Annual Report
2018

Western Bulk

This is the 2018 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”.

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NO SMOKING

Western Bulk - Key Figures

USD million	2018	2017
Net TC Result	31.6	40.5
EBITDA	5.2	8.3
Annual result	**4.2**	**4.3**
Total assets	118.4	101.4
Book equity	24.1	20.2
Total liabilities	94.3	81.2
Free cash	23.0	49.9
Restricted cash	8.1	7.3
Total cash	**31.2**	**57.2**
Average number of vessels operated	151	140
Net TC margin per ship day (USD)	573	792

Company Description

150-170 vessels
Strong relations with vessel providers as a leading worldwide operator of dry bulk vessels in the Ultramax to Handysize ("geared bulk vessels") segments. Currently operating a fleet of 150-170 vessels.

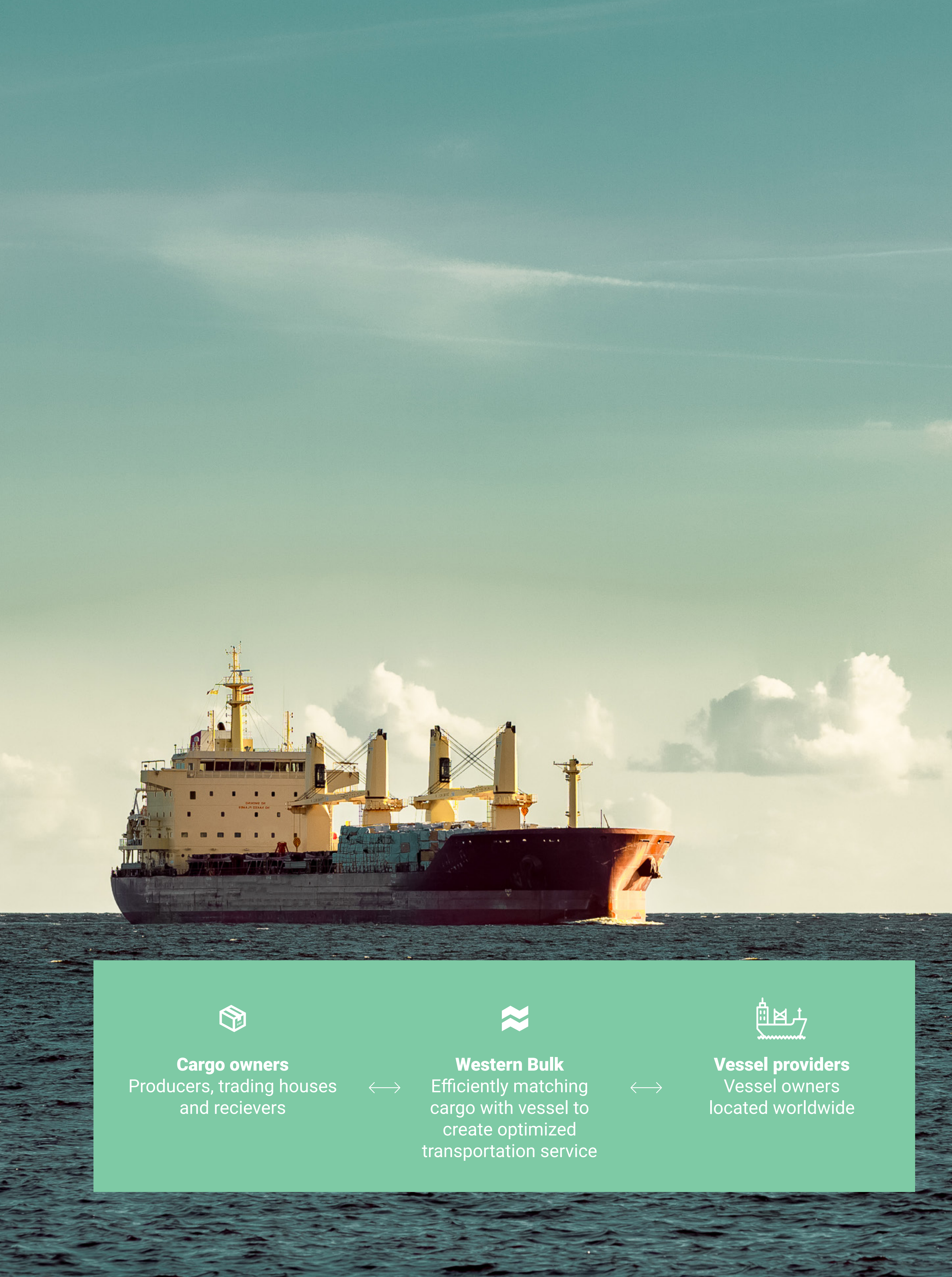
Broad network
More than 300 cargo customers, superior market and business intelligence, operations spread across more than 85 countries, diversified across commodities, and proprietary risk control systems.

Cost efficient
Western Bulk strives to identify the most cost efficient match of cargo and vessels that provides the greatest margin between payment received for the cargo shipment and the cost of leasing the vessel.

225 shareholders
Privately owned by approximately 225 shareholders. The Kistefos Group is the largest shareholder controlling about 75% of the shares. Experienced Board of Directors and support from the main shareholders.

Global Presence
Offices located in Oslo, Singapore, Seattle, Santiago and Casablanca – headed by an experienced management team. Flat and decentralised organisational culture enables quick response to local market changes. Local presence allows intimate knowledge of cargo and vessels.

People
More than 100 employees working in skilled teams developed in-house. Our teams add to our performance, cooperating and supporting each other across functions and regions.



Cargo owners
Producers, trading houses and recievers

⟷

Western Bulk
Efficiently matching cargo with vessel to create optimized transportation service

⟷

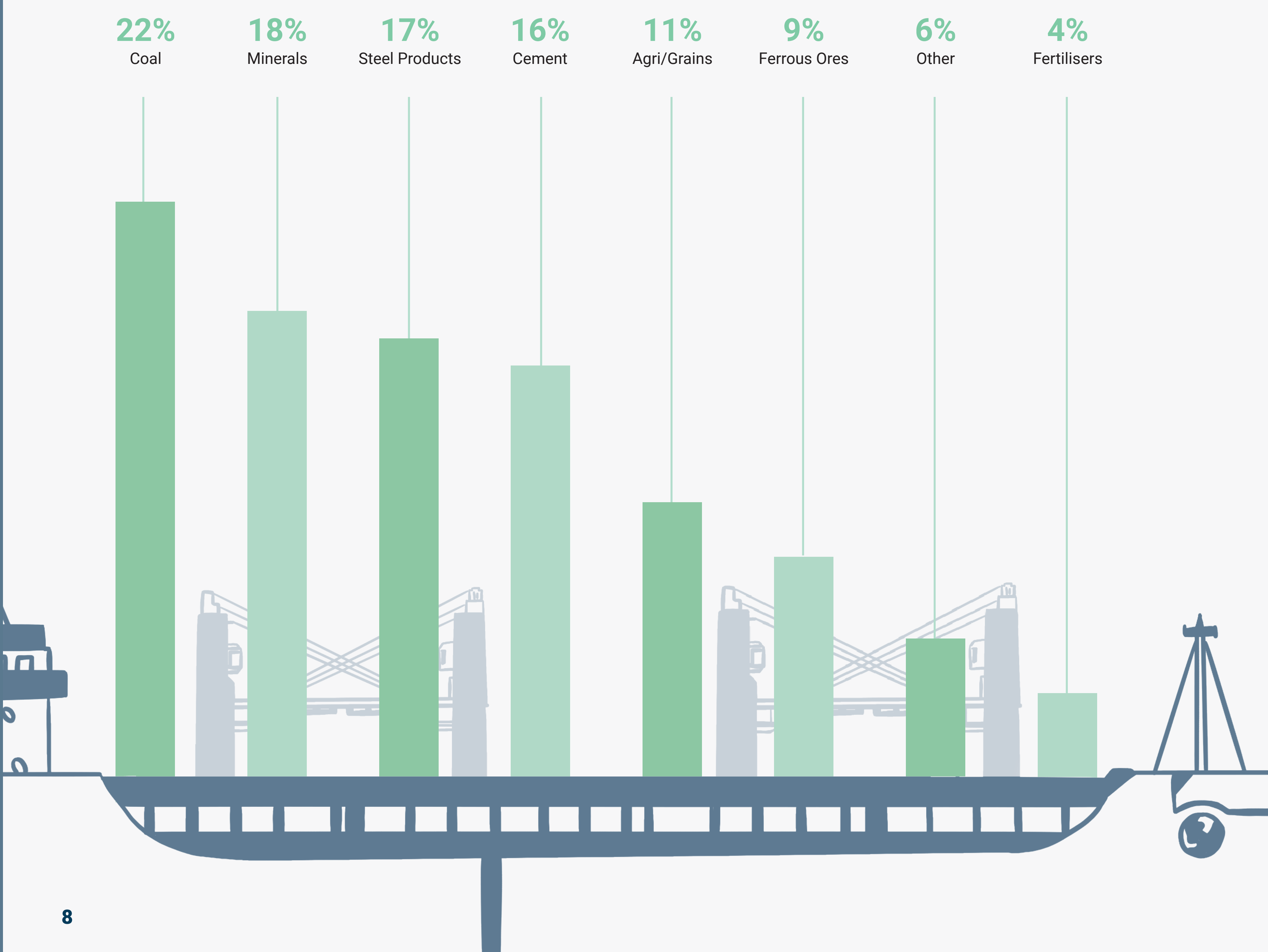
Vessel providers
Vessel owners located worldwide

Well Diversified

- Western Bulk has a wide network of cargo owners diversified across geographies and commodities.
- Our wide network limits our exposure to specific customers, geographies or commodities. It also provides a wide foundation for revenue generation and reduces cyclicality and counterparty risk.
- Our close relations to such a wide range of cargo owners globally provides a high deal flow with opportunities to locate cargo that efficiently match identified and available vessels.

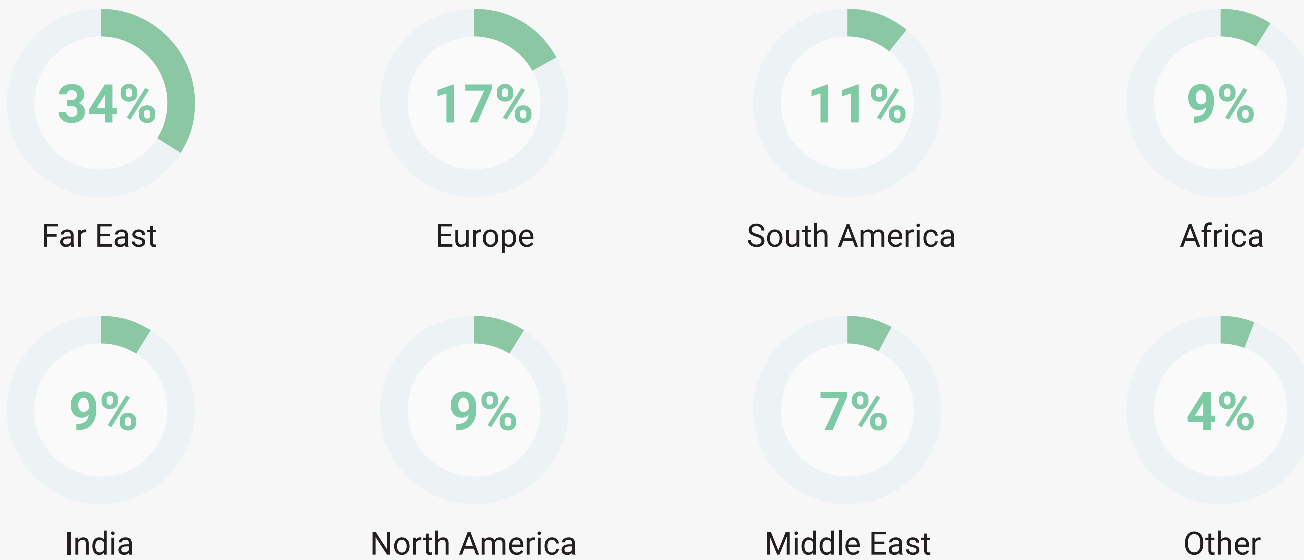
Commodity diversification

2018 Figures by Commodity



Geographic diversification

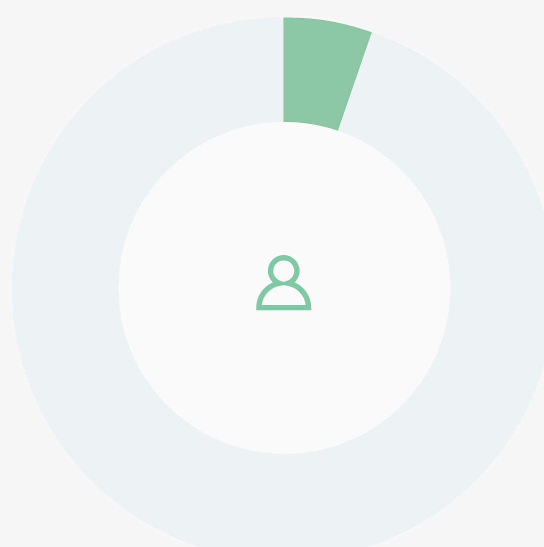
2018 Figures by Discharge area



Cargo owner diversification

2018 Figures by Customer

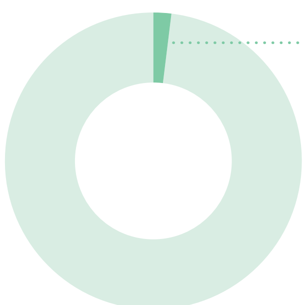
Western Bulk has more than 300 different cargo customers. No single customer accounts for more than 5,5% of revenues.



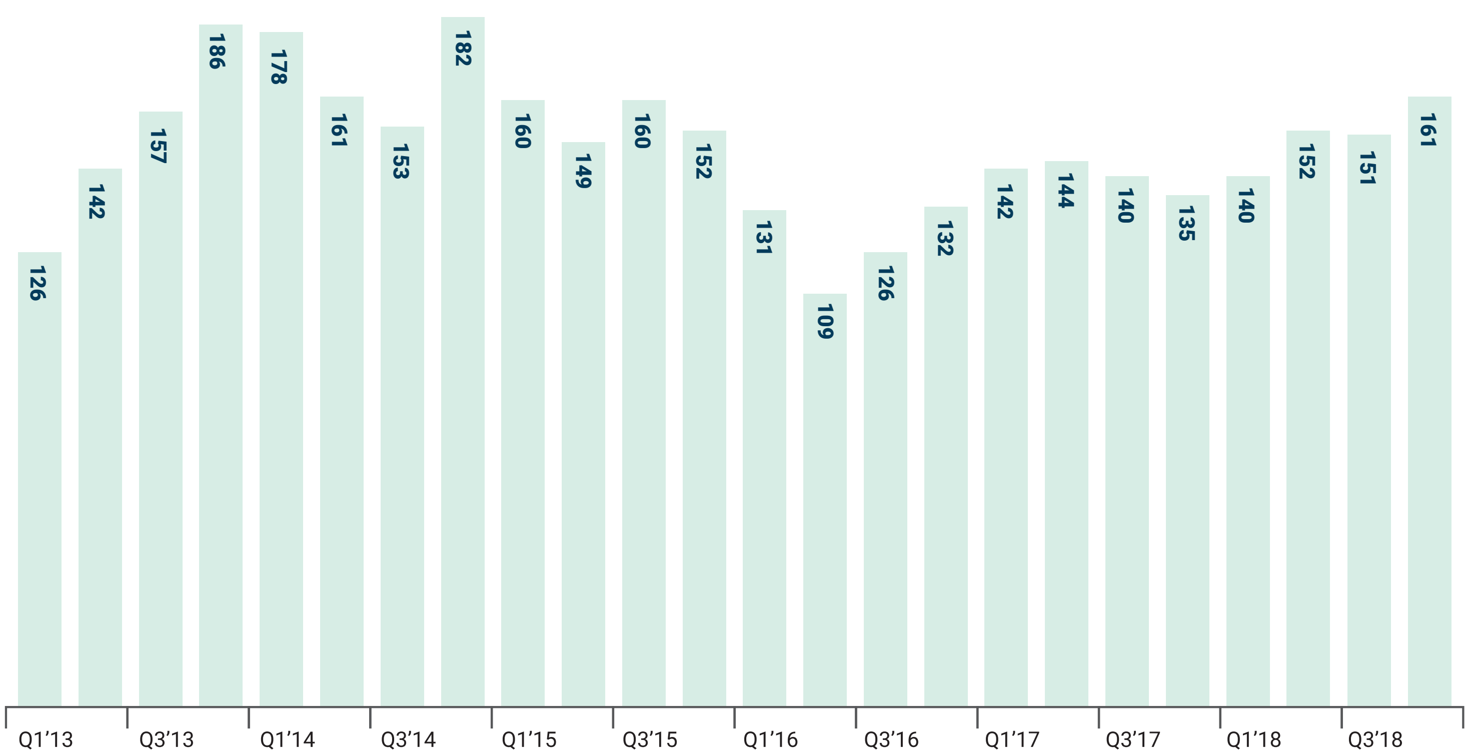
Broad access to vessels

Chartered-in fleet with 150-170 vessels operated currently.

Number of vessels operated by quarter



Western Bulk operate ~2% of global fleet, wide space of available vessels ensure identification of the optimal vessel



- Significant network of Ultramax to Handysize providers serves as foundation for everything from single voyage leases to longer term leases of vessels – basis for a highly flexible fleet.

- Significant vessel access ensures that Western Bulk always has the opportunity to identify attractive vessels for any cargo load

- A deep vessel market to trade creates opportunity to cherry-pick vessels that most efficiently match each cargo load and secure the highest possible margin.

- Selecting the optimal vessel depends on a range of factors, including vessel location and distance from cargo, fuel efficiency and charter hire.

- Western Bulk engages in short- (up to six months), medium- (six to twelve months) and long-term (more than twelve months) leases. The majority of leases are short-term to medium-term.

- Any relation with vessel providers undergo a thorough evaluation of counterparty risk.

Jens Ismar, CEO

Our values

AGILE
Energetic, responsive, flexible and nimble

RELIABLE
Dependable, sincere, steadfast and attentive

RISK AWARE
Making informed and calculated decisions, mindful of challenges

ENTREPRENEURIAL
Curious, adventurous, ambitious, always pursuing opportunities

2018 was a mixed year for Western Bulk

Activity increased throughout the year with the number of vessels reaching 164 in December, the highest level since 2014. While performance improved in most of the business units, the overall annual result was hampered by underperformance in Chile and a third quarter with limited volatility.

In an increasingly competitive landscape, the need to balance local presence with our ability to capture and benefit from intra-region volatility and trades has prompted us to review our business unit structure. Consequently, the two smaller business units located on the West Coast of America were merged into the Pacific and Indian Ocean Business Units respectively in the second half of the year. This reduced the number for business units from six to four while maintaining the number of offices. We believe this move will further strengthen our competitive position in an increasingly inter-connected market.

An ever-increasing rate of technological development is leading to new tools, new opportunities and new threats. While shipping is already an extremely competitive and efficient market, technology will also disrupt this industry. At Western Bulk, we strongly believe in combining our existing strong shipping expertise and commercial acumen with the value creation potential offered by new technologies. We will grasp the opportunity to become more efficient and to take even quicker and better decisions. Investing in technology and working with several strong partners, we are developing systems and tools to leverage our existing competitive advantages. We are developing our IT infrastructure to make it more flexible and a solid foundation for future innovations and enhancements. As part of this, we are incredibly focused on the human element, as new technology will only be effective to the extent that it is understood, appreciated and adopted by our talented and dedicated staff.

2018 was dominated by political turmoil and trade uncertainties that reduced confidence in the dry bulk market. Despite this, the market performed reasonably well with gradual improvements throughout the year. However, the high hopes in the market for a good fourth quarter turned out to be a big disappointment. We therefore enter 2019 on a more sober tone expecting a gradual, minor improvement in the dry markets with periods of increased volatility. Uncertainties remain around economic growth in general and specifically around the Chinese need for raw materials, combined with a continued uncertain political environment and trade wars. On the other hand, the new IMO Sulphur regulations may give the market some boost towards the end of the year.

With 2018 behind us we are entering the new year with an organisation ready to grab the opportunities the year most certainly will bring! Through our core values agile, responsible, risk aware and entrepreneurial we have proven we can adapt and create value in different market environments. With our asset light model and ability to quickly turn positions, the uncertainty and likely volatility in the coming year should provide ample possibilities.

Jens Ismar, CEO

Technology - Mission statement

In 2018 Western Bulk followed up on its investments in technology by strengthening the technology team with a mission to use technology to exploit the current and explore new possibilities.

We will exploit the possibilities that exist in our current business model with the tools and systems that we already have. We will strive for operational effectiveness and help the business to improve by implementing technology that better solves our business needs.

We will look at the future and explore new ways of working, new markets and new technologies. We don't need to watch out for the disruptors, we need to find and join them. We don't have to do everything by ourselves, but should share and develop in partnership with others.

As a company it is important that we succeed with both. If we are not able to help current business, we will fall behind. If we are not able to explore, we will suddenly find ourselves out of business. At Western Bulk we do both with a strong passion!

Deliveries in 2018

2018 was the year when Western Bulk made a leap into the future. Within a very short timeframe, we made bold changes to our core systems, moving away from our old Citrix solution and into the cloud with both our Voyage Management System (Veson) and our new group e-mail system (Sedna). The changes may seem trivial, but had great impact as described below. This is a good example on how

Some results from moving to Software as a Service in the cloud:

-80%

Stability

We see a reduction in reported incident tickets by 80 % in Q4 compared to Q1

Better mobility

We can securely use our systems from any device

Speed

We can now perform powerful searches within all our millions of e-mails and retrieve the result within less than a second

5-90%

Performance

We see speed improvements and reduction in waiting time from 5 and up to 90 % on different lists in our Voyage Management System

we work - We found that there were great benefits in improving current systems and at the same time, the design of our new systems enable us to explore new possibilities.

Working together drives innovation

It has been important for Western Bulk to find vendors that understand our mission and that are willing to open their platforms to allow innovation from both within and outside. Our new e-mail system works better, because they use data from Veson. Our Voyage Management System also works better, because they integrate with other service providers. By bringing vendors together, we help the industry drive innovation.

What comes next

Moving core systems to the cloud will help us exploit new possibilities, but it will also enable us to explore new ways of working. In 2019 we have initiated several initiatives that will support decision making processes for both Chartering and Operations. It also means that we will see a continuous flow of general improvements and new features delivered to our systems!

Board of Directors' Report 2018

In 2018 Western Bulk generated a net profit after tax of USD 4.2 million, in line with 2017. Volumes increased throughout the year, reaching 164 vessels in December - the highest level since 2014.

After good performance the first half of the year, the second half did not meet expectations. Mainly due to the Chile business unit experiencing a Net TC loss of -13 mUSD for the full year, combined with low market volatility in the third quarter hampering performance across the Group.

Financial Performance for the Group

The Group reached a net profit after tax of USD 4.2 million in 2018, compared to a net profit after tax of USD 4.3 million in 2017. Net TC ended at USD 31.6 million (USD 573 per ship day), down from USD 40.5 million in 2017.

The activity increased in 2018, where the average number of ships operated was 151 for the full year, an increase from 140 in 2017. The table below shows the development throughout the year per quarter:

The Group's turnover, expressed as gross freight revenues, increased from USD 827.3 million in 2017 to USD 1 070.2 million in 2018 (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 was USD 26.4 million in 2018 compared to USD 32.2 million in 2017. The decrease of USD 5.8 million was due to lower bonus accruals and conversion from defined benefit pension to defined contribution pension, substantiating the flexibility of the cost base. The Group had an average of 106 FTEs employed in 2018 compared to 101 in 2017.

Dividend from the Bulk Invest estate contributed positively with USD 2.5 million as the amount had been fully provided for as bad debt.

	Q1-18	Q2-18	Q3-18	Q4-18	2018
Net TC result (USD mill)	4.0	17.3	-3.0	13.3	31.6
Average fleet size (vessels)	140	152	151	161	151
Net TC result per ship day (USD)	316	1 252	-219	902	573

Following an increased activity level combined with oil price fluctuations, more cash was tied up in working capital. This led to a decrease in available cash of USD -26.0 million throughout the year, with total available liquidity (incl. free cash and undrawn credit lines but excluding restricted cash) ending at USD 29.0 million. With the number of ships increasing by 34 from the beginning to the end of the year, more cash was tied up in bunker stocks and accounts receivable, combined with negative impact on cash from bunker hedges following oil price decline at the end of the year. A lower share of vessels on time charter out also contributed significantly to the development, as the Group is not carrying bunker stocks for vessels on time charter out. To a large extent working capital is driven by the number of vessels on voyage, and with the majority of exposure focused in the short-term, the Group can manage working capital by adjusting volume.

The balance sheet total was USD 118.4 million at the end of 2018 compared to USD 101.4 million the year before. The Group has a NOK 300 million bond loan (non-current debt) which matures in full in April 2019. 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 94.3 million as of 31.12.2018 compared to USD 81.2 million as of 31.12.2017.

Following the positive result in 2018, the Group further strengthened its equity position to USD 24.1 million at the end of the year.

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 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.

To realize a greater potential, the US West Coast and Chile business units were merged into the Pacific and Indian Ocean business units respectively in the second half of the year. This reduced the number for business units from six to four while maintaining the number of offices. The Group's four business units operate out of five offices located in Oslo, Singapore, Seattle, Santiago de Chile and Casablanca.

Market Development

During the second half of 2018, the Baltic Supramax Index 58'(BSI) reach its highest average rates (USD 11 860/day) since the index started in 2015, and the daily index rate touched as high as USD 13 431/day on 11th Oct. The annual average rate in 2018 (USD 11 487/day) rose 23% (USD 2 141/day) from that of 2017 (USD 9 345/day) as the supply and demand balance continued to improve.

Basin differences increased between the Atlantic and Pacific, particularly in the fourth quarter, with the Atlantic being significantly stronger than Pacific.

Dividend policy

For any dividend payments to its shareholders, Western Bulk Chartering AS is 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.

Subsequent events

To ensure a strong financial platform and support further growth, the Company has secured new debt financing and will raise USD 15 million in equity guaranteed by the two main shareholders (Kistefos AS and Ojada AS). The NOK 300 million bond with NOK 271 million outstanding will be repaid in full, allowing for a more optimal financial structure.

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 among the Norwegian employees in the Group was 2.21% (2017: 0.94%), divided into 1.11% short time absence, and 1.10% 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 31.12.2018, 40 of the Group's 115 employees were women (35%).

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 emphasise risk awareness in all decisions.

With a continued muted outlook for the dry bulk shipping market, the Board recognizes that counterparty risk is likely to continue at a high level and that unexpected changes to demand and supply may cause market rates to fluctuate significantly, at least on a relative basis. Although the Group has a diversified exposure to counterparties, well-managed market exposure and a wide geographical positioning, we anticipate that the Group will be affected by these external factors. 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'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 and the Group continuously monitors its cash reserves and available liquidity 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 2019 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.

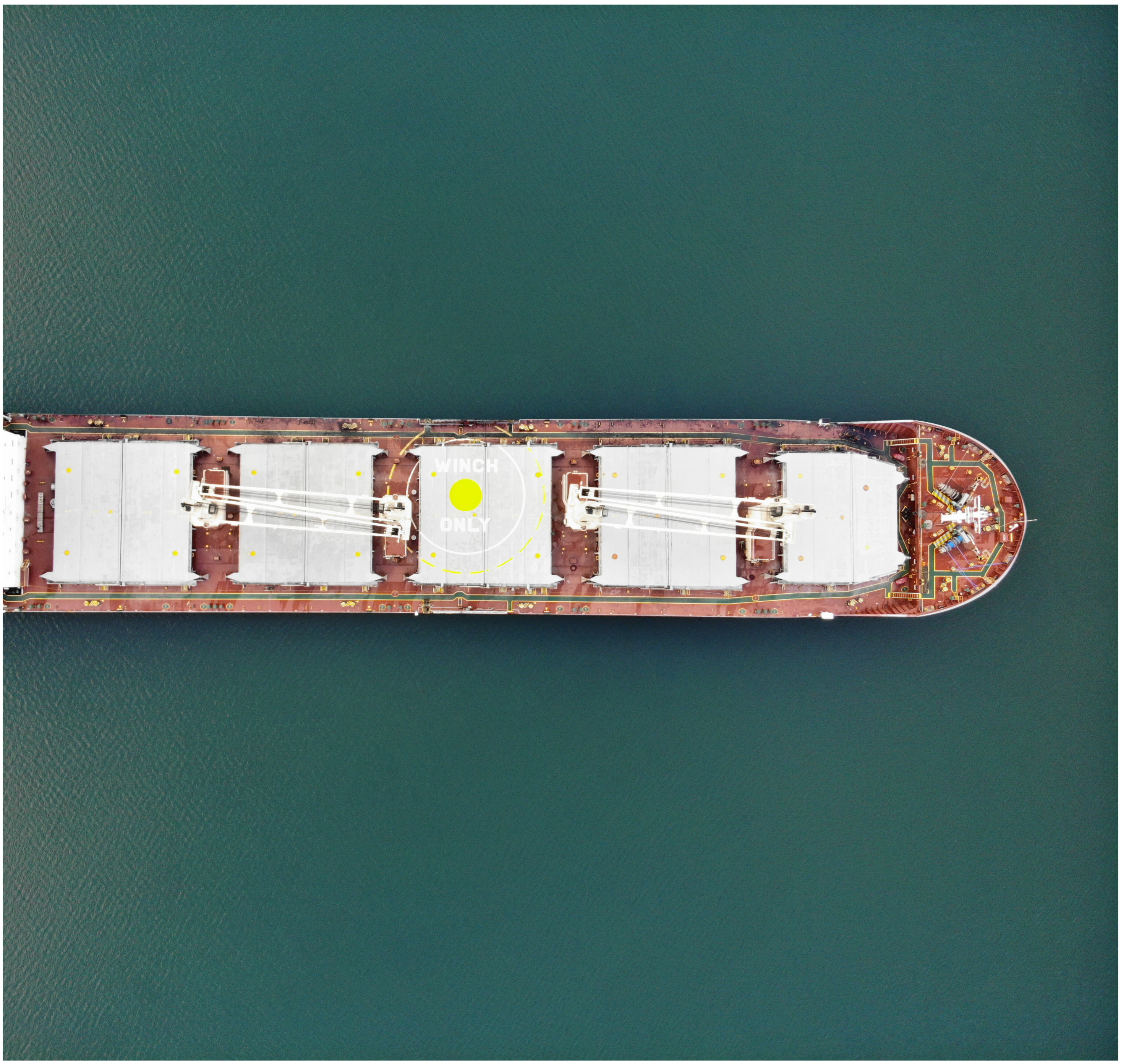
Future Development

The dry bulk market has had a very weak start to 2019 with reduced volumes due to the ongoing trade war and concerns of weaker global growth, as well as Brazilian iron ore shipments disruption following Vale's deadly dam burst in late January. The Supramax market has improved somewhat from the low point in February. The increase is driven by some grain and minor bulk trades, however growth has been capped by a weak Capesize and Panamax market. The total dry bulk fleet is expected to grow by 2.9% in 2019 and the market demand was expected to improve the balance going into the year, but with the latest development in Brazil the demand side might turn out more negative. In preparations for IMO 2020 the market should get some support in the second half of 2019 and we do therefore expect the market to improve into the third quarter.

Western Bulk has a business model mostly focused on short term commitments. During the first months of 2019 the Company has repositioned the tonnage portfolio in light of a lower market, combined with utilizing the market volatility to capture arbitrage opportunities. The first half of 2019 will be impacted by a delayed market recovery combined with contracts in Chile running into the first quarter of 2019, while preparations for the IMO 2020 sulphur cap is expected to provide opportunities in the second half of the year.

Ownership Structure

As of 31.12.2018, Western Bulk Chartering AS is a privately owned company, with about 225 shareholders. The Kistefos Group controls about 75% of the shares.



Financial Performance for the Parent Company and Allocations

Western Bulk Chartering AS (Parent Company) recorded a loss after tax of USD -1 933 366 for 2018 and a net negative cash flow of USD -9.1 million. Equity was USD 48.2 million as of 31.12.2018 with a book equity ratio of 54%.

The Board recommends the following covering of the 2018 net loss for the parent company:

From Other paid-in capital	USD	-1 913 791
From Retained earnings	USD	-19 575
Total allocations	**USD**	**-1 933 366**

Oslo, 5. April 2019

Bengt A. Rem
Chairman of the Board

Tord Meling
Board member

Erik Borgen
Board member

Jens Ismar
CEO

Western Bulk - Our Offices

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.

Seattle Office

The US West Coast office is located in Seattle and has been in operation since Western Bulk acquired the Jebsen Bulk Pool in 1995. 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 Seattle office also looks after the operations of Group vessels calling the West coast from Panama to Alaska and Hawaii. The office has about 6 employees.

Santiago Office

Western Bulk has been active in Chile since 1982, and our Santiago office was opened in 2006. The Chile operations have produced strong relationships with several major Chilean industrial companies. Geographically, with the time differences to Europe and the Far East, the Santiago office complements our other offices to enable 24-hour accessibility to Western Bulk around the world. The West Coast South America portfolio is managed from the Santiago office, which has about 6 employees.

Oslo Office

The company Western Bulk was incorporated in Oslo, Norway in 1982. The CEO, CFO and CRO are located in the Oslo office. Being situated in Oslo allows us to take part in one of the most complete maritime knowledge hubs in the world, as well as the emerging hub for tech-start-ups and digitalisation.

For the last 10 years, the office has been situated in the historic Industry Export building at Solli Plass. The business units South Atlantic/US Gulf and Steel & Bulk/Continent-Mediterranean, are both managed from the Oslo office, which has about 60 employees.

Singapore Office

Our office in Singapore was established in 2005 and is responsible for the overall activity in the Indian Ocean and South East Asia regions. Singapore's strategic location and infrastructure makes the port one of the busiest in the world, and the city has become a regional center of shipping and finance. The business units Indian Ocean and Pacific are managed from the Singapore office, which has about 40 employees.

Casablanca Office

The office in Casablanca, Morocco was opened in the spring of 2016 as an extension of the South Atlantic Business Unit. The office is focusing on closer follow-up and building growing volumes with existing clients, as well as providing personal attention on operational issues on the African West Coast. The office has 1 employee.

Our Business Units

South Atlantic / US Gulf

Lars Christian Svensen
Business Unit Manager

The South Atlantic/US Gulf 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/USEC/NCSA 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 has a small office in Casablanca, Morocco to support our industrial clients on Africa's Atlantic coast.

The South Atlantic/US Gulf 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.
The South Atlantic/US Gulf business unit is managed out of the Oslo office and operated on average about 40 vessels during 2018.

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 35 vessels during 2018.

Indian Ocean / Handy Australia / WCSA

Vivek Kumar
Business Unit Manager

The Indian Ocean business unit is based in the Singapore office and operated an average volume of about 25 vessels in the Handysize to Ultramax segment during 2018. Through its significant customer base, the business unit is active in most dry bulk commodities and services clients on spot, short to medium term as well as on long industrial contracts.

The business unit also runs extensive parcelling 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.

The business unit also runs a Handysize portfolio out of Australia which includes usual bulk commodities as well as parcelling.

Mr Kumar is also in charge of the West Coast South America portfolio, which is run out of the Santiago office and operated on average about 20 vessels during 2018. In addition to the traditionally strong forestry and mineral segments, operations here include transportation of grains, coal, and cement clinker.

Pacific / US West Coast

Torbjørn Gjervik
Business Unit Manager

The Pacific / US West Coast business unit is run out of the Singapore and Seattle offices and operated a fleet of about 35 vessels on average during 2018, ranging from Handysize to Ultramax.

The size and diversity of the Pacific basin demands that 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, steel products, grains, iron ore and pet-coke. 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.

Executive 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. Mr. Ismar has a Bachelor of Business Administration from the Lund University in Sweden.

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 (NTNU).

Kenneth Thu
Chief Financial Officer

Mr. Thu is responsible for finance, accounting, business control, legal and HR. He has a background from retail, energy and management consulting. Before joining Western Bulk in 2017, he was the Acting CFO in Elkjøp Nordic AS, a part of Dixons Carphone Plc. Mr. Thu has also been employed by Expert AS, PA Consulting Group AS and Orkla Brands AS. He holds an MSc in Economics and Business Administration from the Norwegian School of Economics (NHH) in Bergen.

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, Mr. 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 authorised 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 aquisitions, 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 an MSc in Finance from the Norwegian School of Economics (NHH).

Group Financials

Western Bulk Chartering Group - Profit and Loss Statement

USD 1 000	Note	2018	2017
Gross revenues	3	1 070 238	827 280
Voyage expenses		-421 152	-326 968
Freight revenues on T/C-basis		**649 086**	**500 312**
T/C expenses		-613 493	-456 289
Other vessel expenses		-3 971	-3 531
Administration expenses	8	-26 404	-32 238
Operating expenses		**-643 868**	**-492 057**
Depreciations	7	-376	-333
Writedown fixed assets	7	-28	-
Gain/(loss) on disposal of fixed assets		1	1
Provision for future loss	13	-	1 600
Bad debt provision and write-offs	13	575	-
Operating profit		**5 391**	**9 523**

Western Bulk Chartering Group - Profit and Loss Statement

USD 1 000	Note	2018	2017
Net interest income		361	221
Net interest expense		-2 638	-2 570
Gain/(loss) on foreign exchange		798	-1 217
Gain/(loss) on financial assets		-12	-
Other financial items		-495	-474
Bad debt provision and write-offs financial items	13	1 884	-
Net finance		**-103**	**-4 040**
Profit/(loss) before tax		**5 288**	**5 483**
Tax income/(expense)	9	-1 091	-1 189
Profit/(loss) for the year		**4 197**	**4 294**

Western Bulk Chartering Group - Balance Sheet

(USD 1 000)	Note	2018	2017
ASSETS			
Non current assets			
Deferred tax asset	9	1 710	1 800
Intangible assets	7	323	484
Property, plant and equipment	7	514	358
Investment in financial assets		193	497
Long term receivable		9	5
Total non current assets		**2 750**	**3 145**
Current assets			
Accounts receivable	12	37 225	18 385
Other receivables		2 551	1 401
Prepaid cost (FFA&BH)	5	1 982	-
Bunker stocks		42 779	21 293
Bank deposits	11,12	31 151	57 193
Total current assets		**115 688**	**98 272**
TOTAL ASSETS		**118 438**	**101 416**
SHAREHOLDERS` EQUITY AND LIABILITIES			
EQUITY			
Paid-in capital			
Share capital		95	95
Share premium		20 092	20 092
Total paid-in capital		**20 187**	**20 187**
Retained earnings			
Other equity / (uncovered loss)		3 913	-
Total retained earnings		**3 913**	**-**
TOTAL SHAREHOLDERS' EQUITY	**14**	**24 101**	**20 187**

Western Bulk Chartering Group - Balance Sheet			
(USD 1 000)	**Note**	**2018**	**2017**
LIABILITIES			
Long term liabilities			
Deferred tax liability	9	233	261
Pension liabilities	8	2 044	5 311
Other long-term liabilities		649	1 398
Interest-bearing debt	12	31 191	33 029
Total long term liabilities		**34 117**	**39 999**
Short term liabilities			
Accounts payable		17 199	6 997
Prepaid freight		5 283	4 026
Prepaid income (FFA&BH)	5	-	6 683
Taxes payable	9	1 179	1 137
Accrued cost		28 466	13 305
Liabilities to related company	10	376	148
Other current liabilities	13	7 719	8 934
Total short term liabilities		**60 221**	**41 230**
TOTAL LIABILITIES		**94 338**	**81 229**
TOTAL SHAREHOLDERS` EQUITY AND LIABILITIES		**118 438**	**101 416**

Oslo, 5. April 2019

Bengt A. Rem
Chairman of the Board

Erik Borgen
Board member

Jens Ismar
CEO

Tord Meling
Board member

Western Bulk Chartering Group - Cash Flow Statement

(USD 1 000)	**2018**	**2017**
CASH FLOW FROM OPERATIONS		
Profit/(loss) before tax	5 288	5 483
Taxes paid	-1 042	-1 059
Depreciations	376	333
Writedown and provisions	-2 390	-1 600
Gain/(loss) disposal fixed assets	-27	-
Changes in current receivables and current liabilities	-28 134	3 686
Net cash flow from/(to) operating activities	**-25 928**	**6 842**
CASH FLOW FROM INVESTMENTS		
Investments in fixed- and intangible assets	-428	-212
Disposal of fixed assets	29	-
Investments in/ disposal of financial assets	290	-344
Changes in long term receivables	-4	-5
Net cash flow from investments	**-113**	**-561**
CASH FLOW FROM FINANCING ACTIVITIES		
Share capital increase, net of expenses	-	17 943
Net cash flow from financing activities	**-**	**17 943**
Net change in liquidity during the year	**-26 042**	**24 224**
Liquid assets as of 01.01.	57 193	32 969
Liquid assets as of 31.12.	**31 151**	**57 193**
Restricted bank deposits as of 31.12.	8 148	7 310
Available liquid assets as of 31.12.	**23 003**	**49 883**

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, bank deposits, 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 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 of 31.12.2018: USD/NOK 8,6885.

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, except the bond loan which matures in April 2019 and has been classified as a long term liability. 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 even if it is not received. Provisions are made accordingly in the contributing company. However, when the Group has a controlling interest, dividend/group contribution is accounted for even if it is not received. Provisions are made accordingly 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 recognised 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 recognised 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 2018 and 2017, 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 recognised 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 recognised 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 classfied 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 implement 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)	2018	2017
By business area		
Chartering and operation	1 070	827
Total	**1 070**	**827**

Geographical distribution		
Switzerland	118	92
Singapore	112	109
U.S.A.	95	68
Saudi Arabia	44	9
South Africa	44	19
U.A.E.	43	35
Panama	37	24
France	36	30
Hong Kong	31	27
Chile	31	19
U.K.	26	22
Korea, Republic	24	26
Norway	24	14
Japan	21	18
Turkey	20	19
Thailand	19	12
Belarus	18	17
Malta	18	8
Mexico	16	5
India	16	11
Other	279	242
Total	**1 070**	**827**

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 31.12.2018 amounted to USD -5.5 million.

(USD million)	Market value
Bunker hedges (swaps and options) maturing in 2019	-5.3
Bunker hedges (swaps and options) maturing in 2020	-0.2
Total	**-5.5**

Freight instruments

As of 31.12.2018 the Group had entered into FFA contracts (forward freight agreements) and freight options for the period 2019 - 2023. The mark-to-market value of the hedging contracts as of 31.12.2018 amounted to USD 4.0 million.

(USD million)	Market value
FFA (forward freight agreements incl. options) maturing in 2019	2.4
FFA (forward freight agreements incl. options) maturing in 2020	1.3
FFA (forward freight agreements incl. options) maturing in 2021	1.2
FFA (forward freight agreements incl. options) maturing in 2022	-0.6
FFA (forward freight agreements incl. options) maturing in 2023	-0.3
Total	**4.0**

FX-hedge for G&A expenses

As of 31.12.2018 the Group has hedged its NOK and SGD G&A requirements for 2019 with forward currency contracts. The fair value of these derivatives as of 31.12.2018 amounted to USD -1.2 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 downside 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 31.12.2018 amounted to USD 0.0 million.

Note 5 – Prepaid cost

Prepaid cost is related to cleared FFA/Bunker hedge contracts. Prepaid cost amounts to USD 2.0 million as of 31.12.2018.

(USD million)	Book value
Cleared FFA/ Bunker hedge contracts maturing in 2019	3.3
Cleared FFA/ Bunker hedge contracts maturing in 2020	-1.1
Cleared FFA/ Bunker hedge contracts maturing in 2021	-1.2
Cleared FFA/ Bunker hedge contracts maturing in 2022	0.6
Cleared FFA/ Bunker hedge contracts maturing in 2023	0.3
Total	2.0

Prepaid cost, compared to mark-to-market value, consists of only settled contracts as of 31.12.2018.

Note 6 – Shares in subsidiaries

Western Bulk Chartering AS has the following direct and indirect ownership in subsidiaries as of 31.12.2018	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	42 500 001
Western Bulk Carriers KS	100,0 %	Oslo	NOK	34 160 000
Western Bulk Carriers (Seattle) Inc.	100,0 %	Seattle	USD	100
Western Bulk Carriers (Miami) Inc.	100,0 %	Miami	USD	10
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	400 000
WB Barging AS	100,0 %	Oslo	NOK	500 000
WB Cultura 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 01.01.2018	132	1 179	1 962	3 272
Additions during the year	143	32	253	428
Disposals during the year	-	-	-51	-51
Acquisition cost as of 31.12.2018	**275**	**1 211**	**2 163**	**3 649**
Accumulated depreciation as of 01.01.2018	122	694	1 614	2 430
Depreciation for the year	27	193	156	376
Writedown	-	-	28	28
Disposals	-	-	-22	-22
Accumulated depreciation as of 31.12.2018	**149**	**887**	**1 776**	**2 812**
Book value as of 31.12.2018	**126**	**323**	**387**	**838**
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)	2018	2017
Salaries (incl. bonuses)	16 202	20 030
Employer’s part of social security	1 317	1 388
Pension expenses, contribution plans	363	333
Pension expenses, benefit plans	-769	838
Other benefits	1 433	1 872
Total salaries and social expenses	**18 546**	**24 460**
Other administrative expenses	7 858	7 777
Total	**26 404**	**32 238**
Persons employed (average for the year)	**106**	**101**

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 Group 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:

- Fixed salary
- Pension scheme
- Bonus payments (cash) based on financial results
- 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 Group shall not agree to severance pay for members of the executive management unless required under applicable law or required for the Group to secure the necessary expertise and takes place in accordance with the fundamental principle for the Group's salary policy for management as stated above.

Remuneration to the CEO	**Jens Ismar, CEO**	
(USD 1 000)	**2018**	**2017**
Salary	567	554
Bonus paid	251	-
Other remuneration	50	48
Total remuneration	**868**	**602**
Pension premium/cost	197	241

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):	2018	2017
Statutory audit	107	121
Tax advice	22	7
Other services outside the audit scope	14	10
Total	143	139

Pensions
The Group has several pension schemes for the employees, and the pension schemes satisfy the respective statutory pension schemes in the countries where Western Bulk is located and cover a total of 87 employees. The Group may at any time make alterations to the terms and conditions of the pension schemes and undertake that they will inform the employees of any such changes.

Pension cost recognised in income statement (USD 1 000)	2018	2017
Defined contribution plans - expense	363	333
Defined benefit plan - expense	-769	838
Total	**-406**	**1 171**
Actuarial (gain)/losses recognised in equity	282	973
Accumulated actuarial (gain)/losses recognised in equity	**1 255**	**973**

Defined benefit plans, including cost and assets/liabilities
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 retirement age is 67 years.

The secured defined benefit plan was terminated end October 2018 along with the non-secured benefit plan covering pensions for employees with salaries exceeding 12G. Both agreements were transferred to defined contribution plans as per 31.10.2018. Former employees already receiving pension received a paid-up policy and are no longer included in the Group's pension scheme.

Defined contribution plans
In the defined contribution plan, the Group pays an agreed annual contribution to the employee's pension plan. The future pension will be determined by the amount of the contributions and the return on the pension savings. Any risk related to the future pension is borne by the employee. The pension costs related to defined contribution plans will be equal to the contributions to the employee's pension savings in the reporting period.

Defined contribution plan - salary above 12G
For this defined contribution plan , an annual amount is transferred to a secured fund with a security deposit. Contribution to the mutual fund is a pledged asset for the company, as well as a corresponding gross pension obligation to the members of the executive management. The mutual fund is pledged for the benefit of the executive management. In addition to the annual contribution, the Group accrues for social security cost relating to the contribution and value development of the mutual funds.

Early retirement
The CEO has an early retirement agreement with the right to retire at the age of 62, receiving 66% of his salary as pension until the age of 67.

Pension obligations
Non-secured pension obligations in the balance sheet consist of early retirement agreement for CEO and social security cost relating to net defined contribution plan for employees with salaries exceeding 12G.
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 2.6 % 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:	**2018**	**2017**
Discount rate (OMF)	2,60%	2,40%
Expected return on plan assets	2,60%	2,40%
Expected rate of compensation increase	2,75%	2,50%
Expected increase of social security base amount (G)	2,50%	2,25%
Expected rate of pension increase	0,80%	0,50%

The discount rate appplied as of year-end 2018 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)	**2018**	**2017**
Current service cost	-971	638
Interest cost	94	94
Administration cost	73	3
Payroll tax	35	103
Pension expense, before remeasurements	**-769**	**838**

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

	Secured		Non-secured		Total	
(USD 1 000)	2018	2017	2018	2017	2018	2017
Net defined benefit obligation (asset)	-	1 304	1 564	3 351	1 564	4 655
Payroll tax	-	184	480	471	480	655
Obligation in financial statement	**-**	**1 488**	**2 044**	**3 822**	**2 044**	**5 311**

Change in benefit obligation (USD 1 000)						
Defined benefit obligation at the beginning of year	4 402	3 854	3 157	3 033	7 559	6 887
Service cost	390	255	349	383	739	638
Interest cost	91	99	69	77	160	177
Past service cost/employer contribution	-1 009	-	-615	-	-1 624	-
Remeasurements	-284	509	456	-3	172	506
Loss/(gain) on settlement at 31.10.2018	-3 545	-	-	-	-3 545	-
Benefits paid	-45	-57	-	-138	-45	-195
Defined benefit obligation at end of year	**-**	**4 662**	**3 416**	**3 351**	**3 416**	**8 013**

Change in plan assets (USD 1 000)						
Plan assets at beginning of year	3 171	3 215	-	-	3 171	3 215
Interest income on plan assets	65	83	-	-	65	83
Remeasurements	-21	-315	-	-	-21	-315
Settlement at 31.10.2018	-3 545	-	-	-	-3 545	-
Employer contributions	375	474	1 875	-	2 250	474
Administrative expenses	-	-43	-	-	-	-43
Adjustment of plan assets	-	-	-24	-	-24	-
Benefits paid	-45	-57	-	-	-45	-57
Plan assets at end of year	**-**	**3 357**	**1 852**	**-**	**1 852**	**3 357**

Note 9 – Tax

(USD 1 000)	**2018**	**2017**
The tax expense for the year consists of:		
Taxes payable	345	518
Tonnage tax	755	787
Correction for previous years tax provisions	15	244
Changes in deferred tax	-24	-359
Total tax expense/(income)	**1 091**	**1 189**

Deferred tax relates to the following temporary differences:		
Fixed assets	-139	-131
Pensions	-3 886	-5 302
Current assets	-1 629	-995
Gain/(loss) account for deferral	1 549	2 050
Tax losses carried forward	-3 078	-2 061
Finance loss carried forward	-3 140	-2 351
Total temporary differences	**-10 323**	**-8 790**
Deferred tax liability/(asset), net	-2 269	-2 023
Deferred tax asset not recognized in the balance sheet	792	484
Net deferred tax liability/(asset) recognized in the balance sheet	**-1 477**	**-1 539**
Deferred tax (asset), gross	-1 710	-1 800
Deferred tax liability, gross	233	261

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 23%, 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 23%.

(USD 1 000)	2018	2017
Profit before tax	5 288	5 483
Total tax expense/(income)	1 091	1 189
Effective tax rate	**21%**	**22%**

Calculated tax expense at 23% tax rate (24% in 2017)	**1 216**	**1 316**
Non-deductible expenses:		
Writedown financial assets	7	-696
Bad debt provision within ordinary taxation	-154	-
Other non deductable costs	282	378
Non-taxable income:		
Tax exempt dividends received	-90	-
Difference in pre-tax profit/(loss) between functional currency and NOK, taxable income within tonnage tax system and other tax regimes	-886	-750
Tax not related to result:		
Tonnage tax	755	787
Other tax effects:		
Utilisation of tax loss carried forward	-54	-89
Correction for previous years tax provisions	15	244
Total tax expense/(income)	**1 091**	**1 189**

Note 10 – Related parties

Related parties
Reference is made to the annual report 2017, note 10 for information about transactions with related parties in 2017.

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 2018, the Group has had the following transactions with Kistefos 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 has provided a parent company guarantee for one of the Group's long term COAs. Kistefos AS will receive a guarantee fee in return.

c. As of 31.12.2018, the total outstanding payable amount to Kistefos AS, was USD 0.4 million.

Note 11 – Bank deposits

As of 31.12.2018, USD 5.6 million of the restricted deposits was tied to deposits in favor of clearing houses. USD 1.3 million was tied to security deposits for FX derivatives. USD 0.5 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 0.4 million was pledged to secure rent commitments.

USD (1 000)	2018	2017
Unrestricted bank deposits	23 003	49 883
Restricted bank deposits	8 148	7 310
Total bank deposits	**31 151**	**57 193**

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 31.12.2018. 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 31.12.2018.

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 3.1 million as of 31.12.2018 compared to USD 3.0 million as of 31.12.2017.

Write-offs and losses
The Group has made no extra ordinary write-offs and incurred losses related to defaulting counterparties and aged receivables in 2018.

Outstanding balances and provisions related to the bankruptcy of Bulk Invest ASA and its subsidiaries has been cleared in 2018. The bankruptcy estate has concluded and dividend will be paid early March 2019. Hench total positive adjustment and dividend of USD 2.5 million has been included in 2018 accounts.

Impairment provisions
No provision for future loss has been made as the Group's overall forward book of contracts has a positive value as per 31.12.2018.

Note 14 – Equity, number of shares and shareholders

(USD 1 000)	Share capital	Share premium	Other paid-in capital	Retained earnings	Total
Equity as of 31.12.2017	95	20 092	-	-	20 187
Pension remeasurements	-	-	-	-282	-282
Profit/(loss) for the year	-	-	-	4 197	4 197
Equity as of 31.12.2018	**95**	**20 092**	**-**	**3 913**	**24 101**

Share capital		
Nominal value per share	NOK	0,05
Registered share capital 31.12.2018	NOK	707 282
Registered share capital 31.12.2018, in USD	USD	94 820
Total number of shares issued as of 31.12.2018		14 145 634

Largest shareholders		
Name	**# of shares**	**Ownership-%**
Kistefos Group	10 605 449	74,97%
Ojada AS	1 300 000	9,19%
Norda ASA	319 463	2,26%
Sniptind Invest AS	276 679	1,96%
Skips AS Tudor	266 975	1,89%
Piero AS	225 000	1,59%
Løren Holding AS	161 000	1,14%
Skeie Alpha Invest AS	149 700	1,06%
Other (214 other shareholders)	841 368	5,95%
	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 2018 profit and loss statement has been positively impacted by USD 1.1 million due to the difference between estimated and actual expenses and provisions related to prior period voyages. The 2017 profit and loss statement had a positive adjustment of USD 1.7 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 181.0 million exclusive of optional periods. For vessels chartered in on floating rates, an estimate has been applied for the hire commitment. Charter coverage: For 2019 approximately 15 vessels out of a fleet of 26 vessels have employment with existing cargo contracts or have been relet on timecharter, while approximately 3 vessels have firm employment of a fleet of 7 and 4 in 2020 and 2021 respectively.

	2019	2020	2021	2022	Beyond	Total
Nominal Hire Commitment (USD 1 000)	112 524	31 931	19 564	15 950	986	180 954
Vessel Hire Days	9 559	2 549	1 460	1 190	77	14 835
Average Rate USD/day	11 772	12 527	13 400	13 403	12 800	12 198
Vessel Equivalent/year (firm period)	26	7	4	3	n.a.	n.a.

TC contracts - Group as a lessor

14 vessels are chartered out on TC-contracts lasting between 30 and 120 days as of December 31, 2018. These non-cancellable leases have terms of renewal but no purchase options or escalation clauses. Future minimum rentals receivable under non-cancellable operating leases are as follows:

	< 30 days	1-3 months	> 3 months	Total
Nominal Hire Receivable (USD 1 000)	15 244	3 382	316	18 941
Vessel Days	1 086	239	30	1 355
Average Rate (USD/day)	14 042	14 143	10 406	13 978

Leasing of offices

The Group leases office premises in Norway, Chile, USA, Singapore and Sweden. Total annual lease commitments amount to approximately USD 1.5 million. The lease contracts expire in the period of January 2021 to February 2026.

Note 17 – Subsequent events

To ensure a strong financial platform and support further growth, the Company has secured new debt financing and will raise USD 15 million in equity guaranteed by the two main shareholders (Kistefos AS and Ojada AS). The NOK 300 million bond with NOK 271 million outstanding will be repaid in full, allowing for a more optimal financial structure.

Parent Company Financials

Parent Company - Profit and Loss Statement

(USD)	Note	2018	2017
Other operating revenue		1 231 539	1 084 849
Administration expenses	2,3	-472 681	-439 212
Provision for future loss	13	-1 182 000	-378 000
Operating profit/(loss)		**-423 142**	**267 637**
Net interest income		496 068	129 921
Net interest expense		-2 622 083	-2 567 813
Gain/(loss) on foreign exchange		612 797	-1 639 757
Writedown/(reversal of writedown) financial assets		11 056	2 900 000
Dividend from subsidiary company		250 000	-
Group Contribution		742 817	2 217 148
Other financial expenses		-1 537 985	-1 644 391
Net finance		**-2 047 330**	**-604 893**
Profit/(loss) before tax		**-2 470 473**	**-337 256**
Tax income/(expense)	4	537 107	356 831
Profit/(loss) for the year		**-1 933 366**	**19 575**


Western Bulk
Western Bulk

Parent Company - Balance Sheet

(USD)	Note	2018	2017
ASSETS			
Non current assets			
Deferred tax asset	4	1 178 913	653 152
Investment in subsidiaries	7	72 760 562	67 079 238
Investment in financial assets		38 686	38 686
Total non current assets		**73 978 162**	**67 771 076**
Current assets			
Accounts receivable		-	3 506
Receivables from group companies	9	2 781 153	2 232 068
Other receivables		2 079 966	772 040
Bank deposits	10	12 041 138	21 188 291
Total current assets		**16 902 257**	**24 195 905**
TOTAL ASSETS		**90 880 419**	**91 966 981**
SHAREHOLDERS` EQUITY AND LIABILITIES			
EQUITY			
Paid-in capital			
Share capital	6	94 821	94 821
Share pemium		38 763 290	38 763 290
Other paid-in capital		9 327 447	11 241 238
Total paid-in capital		**48 185 558**	**50 099 350**
Retained earnings			
Other equity		-	19 575
Total retained earnings		**-**	**19 575**
TOTAL SHAREHOLDERS' EQUITY	**5**	**48 185 558**	**50 118 925**

Parent Company - Balance Sheet

(USD)	Note	2018	2017
LIABILITIES			
Long term liabilities			
Interest-bearing debt	11	31 190 745	33 028 667
Total long term liabilities		**31 190 745**	**33 028 667**
Short term liabilities			
Accounts payable		1 034	-
Liabilities to parent company		374 444	148 333
Liabilities to group companies	9	7 914 891	492 646
Other current liabilities		3 213 745	8 178 410
Total short term liabilities		**11 504 116**	**8 819 389**
TOTAL LIABILITIES		**42 694 861**	**41 848 056**
TOTAL SHAREHOLDERS` EQUITY AND LIABILITIES		**90 880 419**	**91 966 981**

Oslo, 5. April 2019

Bengt A. Rem
Chairman of the Board

Erik Borgen
Board member

Jens Ismar
CEO

Tord Meling
Board member

Parent Company - Cash Flow Statement

(USD)		2018	2017
CASH FLOW FROM OPERATIONS			
Profit/(loss) before tax		-2 470 473	-337 256
Provision for future loss		1 182 000	378 000
Group Contribution		-742 817	-2 217 148
Writedown investment in subsidiaries		-	-2 900 000
Changes in current receivables and current liabilities		-9 050 517	3 582 482
Net cash flow from/(to) operating activities	**A**	**-11 081 807**	**-1 493 922**
CASH FLOW FROM INVESTMENTS			
Investments in subsidiaries		-5 681 324	-
Net cash flow from investments	**B**	**-5 681 324**	**-**
CASH FLOW FROM FINANCING ACTIVITIES			
Share capital increase		-	17 942 556
Change in intra-group balances		7 615 978	-5 859 069
Net cash flow from financing activities	**C**	**7 615 978**	**12 083 487**
Net change in liquidity during the year	**A+B+C**	**-9 147 153**	**10 589 565**
Liquid assets as of 1.1.		21 188 291	10 598 726
Liquid assets as of 31.12		**12 041 138**	**21 188 291**
Restricted bank deposits as of 31.12.		7 491 082	5 153 427
Available liquid assets as of 31.12		**4 550 056**	**16 034 864**

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). 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.

Forreign 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 currency 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 of 31.12.2018: USD/NOK 8,6885.

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 34 700. An additional USD 6 500 has been expensed for other consulting services provided.

The Board of Directors have not received any remuneration.

Note 4 – Tax

(USD)	2018	2017
The tax expense for the year consists of:		
Taxes payable	25 000	-
Changes in deferred tax	-562 107	-356 831
Total tax expense/(income)	**-537 107**	**-356 831**
Taxes		
Profit/(loss) before tax	-2 470 473	-337 256
Writedown/(reversal of writedown) financial assets	-10 911	-2 900 000
Change in temporary differences	1 892 366	822 980
Bad debt provision	-65 133	-
Other non deductable costs	1 152 561	1 503 014
Other	149 082	145 557
Tax exempt dividends received	-250 000	-
Difference in pre-tax profit/(loss) between functional currency and NOK	-1 069 810	765 705
Basis for tax payable	**-672 318**	**-**
Tax payable 23%	**-**	**-**
Deferred tax relates to the following temporary differences:		
Current assets	-1 628 794	-994 824
Accruals and provisions	-1 560 000	-378 000
Other	448 955	594 264
Tax loss carried forward	-2 618 842	-2 061 227
Finance loss carried forward	-3 139 577	-2 104 106
Total temporary differences	**-8 498 258**	**-4 943 893**
Deferred tax asset not recognized in the balance sheet	**690 707**	**483 944**
Deferred tax liability/(asset)	**-1 178 913**	**-653 152**

Note 5 – Equity

(USD)	Share capital	Share premium	Other paid-in equity	Other equity	Total
Equity as at 01.01.2018	94 821	38 763 290	11 241 238	19 575	50 118 925
Profit/(loss) for the year	-	-	-1 913 791	-19 575	-1 933 366
Equity as of 31.12.2018	**94 821**	**38 763 290**	**9 327 447**	**-**	**48 185 558**

Note 6 – Shares and shareholders

Share capital		
Nominal value per share	NOK	0,05
Registered share capital 31.12.2018	NOK	707 282
Registered share capital 31.12.2018, in USD	USD	94 821
Total number of shares issued as of 31.12.2018		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%
Sniptind Invest AS	276 679	1,96%
Skips AS Tudor	266 975	1,89%
Piero AS	225 000	1,59%
Løren Holding AS	161 000	1,14%
Skeie Alpha Invest AS	149 700	1,06%
Other	841 368	5,95%
	14 145 634	**100%**

Note 7 – Shares in subsidiaries

Western Bulk Chartering AS has the following direct ownership as of 31.12.2018

	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%	35 000 001
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
WBC I AS	Oslo, Norway	100%	681 324
Western Bulk Carriers KS 1)	Oslo, Norway	100%	147 541
Investments in subsidiaries			**72 760 562**

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 31.12.2018.

FX-hedge for G&A expenses

As of 31.12.2018 the Company has hedged NOK and SGD G&A requirements for 2019 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 Western Bulk Chartering AS, and internal back to back contracts have been made between the Company and its subsidiaries. The fair value of these derivatives as of 31.12.18 amounted to USD -1.2 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 downside 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 31.12.2018 amounted to USD 0.0 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	2018	2017
Western Bulk Carriers AS *)	1 362 816	-274 107
Western Bulk Pte Ltd *)	-6 157 532	13 934
Western Bulk Management AS *)	-360 203	1 999 595
WBC I AS	21 033	-
WB Cultura AS	206	-
Western Bulk Carriers KS	-58	-
Net receivables/(liabilities) from group companies	**-5 133 738**	**1 739 422**

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

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
- WB Cultura AS
- WBC I AS

The 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 receives a commission based on the related contracts. The total commission for 2018 amounted to USD 459 355. 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 2018 paid to Western Bulk Management AS amounting to USD 239 802.

Note 10 – Bank deposits

As of 31.12.2018 the restricted deposits were tied to deposits in favor of clearing houses.

	2018	2017
Unrestricted bank deposits	4 550 056	16 034 864
Restricted bank deposits	7 491 082	5 153 427
Total bank deposits	**12 041 138**	**21 188 291**

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 31.12.2018. 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 Provision

As of 31.12.2018 the Company has made an additional provision of USD 1.2 million to cover expected future losses. Total provision for future losses as of 31.12.2018 is USD 1.6 million, compared to USD 0.4 million as of 31.12.2017. Reference is made to note 13 in the consolidated group accounts.

Note 14 – Subsequent events

To ensure a strong financial platform and support further growth, the Company has secured new debt financing and will raise USD 15 million in equity guaranteed by the two main shareholders (Kistefos AS and Ojada AS). The NOK 300 million bond with NOK 271 million outstanding will be repaid in full, allowing for a more optimal financial structure.

RSM

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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 loss of USD 1 933 366 in the financial statements of the parent company and profit of USD 4 197 000 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company Western Bulk Chartering AS (the Company), which comprise the balance sheet as at 31 December 2018, 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 consolidated financial statements of Western Bulk Chartering AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018, 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 Company as at 31 December 2018, 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, 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 information in the annual report, except the financial statements and our auditor's report thereon.

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

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.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

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 proposed coverage of loss 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's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 8. april 2019
RSM Norge AS

Cecilie Tronstad

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State Authorised Public Accountant

Responsible Business Conduct

As a company providing shipping services worldwide, Western Bulk recognises its responsibilities as a global, corporate citizen, within our sphere of influence as ship operators.

We believe that integrating Responsible Business Conduct (RBC) efforts into the Group's operating and business practices will have positive impact on our results, and at the same time make Western Bulk competitively stronger. Western Bulk's Code of Conduct (available on www.westernbulk.com) establishes clear expectations for all parts of the Group's business with regard to good corporate conduct, which is in addition to abiding by applicable laws and regulations. The Code of Conduct includes requirements and clearly communicates the Group's expectations related to i.a. confidentiality issues, conflicts of interest, how to handle third parties and matters of integrity. These requirements are further detailed in internal policies and procedures. All employees undergo training in RBC issues regularly, and are required confirm annually that they have read and will comply with the principles set forth in the Code of Conduct.

Over the last few years Western Bulk has seen general improvement in the awareness in the organization of RBC related issues, and in particular related to the handling of corruption and sanctions risks.

Western Bulk has a Counterpart Risk team that evaluates new and existing third parties against several commercial and RBC risk criteria. This process is risk based and the extent of the vetting process therefore varies with the special risk of each trade, including e.g. the industry or region. The Group uses external databases and sources to improve the quality of the findings related to each third party.
Western Bulk has a "whistle-blower" policy and reporting channel, available on the Group's intranet. Employees are expected and encouraged to report behaviour that may be non-compliant with the principles set forth in the Code of Conduct. Concerns raised are initially handled by the Compliance Manager, before addressed with Western Bulk's Compliance Committee. The Compliance Committee consists of the Company's CEO, Senior Management Team, Head of Legal and Compliance Manager. The Compliance Manager and the Committee clarify the concern raised, agree on how to proceed in any investigations required and propose any remedial actions required, before final decision on how to deal with the matter is taken by the CEO. The Compliance Manager also has a direct reporting line to the Board of Directors, regularly reports on the Group's progress in the work on RBC issues and has separate session with the Board of Directors without other management present.

Over the last few years Western Bulk has seen general improvement in the awareness in the organization of RBC related issues, and in particular related to the handling of corruption and sanctions risks. The Group is continuously evaluating how to further improve the Group's processes to ensure quality in decision making processes, including due consideration to RBC risks.

Below, we present the Group'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

Western Bulk shall support, respect and commit to the principles set out in UN's Universal Declaration on Human Rights and ensure that the Group is not complicit in human rights abuses.

Labour Rights

Western Bulk shall support, respect and commit to the principles set out in UN's Universal Declaration on Human Rights and ensure that the Group is not complicit in Western Bulk's employees are shore-based, and the Group upholds the following key principles:

- Non-Discrimination - The Group'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 in creating a work environment free from any such discrimination.

- Compensation - The Group 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 Group. 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 Group.

- Safe working environment - The necessary conditions for a safe and healthy work environment is provided for all employees.

The Group 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. Western Bulk are taking the risks related to piracy issues and safety at sea in general very seriously, and has dedicated resources to ensure appropriate evaluation of the risks and that the necessary precautions are made prior to sending a vessel through potentially high-risk areas. The consideration of the risks involved, as well as the recommended precautions, are made in dialogue and close cooperation with the vessel's owner and the ship's master.

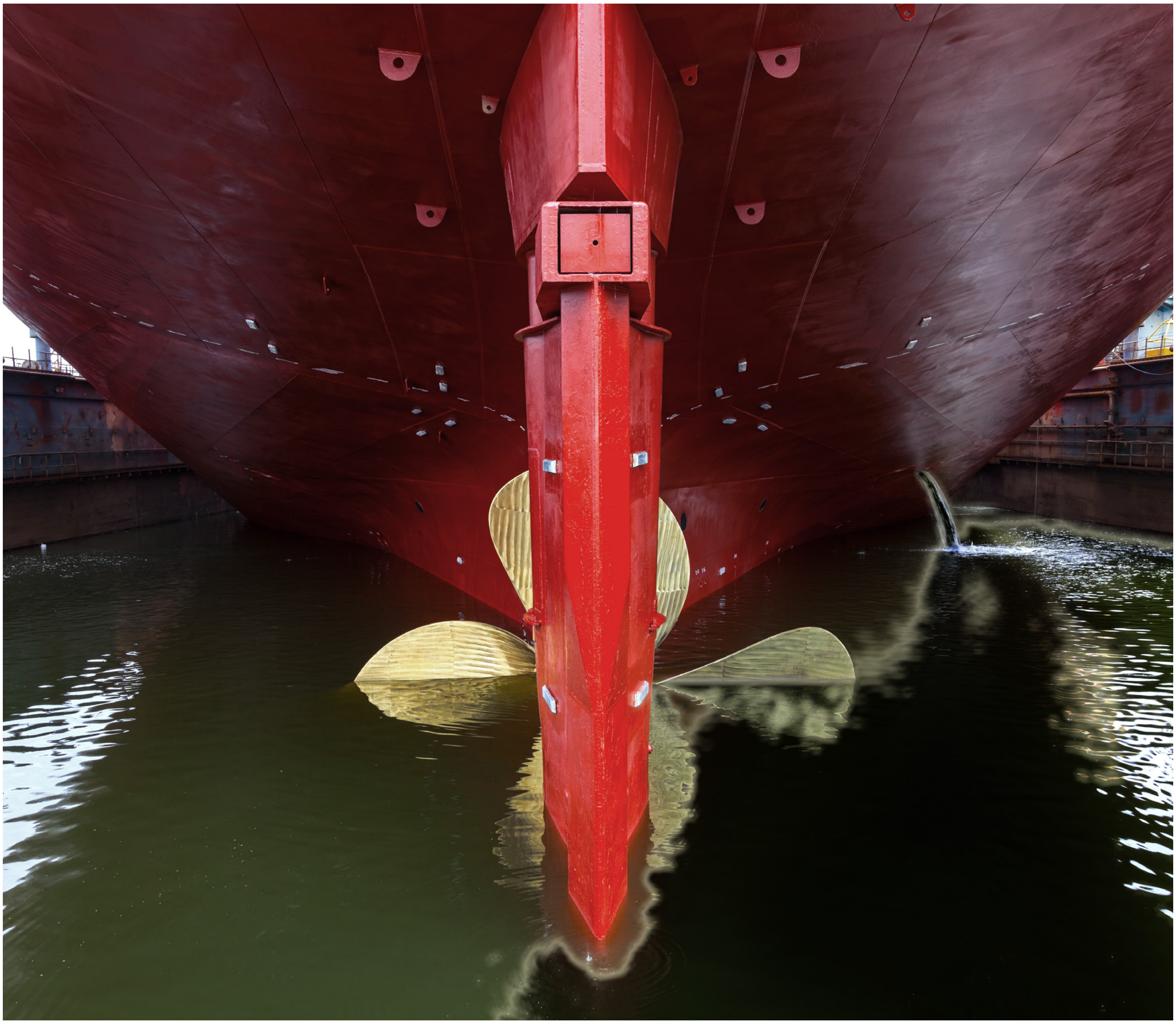


Table 2 - Western Bulk Fuel Purchased

Fuel purchased	2012	in % of total	2013	in % of total	2014
Heavy Fuel, normal sulphur (for main engine), tonnes	531 105	97%	557 104	98%	570 213
LS MGO/Diesel oil, low sulphur (for main-/aux. engine), tonnes	4 515	1%	5 058	1%	13 027
MGO/Diesel oil, normal sulphur (for aux. engine), tonnes	11 036	2%	8 967	2%	3 570
Total, tonnes	**546 656**	**100%**	**571 129**	**100%**	**586 809**

Environment

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

Key Principles:

RESOURCE EFFICIENCY

Western Bulk'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

Western Bulk supports the precautionary principle by avoiding materials and methods posing environmental and health risks as far as reasonably practicable.

Western Bulk only charters in vessels with valid certificates of class. Further, Western Bulk has internal requirements for vetting of the vessels and uses RightShip and Equasis as sources of information to ensure the quality of chartered tonnage for the intended cargo operation.
Western Bulk'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).

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)

IMO regulations related to sulphur oxides (SOx) emissions came into force 1 January 2015. 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 was lowered to 0,10%. Western Bulk complies with these requirements through systematic monitoring and execution of vessel bunkering by the Group's Bunker department and the vessel operators. Consequently, the low-sulphur fuel consumed has increased relative to the high-sulphur fuel from 2015 onwards (see table 2).

in % of total	2015	in % of total	2016	in % of total	2017	in % of total	2018	in % of total
97%	610 778	91%	475 180	92%	476 385	92%	511 983	93%
2%	55 081	8%	38 108	7%	39 033	8%	35 597	6%
1%	3 615	1%	1 171	0%	496	0%	883	0%
100%	**669 474**	**100%**	**514 458**	**100%**	**515 914**	**100%**	**548 463**	**100%**

New IMO regulations will come into force 1 January 2020, whereby the allowed limit of sulphur contained in the fuel will be lowered to 0,50 % globally (unless an exhaust gas scrubber is installed in the vessel). Increased consumption for low sulphur fuel oil and low sulphur gas oil is expected towards the end of 2019 in order to ensure compliance with the new regulations. Western Bulk does not expect to contract a significant number of vessels with exhaust gas scrubbers installed entering 2020.
Average bunker consumption per steaming day (metric ton HFO) has been at a relatively stable level over the last years. Western Bulk 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 Western Bulk's chartered-in tonnage has remained stable over the last years (see table 1).

Table 1 - Western Bulk Average Fleet Age

	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Fleet							
Average Number of ships	129	153	169	155	124	140	151
Fleet age							
Average age	7,2	6,8	6,5	6,6	6,8	7,1	7,4
Weighted average age	7,0	6,3	6,1	5,7	5,9	6,6	7,4
Median	5,0	4,0	4,0	5,0	6,0	6,0	7,0
Fleet age by age category							
0-5 Years	51%	57%	61%	65%	57%	46%	34%
5-10 Years	22%	20%	18%	17%	26%	35%	45%
10-15 Years	14%	16%	12%	10%	13%	15%	15%
15-20 Years	9%	7%	9%	7%	5%	4%	6%
20-25 Years	3%	1%	0%	1%	0%	0%	0%
Over 25 Years	1%	0%	0%	0%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Anti Corruption

Western Bulk is committed to conduct business with integrity and openness in our business dealings. The Group's policies communicate that Western Bulk's employees at every level of the organization shall adhere to applicable laws and regulations in the countries where Western Bulk operates. The Code of Conduct requires all employees to refrain from bribery, and includes requirements to prevent money laundering directly or indirectly through the Group's financial transactions.

Employees receive regular training to ensure due implementation of Western Bulk'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 Western Bulk'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.

MACN
Maritime Anti-Corruption Network

Western Bulk joined the Maritime Anti-Corruption Network (MACN, www.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 Group participates in knowledge sharing and other collective action initiatives together with the secretariat and other members of the network.

Customer Interest

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

Science & Technology

Innovation provides benefits for the shipping industry's stakeholders. Western Bulk is investing resources in implementing improvements in our operations through technology. Further, Western Bulk wants to contribute with the Group's experience, competence and capacity in this regard in external ventures that may result in new developements. Generally, Western Bulk advocates supporting Norwegian research communities that can contribute to maintaining or improving Norway's front position in the maritime business. On several occasions, Western Bulk 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.

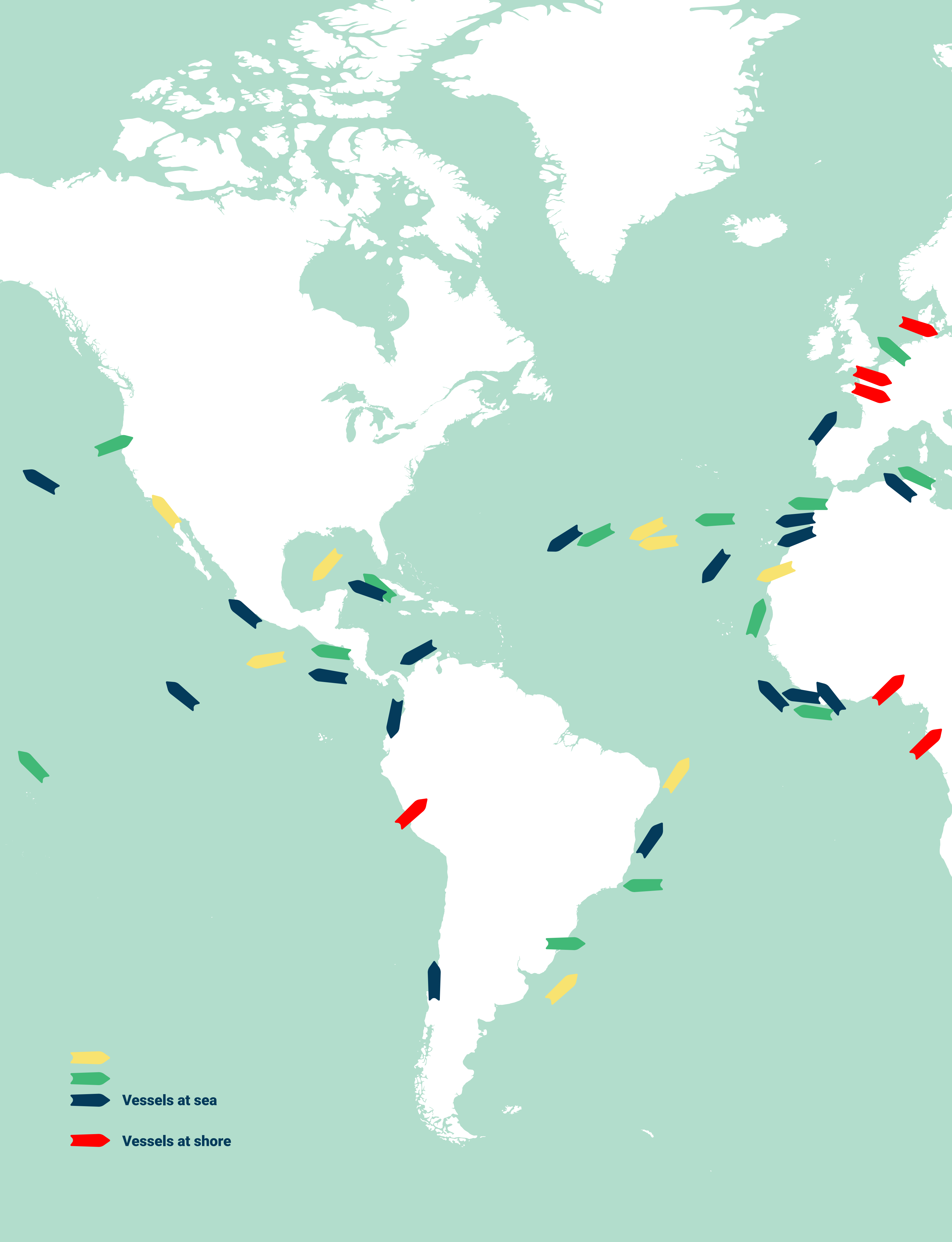
Competition

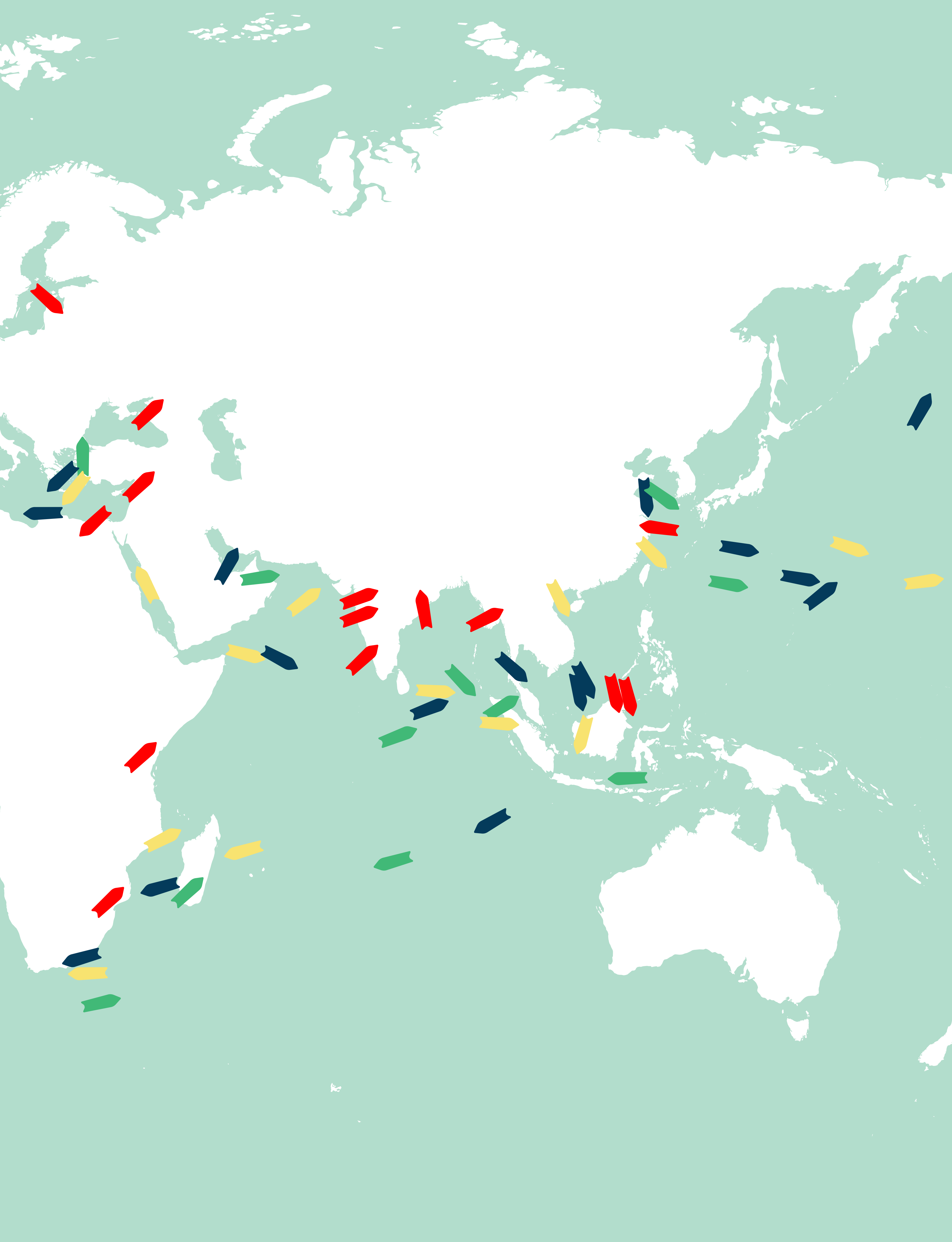
Western Bulk operates in a highly competitive industry. The Group competes in a fair and ethically justifiable manner in relation to competitors as well as to customers and suppliers. Western Bulk will under no circumstances cause or be part of any breach of general or special competition regulations, such as illegal pricing cooperation, illegal market sharing or any other behaviour that is in breach of applicable competition legislation.

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. Western Bulk complies with tax laws, regulations and filing requirements in the jurisdictions where the Group and its subsidiaries are located. Western Bulk 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 Western Bulk's taxation, please also refer to the explanatory notes in the Group's financial statements.


Vessels at sea
Vessels at shore



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