	1 074	489	42	1 605
Average Rate (USD/Day)	10 961	10 324	11 607	10 783

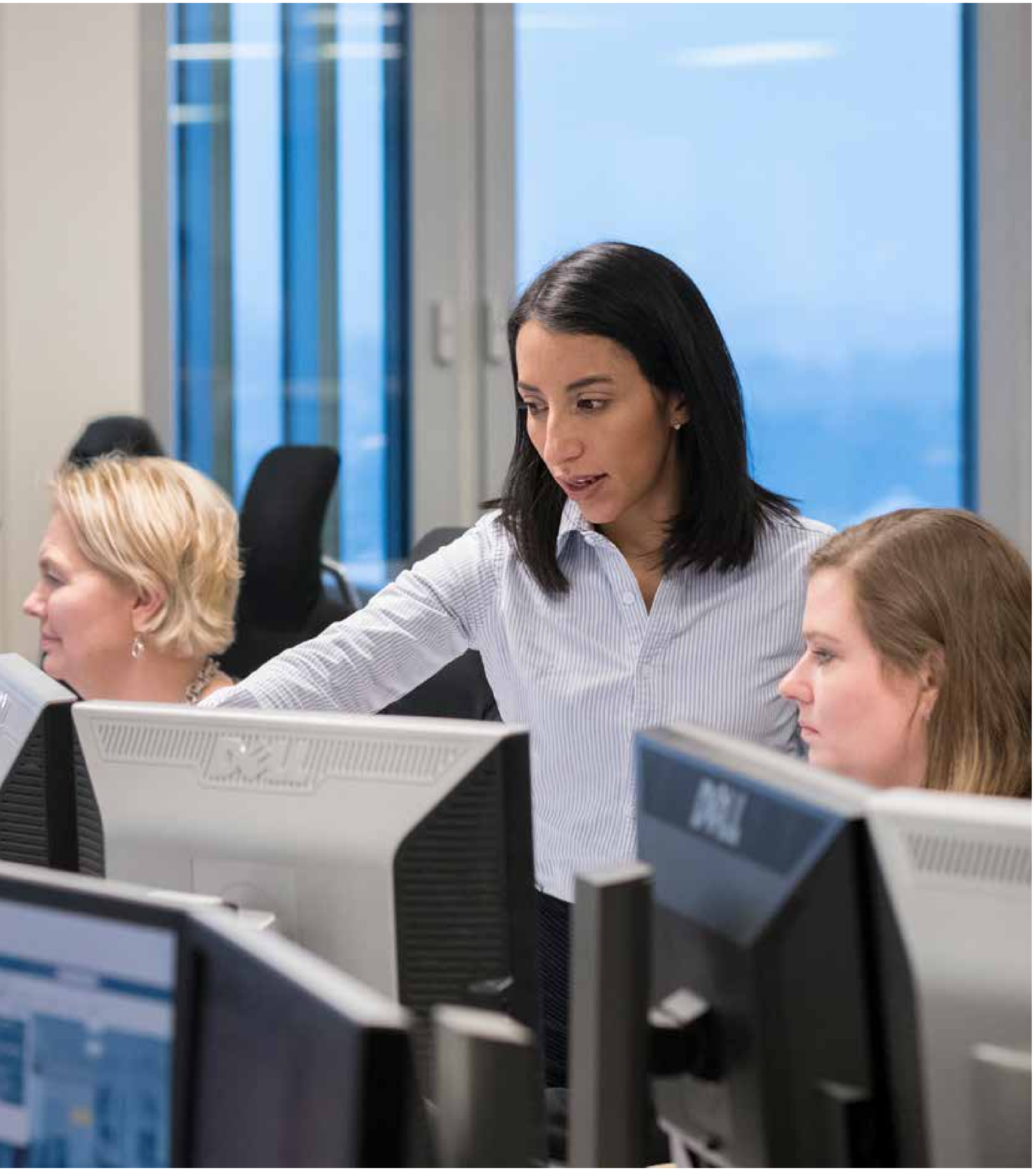
Leasing of offices

The Group leases office premises in Norway, USA, Singapore, Chile and Morocco and total annual lease commitments amounts to approximately USD 1.6 million.

The lease contracts expires in the period June 2018 to February 2026.

Note 17 – Subsequent events

There are no material events subsequent to the balance sheet date of 31.12.2017.



Torunn Ellefsen, Alicia Bryhn-Lamb, Maria Dellgren

Profit and Loss Statement

WESTERN BULK CHARTERING AS – PARENT COMPANY

(USD)	Note	2017	2016
Other operating revenue		1 084 849	259 646
Administration expenses	2,3	-439 212	-386 138
Provision for future loss	13	-378 000	-
Operating profit/(loss)		**267 637**	**-126 492**
Net interest income		129 921	312 834
Net interest expense		-2 567 813	-1 402 664
Gain/(loss) on foreign exchange		-1 639 757	-155 523
Writedown/(reversal of writedown) of financial assets		2 900 000	-21 540
Group contribution		2 217 148	-
Other financial expenses		-1 644 391	-1 259 607
Net finance		**-604 893**	**-2 526 500**
Profit/(loss) before tax		**-337 256**	**-2 652 992**
Tax income/(expense)	4	356 831	503 017
Profit/(loss) for the year		**19 575**	**-2 149 975**

Balance Sheet

WESTERN BULK CHARTERING AS – PARENT COMPANY

(USD)	Note	31.12.2017	31.12.2016
ASSETS			
Non current assets			
Deferred tax asset	4	653 152	282 054
Investment in subsidiaries	6	67 079 238	64 179 238
Investment in financial assets		38 686	38 686
Total non current assets		**67 771 076**	**64 499 978**
Current assets			
Accounts receivable		3 506	-
Receivables from group companies	8	2 232 068	777 476
Other receivables		772 040	16 082 283
Receivables parent company	8		769 632
Bank deposits	9	21 188 291	10 598 726
Total current assets		**24 195 905**	**28 228 116**
TOTAL ASSETS		91 966 981	92 728 094

WESTERN BULK CHARTERING AS – PARENT COMPANY

(USD)	Note	31.12.2017	31.12.2016
SHAREHOLDERS` EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	5	94 821	67 546
Share premium		38 763 290	20 933 325
Other paid-in capital		11 241 238	11 241 237
Agreed but not paid capital increase		-	14 965 195
Total paid-in capital		**50 099 350**	**47 207 304**
Retained earnings			
Other equity		19 575	-
Total retained earnings		**19 575**	**-**
TOTAL SHAREHOLDERS' EQUITY	5	50 118 925	47 207 304
LIABILITIES			
Long term liabilities			
Interest-bearing debt	11	33 028 667	31 438 439
Total long term liabilities		**33 028 667**	**31 438 439**
Short term liabilities			
Taxes payable	4	-	-
Liabilities to parent company		148 333	734 057
Liabilities to group companies	9	492 646	7 114 271
Other current liabilities		8 178 410	6 234 023
Total short term liabilities		**8 819 391**	**14 082 352**
TOTAL LIABILITIES		41 848 057	45 520 790
TOTAL SHAREHOLDERS` EQUITY AND LIABILITIES		91 966 981	92 728 094

Oslo, 15.03. 2018

Bengt A. Rem
Chairman of the Board

Erik Borgen
Board member

Jens Ismar
CEO

Tord Meling
Board member

Cash Flow Statement

WESTERN BULK CHARTERING AS – PARENT COMPANY

(USD)		2017	2016
CASH FLOW FROM OPERATIONS			
Profit/(loss) before tax		-337 256	-2 652 992
Taxes paid		-	-362 424
Provisions for future loss		378 000	-
Group contribution		-2 217 148	-
Writedown investment in subsidiaries		-2 900 000	21 540
Changes in current receivables and current liabilities		3 582 482	14 559 127
Net cash flow from/(to) operating activities	A	**-1 493 922**	**11 565 251**
CASH FLOW FROM INVESTMENTS			
Investments in financial assets		-	-38 686
Investments in subsidiaries		-	-15 005 703
Net cash flow from investments	B	**-**	**-15 044 389**
CASH FLOW FROM FINANCING ACTIVITIES			
Share capital increase		17 942 556	21 361 000
Change in intra-group balances		-5 859 069	-14 573 191
Net cash flow from financing activities	C	**12 083 487**	**6 787 809**
Net change in liquidity during the year	A+B+C	**10 589 565**	**3 308 671**
Liquid assets as of 1.1.		10 598 726	7 290 056
Liquid assets as of 31.12		**21 188 291**	**10 598 726**
Restricted bank deposits as of 31.12.		5 153 427	4 431 457
Available liquid assets as of 31.12		**16 034 864**	**6 167 269**

Note 1 – Accounting principles

The accounts have been prepared in accordance with the Accounting Act of 1998 and generally accepted accounting principles in Norway. The main accounting principles are described below. Unless otherwise stated, all figures specified in the notes are quoted in US dollars (USD). The annual accounts have been prepared on a going concern basis.

Reporting currency and functional currency
The company accounts are reported in USD and the functional currency is also USD.

Foreign currency
Monetary items, receivables and liabilities in the balance sheet denominated in other than USD are recorded at the year end exchange rates. Profit and loss items in foreign currencies are recorded at exchange rates prevailing at the time of the transaction. Both realised and unrealised gains and losses are included under financial items in the profit and loss statement. The following exchange rate has been used as at 31.12.2017: USD/NOK 8,205.

Classification of assets and liabilities
Current assets and current liabilities include items that fall due within one year as well as items associated with the business flows. Other items are defined as fixed assets/long term liabilities.

Revenue recognition
Interest income is accounted for when received.

Dividends/group contributions are accounted for at the time when such dividend/group contribution is received, or when provided for, when the Western Bulk Chartering Group has controlling interest.

Investments in subsidiaries and associated companies
Subsidiaries and investments in associates are valued by the cost method in the company accounts. The investment is valued as cost of acquiring shares in the subsidiary, providing that write down is not required. Write down to fair value will be carried out if the reduction in value is caused by circumstances which may not be regarded as incidental, and deemed necessary by generally accepted accounting principles. Write downs are reversed when the cause of the initial write down is no longer present.

Taxes
The tax expense in the profit and loss accounts includes both taxes payable for the period and changes in deferred taxes. The change in deferred tax reflects changes in future liabilities and assets as a result of timing differences between the tax and the accounts. Deferred tax is the tax that relates to the accumulated result, but is paid in a subsequent period. Deferred tax/deferred tax assets have been calculated on net positive temporary differences between accounting and tax-based balance sheet values and which are reversed within a reasonable period of time together with the deferred tax asset related to tax losses carried forward.

Deferred tax liabilities/deferred tax assets within the same tax system are recorded on a net basis.

Deferred tax asset is recorded only if the future utilisation is probable.

Financial instruments and hedge accounting
Western Bulk Chartering and its subsidiaries (the "Group") has a defined hedging strategy. Reference is made to Notes in the Group accounts for information about financial instruments and hedge accounting.

Cash flow statements
The cash flow statements are based on the indirect method. Restricted bank deposits are recorded as cash equivalents. Shares are considered to have a high price risk and are not classified as cash equivalents.

Changes in accounting principles
There are no material changes in the accounting principles for the periods presented.

Note 2 - Administrative expenses

The Company has no employees. All employees in the Norwegian activity of the Western Bulk Chartering Group are employed by the management company Western Bulk Management AS. Consequently Western Bulk Chartering AS is not obliged to have mandatory occupational pension scheme according to the Act relating mandatory occupational pensions. Western Bulk Management AS performs management services for Western Bulk Chartering AS.

Note 3 - Remuneration to the Auditor and members of the Board of Directors

The audit fee to RSM Norge AS for the audit of the Annual accounts was USD 33 200. An additional USD 5 500 has been expensed for other consulting services provided.

The Board of Directors have not received any remuneration.

Note 4 – Tax

(USD)	2017	2016
The tax expense for the year consists of:		
Taxes payable	-	-
Correction of tax payable from prior period	-	4
Changes in deferred tax	-356 831	-503 013
Total tax expense/(income)	**-356 831**	**-503 017**
Taxes		
Profit/(loss) before tax	-337 256	-2 652 992
Writedown/(reversal of writedown) financial assets	-2 900 000	21 540
Change in temporary differences	822 980	-26 525
Bad debt provision	-	945 240
Other non deductable costs	1 503 014	572 154
Other	145 557	173 355
Difference in pre-tax profit/(loss) between functional currency and NOK	765 705	-473 930
Cost related to share capital increase	-	-520 834
Basis for tax payable	**-**	**-1 961 992**
Tax payable 24%	**-**	**-**
Deferred tax relates to the following temporary differences:		
Current assets	-994 824	-523 372
Accruals and provisions	-378 000	-
Group contribution	-	-
Other	594 264	707 064
Tax loss carried forward	-2 061 227	-1 961 992
Finance loss carried forward	-2 104 106	-572 153
Total temporary differences	**-4 943 893**	**-2 350 453**
Deferred tax asset not recognised in the balance sheet	**483 944**	**282 054**
Deferred tax liability/(asset)	**-653 152**	**-282 054**

Note 5 – Equity

(USD)	Share capital	Share premium	Other paid-in equity	Agreed but not paid capital increase	Other equity	Total
Equity as of 01.01.2017	**67 546**	**20 933 325**	**11 241 237**	**14 965 195**	**-**	**47 207 304**
Share capital increase, net	27 275	17 829 966	-	-14 965 195		2 892 046
Profit/(loss) for the year	-				19 575	19 575
Equity as of 31.12.2017	**94 821**	**38 763 291**	**11 241 237**	**-**	**19 575**	**50 118 925**

Note 6 - Shares and shareholders

Share capital		
Nominal value per share	NOK	0,05
Registered share capital 31.12.2017	NOK	707 282
Registered share capital 31.12.2017, in USD	USD	94 821
Total number of shares issued as of 31.12.2017		14 145 634

Dividend restriction

Western Bulk Chartering AS is restricted by its loan agreements, which prohibits dividend payments unless pre-approved by the lenders.

Largest shareholders	# of shares	Ownership-%
Kistefos Group	10 605 449	74,97 %
Ojada AS	1 300 000	9,19 %
Norda ASA	319 463	2,26 %
Skips AS Tudor	266 975	1,89 %
Sniptind Invest AS	266 679	1,89 %
Piero AS	225 000	1,59 %
Løren Holding AS	161 000	1,14 %
Skeie Alpha Invest AS	149 700	1,06 %
Other (227 other shareholders)	851 368	6,02 %
	14 145 634	**100 %**

Note 7 – Shares in subsidiaries

Western Bulk Chartering AS has the following direct ownership as of 31.12.2017

	Business office	Ownership share/ voting share	Book value (USD)
Western Bulk Management AS	Oslo, Norway	100 %	5 044 737
Western Bulk Carriers AS	Oslo, Norway	100 %	31 614 472
Western Bulk Pte Ltd	Singapore	100 %	30 000 001
Western Bulk Ltda [2]	Santiago, Chile	100 %	51
Western Bulk Seattle Inc	Seattle, USA	100 %	266 496
Western Bulk Carriers (Switzerland) Sarl	Bulle, Switzerland	100 %	-
Western Bulk (Miami) Inc.	Miami, USA	100 %	10
Western Bulk Carriers Sweden AB	Lerum, Sweden	100 %	5 930
Western Bulk Carriers KS [1]	Oslo, Norway	100 %	147 541
Investments in subsidiaries			**67 079 238**

[1] 3 % is owned by the subsidiary Western Bulk Management AS.
[2] 99.9% is owned by the subsidiary Western Bulk Pte Ltd.

Note 8 – Financial instruments

The Company trades all currency-, freight- and bunker derivatives with external counterparts on behalf of the subsidiaries. See Note 4 in the consolidated group accounts for an overview of the market value as of 31.12.2017.

FX-hedge for G&A expenses
As of 31.12.2017 the company has hedged NOK and SGD G&A requirements for 2018 on behalf of its subsidiaries Western Bulk Management AS and Western Bulk Pte Ltd with forward currency contracts. The external contracts are made in the name of the Company, and internal back to back contracts have been made between the Company and its subsidiaries. The fair value of these derivatives as of 31.12.2017 amounted to USD 0.3 million.

FX-hedge for the principal amount of the bond loan
The currency risk associated with this bond loan is currently unhedged, except for a currency option capping the down-side risk of the principal amount if the NOK appreciates against the USD to an exchange rate level of 7.68 or lower. The fair value of this derivative as of 31.12.2017 amounted to USD 0.7 million.

Note 9 – Intra-group balances and transactions with related parties

At the end of the year, the Company had the following amounts outstanding from/(to) Group companies:

Company (USD)	31.12.2017	31.12.2016
Western Bulk Carriers AS *)	-274 107	-7 114 271
Western Bulk Pte Ltd *)	13 934	765 516
Western Bulk Management AS *)	1 999 595	3 787
Western Bulk Carriers (Sweden) AB	-	8 173
Net receivables/(liabilities) from group companies	**1 739 422**	**-6 336 796**

*) Western Bulk Chartering is trading derivatives for hedging purpose on behalf of Western Bulk Pte Ltd and Western Bulk Management AS. These derivatives require daily margin calls and settlement, and a master agreement allows Western Bulk Chartering to forward the margin calls to its subsidiaries.

Western Bulk Chartering AS is VAT-registered together with the following companies:

Western Bulk Management AS
Western Bulk Carriers AS
Western Bulk Carriers KS
WB Barging AS
WBC VI AS
WBC I AS

All companies are jointly and severally liable for any debt towards the public authorities.

The Company has transactions with related companies and all transactions have been carried out as part of the ordinary operations and at arms-length prices. Western Bulk Chartering AS enters into FFA contracts (forward freight agreements), freight options and bunker hedges on behalf of its subsidiaries and receive a commission based on the related contracts. The total commission for 2017 amounted to USD 366 390 The intercompany balances related to these transactions are shown in the table above. See Note 5 in the consolidated group accounts for an overview of the financial instruments.

Other significant transactions are as follows: Management fee for 2017 paid to Western Bulk Management AS amounting to USD 196 246.

Note 10 – Bank deposits

As per 31.12.2017 the restricted deposits were tied to deposits in favor of clearing houses.

(USD)	31.12.2017	31.12.2016
Unrestricted bank deposits	16 034 864	6 165 253
Restricted bank deposits	5 153 427	4 431 457
Total bank deposits	**21 188 291**	**10 598 726**

Note 11 – Interest-bearing debt

Bond loan
The company has an outstanding bond loan of NOK 300 million, maturing in full in April 2019. Interest is charged with 3mNibor+6,75%, payable on quarterly basis. The company owns NOK 29 million of the outstanding bond loan, which is presented net in the balance sheet. Reference is made to note 7 regarding the hedge of the currency exposure related to the net outstanding principal amount.

Bank credit line
The company has a bank credit line of USD 6 million, which was undrawn at 31.12.2017. The credit line is subject to annual renewals in June.
Reference is made to note 12 in the consolidated group accounts regarding financial covenants, security and pledges provided.

Note 12 – Guarantees

Western Bulk Chartering AS has provided some parent company guarantees for its subsidiaries' performance under some of their commercial contracts and financial liabilities.

Note 13 - Contingencies and provisions

As of 31.12.2017 the company has made a provision of USD 0.4 million to cover future losses. Reference is made to note 13 in the consolidated group accounts.

Note 14 – Subsequent events

There are no material subsequent events to the balance sheet date of 31.12.2017.

Auditor's Report

RSM Norge AS

Fillpstad Brygge 1, 0252 Oslo
Pb 1312 Vika, 0112 Oslo
NO 982 316 588 MVA

T: +47 23 11 42 00
F: +47 23 11 42 01

www.rsmnorge.no

To the General Meeting of Western Bulk Chartering AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Western Bulk Chartering AS showing a profit of USD 19 575 in the financial statements of the parent company and profit of USD 4 294 000 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, with the exception of the financial statements and the Independent auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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Auditor's Report 2017 for Western Bulk Chartering AS

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

RSM

Auditor's Report 2017 for Western Bulk Chartering AS

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 15 March 2018
RSM Norge AS

Cecilie Tronstad
Cecilie Tronstad
State Authorised Public Accountant

Responsible Business Conduct

As a company providing shipping services worldwide, Western Bulk Chartering AS ("WB Chartering" or the "Company") recognizes its responsibilities as a global, corporate citizen, within our sphere of influence as ship operators.

WB Chartering aims to integrate Responsible Business Conduct (RBC) efforts into the Company's operating and business practices, as we believe this will make WB Chartering competitively stronger. WB Chartering's Code of Conduct (available on www.westernbulk.com) establishes clear expectations for the employees and the organization, with regard to good corporate conduct, in addition to abiding by applicable laws, rules and regulations. The Code of Conduct includes requirements and expectations related to i.a. confidentiality and communication issues, conflicts of interest and matters of integrity. All employees undergo training of selected topics and are required to sign-off annually, confirming that they have read, understood and will comply with the principles set forth in the Code of Conduct.

WB Chartering has a raising concerns ("whistle-blower") policy and reporting channel, available on the Company's intranet. Employees are expected to report behaviour that may be non-compliant with the principles set forth in the Code of Conduct. This can be done openly, to e.g. the employee's superior or the Compliance Manager, or anonymously through the reporting channel. Concerns raised are logged and initially handled by the Compliance Manager, before addressed within WB Chartering's Compliance Committee. The Compliance Committee consists of the Company's CEO, Senior Management Team and Compliance Manager. The Compliance Manager and the Committee shall seek to clarify the concern raised and propose solutions to handling of the situation. The Compliance Manager also has a direct reporting line to the Board of Directors.

Below, we present the Company's status with regard to the following RBC topics; Human Rights, Labour Rights, Environment, Anti-Corruption, Consumer Interests, Science and Technology, Competition and Taxation.

Human Rights

Within WB Chartering's domains of operation, WB Chartering shall support, respect and commit to the principles set out in UN's Universal Declaration on Human Rights and ensure that the Company is not complicit in human rights abuses.

Before entering into new contracts, WB Chartering's direct counterparts are vetted against several criteria. This process is risk based, and depending on e.g. the industry or region, may include assessing whether there is indication that the counterpart or related parties are implicated in human rights breaches.

Labour Rights

WB Chartering's employees are shore-based, and the Company has limited influence on the working conditions of the seafarers employed on chartered-in tonnage, except for having contract clauses specifying that ship-owners shall follow international standards and conventions.

Key principles for shore-based employees

- **Non-Discrimination** - The Company's policy prohibits unlawful discrimination against employees, shareholders, directors, customers and suppliers because of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, labour union affiliation, social or ethnic origin. Workplace diversity at all levels is encouraged. All persons shall be treated with dignity and respect and they shall not be unreasonably interfered with in the conduct of their duties and responsibilities. All employees and officers shall assist to create a work environment free from any discrimination due to gender, race, religion, age, disability, sexual orientation, nationality, political opinion, union affiliation, social or ethnic origin.
- **Compensation** - The Company shall ensure that wages paid to employees and hired labour are considered fair and meets any national legal standards on minimum wage, and that working hours are not excessive and as a minimum complies with applicable local laws or agreements.
- **Labour standards** - No form of forced, compulsory or child labour is tolerated within the Company. Children below the age of 15 shall not be employed. Freedom of association and the right to collective bargaining and agreements shall be respected in all operations of the Company.
- **Safe working environment** - The necessary conditions for a safe and healthy work environment shall be provided for all employees (see description of the Safety of Life at Sea Convention below).

With regards to piracy issues and safety at sea in general, WB Chartering may send a vessel through potentially high-risk areas once recommended precautions have been made, in dialogue and close cooperation with the vessel's owner and the ship's master.

Environment

As WB Chartering is a charterer of tonnage, the Company does not have direct control over the environmental impact of the day-to-day operations of the chartered-in fleet. WB Chartering uses contract clauses specifying that the owners of our chartered-in vessels shall comply with current laws and regulations. For the areas where WB Chartering's actions can make a difference, for example for bunker purchases, the Company's policy is to comply with all applicable laws and regulations.

Key principles

- **Resource Efficiency** - WB Chartering's aim is to operate in such a way that energy and raw materials are used efficiently, and waste and residual products are minimized over the life cycles.
- **Precautionary Principle** - WB Chartering supports the precautionary principle by avoiding materials and methods posing environmental and health risks as far as reasonably practicable.

WB Chartering only charters in vessels with valid certificates of class. Further, WB Chartering has internal requirements for vetting, and uses RightShip and Equasis as sources of information for screening of vessels to ensure the quality of chartered tonnage for the intended cargo operation There is an overall aim to charter modern, high quality tonnage, and there is also a general economic and environmental incentive to charter in newer tonnage due to lower fuel consumption.WB Chartering's charterparty contracts specify that the owners of our chartered-in vessels shall comply with international oil pollution legislation and to comply with low-sulphur regulations in IMO's International Convention for the Prevention of Pollution from Ships (MARPOL).

As from 1 January 2015, new IMO regulations related to sulphur oxides (SOx) emissions came into force. Within the so-called Emission Control Areas (ECA), being defined parts of the Baltic Sea, North Sea, North American sea and United States Caribbean Sea areas (as defined in MARPOL), the allowed limit of sulphur contained in the fuel has been lowered to 0.10 %. WB Chartering complies with these requirements through systematic monitoring and execution of vessel bunkering by the Company's Bunker department and vessel Operators. Consequently, the low-sulphur fuel consumed has increased relative to the high-sulphur fuel (see table 2).

Safety of Life at Sea (SOLAS)
(Source: www.IMO.org)

- The Titanic disaster prompted the world's maritime nations to gather in London in 1914 and adopt what would become the International Convention for the Safety of Life at Sea (SOLAS).
- The Convention established the first set of international vessel requirements for lifesaving equipment and other basic safety measures.
- It is still in force today, and signatory states must comply with minimum safety standards in construction, equipment and operation.

During 2017, we had the pleasure of sponsoring the Rowegians, 4 Norwegian rowers aiming to participate in the Talisker Whiskey Atlantic Challenge, rowing 3,000 nautical miles across the Atlantic from La Gomera (Canary Islands) to Antigua. They completed the race in only 36 days, officially the fastest European female team ever.

MARPOL (International Convention for the Prevention of Pollution from Ships) - Includes regulations aimed at preventing and minimizing pollution from ships - both accidental pollution and that from routine operations. (Source:www.imo.org/About/Conventions/ListOfConventions/Pages/Default.aspx)

MARPOL Annex VI - Sets limits on sulphur oxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances. (Source: www.imo.org/OurWork/Environment/PollutionPrevention/AirPollution/Pages/The-Protocol-of-1997-(MARPOL-Annex-VI).aspx)

Average bunker consumption per steaming day (metric ton HFO) has been at a stable level over the last years. WB Chartering will work towards at least maintaining this level going forward.

In general, newer tonnage has lower fuel consumption than older tonnage, and thereby less emissions. The quality of the vessel is also usually higher than for older tonnage, reducing the risk of incidents. Internal statistics show that the average age of WB Chartering's chartered-in tonnage has remained stable over the last years (see table 1).

WB Chartering will continue to follow the regulations towards usage of low vs high-sulphur bunkers in designated marine areas and expects to continue to increase the low-sulphur fuel consumed relative to the high-sulphur fuel. See table 2 for details of WB Chartering's bunker purchases split on normal versus low-sulphur fuel in the period 2013 to 2017.

Anti-Corruption

WB Chartering is committed to conduct business with integrity and openness in our business dealings. The Company demands and expects that WB Chartering's employees at every level of the organization adhere to applicable laws and regulations in the countries where WB Chartering operates. The Company requires all employees to refrain from bribery.

The Code of Conduct also includes requirements to prevent money laundering directly or indirectly through the Company's financial transactions.

Employees receive regular training and awareness-raising regarding WB Chartering's internal policies related to anti-corruption, including so-called facilitation payments.

Before approving contractual counterparts, they are vetted using a risk-based approach against databases containing information on various risks, such as sanctions, criminal records and adverse media coverage. Port agents are vetted by WB Chartering's global provider of port cost management services, through their internal due diligence process. This includes i.a. sanctions screening, review of agency ownership and verification of bank account ownership. New brokers are also requested to submit relevant company- and ownership information, and are vetted by the Company's Counterpart Approval Team.

WB Chartering joined the Maritime Anti-Corruption Network (MACN, www.

Table 1 - WB Chartering's Fleet Age

	2012	2013	2014	2015	2016	2017
Fleet						
Average Number of ships	129	153	169	155	124	140
Fleet age						
Average age	7,2	6,8	6,5	6,6	6,8	7,1
Weighted average age	7,0	6,3	6,1	5,7	5,9	6,6
Median	5,0	4,0	4,0	5,0	6,0	6,0
Fleet age by age category						
0-5 Years	51 %	57 %	61 %	65 %	57 %	46 %
5-10 Years	22 %	20 %	18 %	17 %	26 %	35 %
10-15 Years	14 %	16 %	12 %	10 %	13 %	15 %
15-20 Years	9 %	7 %	9 %	7 %	5 %	4 %
20-25 Years	3 %	1 %	0 %	1 %	0 %	0 %
Over 25 Years	1 %	0 %	0 %	0 %	0 %	0 %
Total	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**

Table 2 - WB Chartering Fuel Purchased

Fuel purchased	2012	in % of total	2013	in % of total	2014	in % of total	2015	in % of total	2016	in % of total	2017	in % of total
High Sulphur Fuel (HSF), normal sulphur (for main engine), tonnes	531 105	97 %	557 104	98 %	570 213	97 %	610 778	91 %	475 180	92 %	476 385	92 %
LS MGO/Diesel oil, low sulphur (for main-/aux. engine), tonnes	4 515	1 %	5 058	1 %	13 027	2 %	55 081	8 %	38 108	7 %	39 033	8 %
MGO/Diesel oil, normal sulphur (for aux. engine), tonnes	11 036	2 %	8 967	2 %	3 570	1 %	3 615	1 %	1 171	0 %	496	0 %
Total, tons	**546 656**	**100 %**	**571 129**	**100 %**	**586 809**	**100 %**	**669 474**	**100 %**	**514 458**	**100 %**	**515 914**	**100 %**
Average bunker consumption per steaming day, metric tonnes (HFO)		24,6		23,2		23,8		23,9		23,9		23.1

maritime-acn.org) in 2013. Established in 2011, MACN is a global business network working towards its vision of a maritime industry free of corruption, where the members learn and share best practices to improve their anti-corruption programs. MACN also collaborates with key stakeholders, including governments, authorities, and international organizations, in markets where corruption is prevalent to its membership, to identify and mitigate the root causes of corruption in the maritime industry. The Company participates in knowledge sharing and other collective action initiatives together with the secretariat and other members of the network.

Consumer Interests

WB Chartering's reputation is a critical asset to the Company. In order to maintain and further strengthen WB Chartering's position in the market, it is important that services provided meet the quality expected by the Company's customers.

WB Chartering carries many different types of cargo for customers worldwide and follows the requirements laid out in IMO's International Maritime Solid Bulk Cargoes Code (IMSBC Code). The primary aim of this Code is to facilitate the safe stowage and shipment of solid bulk cargoes. This includes recommendations on topics such as trimming and test procedures, stowage etc.
The continued focus on risk mitigation and high-quality operations has resulted in the received number of cargo and other claims remaining at historically low levels.

Science and Technology

Innovation provides benefits for the shipping industry's stakeholders. WB Chartering wants to contribute with the Company's experience, competence and capacity in this regard. Generally, WB Chartering advocates supporting Norwegian research communities that can contribute to maintaining or improving Norway's front position in the maritime business.

On several occasions, WB Chartering has cooperated with academic institutions in Norway. This has i.a. included development work related to calculating risks, and providing research topics and guidance for Master students' thesis work.

WB Chartering has participated in a three-year research project run jointly by the Norwegian School of Economics (NHH), the Norwegian University of Science and Technology (NTNU), the Norwegian Marine Technology Research Institute (MARINTEK) and Centre for Applied Research at NHH, and funded by the Research Council of Norway and

industrial partners Odfjell SE, Bergen Shipowners' Association and Western Bulk. The project has contributed to improve our understanding of the value of optimising trading decisions to improve fleet efficiency. Moreover, research on the joint modelling of regional freight rates has the potential to improve the way we hedge our portfolio of geographically dispersed vessels and cargo contracts. WB Chartering will continue to co-operate with parts the research team on similar topics also in 2018.

Competition

WB Chartering operates in a highly competitive industry. The Company competes in a fair and ethically justifiable manner in relation to competitors as well as to customers and suppliers. WB Chartering will under no circumstances cause or be part of any breach of general or special competition regulations, such as illegal pricing cooperation, illegal market sharing or any other behaviour that is in breach of applicable competition legislation.
As an active member of the shipping community, WB Chartering engages with a wide variety of organisations and industry forums. Participating in formal meetings, workshops etc., the Company complies with rules of not disclosing sensitive business and market information, which might be used to distort fair competition in the marketplace.

Taxation

Western Bulk Chartering AS is domiciled in Norway and controls legal and operational entities in Norway, Singapore, the United States of America, Chile, Sweden and Morocco.

WB Chartering complies with tax laws, regulations and filing requirements in the jurisdictions where the Company and its subsidiaries are located.

WB Chartering follows the arm's length principle and complies with the recommendations set out in the OECD Transfer Pricing Guidelines for internal transactions between the companies controlled by Western Bulk Chartering AS.

For further details about WB Chartering's taxation, please also refer to the explanatory notes in the Company's financial statements.

MACN
Maritime Anti-Corruption Network

Addresses

Western Bulk Chartering AS/
Western Bulk Carriers AS/
Western Bulk Management AS
Henrik Ibsensgt. 100,
P.O. Box 2868 Solli
N-0230 Oslo
NORWAY
Phone: (47) 23 13 34 00
Fax: (47) 85 23 26 79

Western Bulk Pte Ltd
16 Collyer Quay #28-01
SINGAPORE 049318
Phone: (65) 6 653 2300
Fax: (65) 6 622 0301

Western Bulk Carriers (Seattle) Inc
1001 Fourth Avenue,
Suite 4105
Seattle, WA 98154
USA
Phone: (1) 206 292 0909
Fax: (1) 206 292 0904

Western Bulk Chile Ltda
Edificio Mistral, Rosario Norte #615
Of. 1903, Piso 19
Las Condes, Santiago
CHILE
Phone: (56) 2 2714 7300
Fax: (56) 2 2714 7325

Western Bulk Management AS – West Africa
33 rue Hassan Seghir
Casablanca
MOROCCO
Phone: (47) 23 13 35 56

oktanOslo.no • 47123