

2020 BULKERS

**Unaudited Condensed Consolidated Financial Statements for the three months ended
March 31, 2020**

2020 Bulkers Ltd. and subsidiaries

Unaudited Condensed Consolidated Statements of Operations

	3 months to March 31,	3 months to March 31,
(In millions of US\$ except per share data)	2020	2019
Operating revenues		
Time charter revenues	7.8	-
Total operating revenues	7.8	-
Operating expenses		
Vessel operating expenses	(2.4)	-
Voyage expenses	(0.2)	-
General and administrative expenses	(0.8)	(1.4)
Depreciation and amortization	(1.9)	-
Total operating expenses	(5.3)	(1.4)
Operating profit (loss)	2.5	(1.4)
Financial income (expense), net		
Interest expense, net of capitalised interest	(2.1)	-
Foreign exchange losses	(0.1)	-
Total financial income (expenses) , net	(2.2)	-
Net income (loss) before income taxes	0.3	(1.4)
Income tax	-	-
Net income (loss)	0.3	(1.4)
Per share information:		
Basic earnings (loss) per share	0.01	(0.10)
Diluted earnings (loss) per share	0.01	(0.10)
Consolidated Statements of Comprehensive income (loss)		
Net profit (loss)	0.3	(1.4)
Other comprehensive income	-	-
Total comprehensive income (loss)	0.3	(1.4)

See accompanying notes that are an integral part of these Unaudited Condensed Consolidated Financial Statement

2020 Bulkers Ltd. and subsidiaries

Unaudited Condensed Consolidated Balance Sheets

	March 31,	December 31,
(In millions of US\$)	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	15.1	20.1
Restricted cash	0.2	0.1
Trade receivables	0.2	0.9
Other current assets	2.6	1.8
Total current assets	18.1	22.9
Long term assets		
Vessels and equipment, net	283.0	188.8
Newbuildings	35.6	69.5
Other long-term assets	1.5	1.9
Total long-term assets	320.1	260.2
Total assets	338.2	283.1
LIABILITIES AND EQUITY		
Current liabilities		
Short-term debt and current portion of long-term debt	11.5	8.1
Accounts payable	1.2	0.7
Accrued expenses	1.4	2.7
Other current liabilities	1.0	1.2
Total current liabilities	15.1	12.8
Long term liabilities		
Long-term debt	185.6	132.0
Other long-term liabilities	0.4	0.2
Total long-term liabilities	186.0	132.2
Commitments and contingencies		
Equity		
Common share of par value US\$1.0 per share: authorized 75,000,000 (2018:75,000,000). Issued and outstanding 22,170,906 (2018: 14,070,906)	22.2	22.2
Additional paid-in capital	120.4	120.2
Accumulated other comprehensive income	-	-
Accumulated deficit	(5.5)	(4.3)
Total shareholders' equity	137.1	138.1
Total liabilities and shareholders' equity	338.2	283.1

See accompanying notes that are an integral part of these Unaudited Condensed Consolidated Financial Statement

2020 Bulkcarriers Ltd. and subsidiaries
Unaudited Condensed Consolidated Statement of Cash Flows

(In millions of US\$)	3 months to March 31, 2020	3 months to March 31, 2019
Net profit (loss)	0.3	(1.4)
Share based compensation	0.2	0.5
Depreciation and amortization	1.9	-
(Increase) decrease in accounts receivable	0.7	-
Increase (decrease) in accounts payable	0.5	0.1
Change in other current items related to operating activities	(2.0)	0.1
Change in other long-term items related to operating activities	(0.1)	-
Net cash provided by (used in) operating activities	1.5	(0.7)
Investing activities		
Additions to newbuildings	(62.2)	(0.3)
Net cash used in investing activities	(62.2)	(0.3)
Financing activities		
Proceeds, net of deferred loan costs, from issuance of long-term debt	59.3	(1.6)
Repayment of long-term debt	(2.0)	-
Dividends paid	(1.5)	-
Net proceeds from share issuances	-	3.0
Net cash provided by financing activities	55.8	1.4
Net increase (decrease) in cash and cash equivalents and restricted cash	(4.9)	0.4
Cash and cash equivalents and restricted cash at beginning of period	20.2	0.3
Cash and cash equivalents and restricted cash at end of period	15.3	0.7
Supplemental disclosure of cash flow information		
Interest paid, net of capitalised interest	(2.2)	-
Income taxes paid	-	-

See accompanying notes that are an integral part of these Unaudited Condensed Consolidated Financial Statement

2020 Bulkers Ltd. and subsidiaries

Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity

	Number of shares	Share capital	Additional paid-in capital	Retained deficit	Total equity
(In millions of US\$, except number of shares)					
Consolidated balance as of December 31, 2018	14 070 906	14.1	55.1	(0.9)	68.3
Issue of common shares	300 000	0.3	2.7	-	3.0
<i>Other transactions:</i>					
Share based compensation	-	-	0.5	-	0.5
Total comprehensive loss for the period	-	-	-	(1.4)	(1.4)
Consolidated balance as of March 31, 2019	14 370 906	14.4	58.3	(2.3)	70.4
Issue of common shares	7 800 000	7.8	62.4	-	70.2
Equity issuance costs	-	-	(1.6)	-	(1.6)
<i>Other transactions:</i>					
Dividends	-	-	-	(3.0)	(3.0)
Share based compensation	-	-	1.1	-	1.1
Total comprehensive loss for the period	-	-	-	1.0	1.0
Consolidated balance as of December 31, 2019	22 170 906	22.2	120.2	(4.3)	138.1
Dividends	-	-	-	(1.5)	(1.5)
Share based compensation	-	-	0.2	-	0.2
Total comprehensive loss for the period	-	-	-	0.3	0.3
Consolidated balance as of March 31, 2020	22 170 906	22.2	120.4	(5.5)	137.1

See accompanying notes that are an integral part of these Unaudited Condensed Consolidated Financial Statement

2020 Bulkera Limited and subsidiaries
Notes to Consolidated Financial Statements

1. GENERAL INFORMATION

2020 Bulkera Ltd. (together with its subsidiaries, the “Company” or the “Group” or “2020 Bulkera”) is a limited liability company incorporated in Bermuda on 26 September 2017. The Company’s shares are traded on Oslo Axess under the ticker “2020”.

2020 Bulkera is an international owner and operator of large dry bulk vessels. The Group has six Newcastlemax dry bulk vessels in operation and two Newcastlemax drybulk vessels under construction at New Times Shipyard in China. The remaining newbuildings are expected to be delivered by June 2020.

Basis of presentation

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements include the assets and liabilities of the parent company and wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

Going concern

The consolidated financial statements have been prepared on a going concern basis.

2. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s consolidated financial statements for the year ended December 31, 2019, except as described in note 3.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

Adoption of new accounting standards

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which revises guidance for the accounting for credit losses on financial instruments within its scope. The new standard introduces an approach, based on expected losses, to estimate credit losses on certain types of financial instruments and modifies the impairment model for available-for-sale debt securities. The guidance will be effective January 1, 2020, with early adoption permitted. Entities are required to apply the standard’s provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The adoption, effective January 1, 2020, did not have a material impact on the Condensed Consolidated Financial Statements and related disclosures.

4. INCOME TAXES

Bermuda

We are incorporated in Bermuda. Under current Bermuda law, we are not required to pay taxes in Bermuda on either income or capital gains. We have received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, we will be exempted from taxation until March 31, 2035.

Other jurisdictions

Our subsidiary in Norway is subject to income tax. The estimate income tax expense for the three months ended March 31, 2020 is approximately US\$0.01 million. We do not have any unrecognized tax benefits, accrued interest or penalties relating to income taxes.

5. SEGMENT INFORMATION

Our chief operating decision maker, or the CODM, measures performance based on our overall return to shareholders based on consolidated net income. The CODM does not review a measure of operating result at a lower level than the consolidated group and we only have one reportable segment. Our vessels operate worldwide and therefore management will not evaluate performance by geographical region as this information is not meaningful.

6. REVENUES

The Company recognized revenues from six contracts (described in note 9) for Bulk Sandefjord, Bulk Santiago, Bulk Seoul, Bulk Shanghai, Bulk Shenzhen and Bulk Sydney in the first quarter of 2020. Trade receivables of US\$0.2 million were recognized as of March 31, 2020. The Company has invoiced US\$0.6 million to customers which is not earned as of March 31, 2020 and the amount is recognized as other current liabilities.

7. INTEREST EXPENSE

	3 months to March 31, 2020	3 months to March 31, 2019
(In millions of US dollars)		
Interest expense, gross	2.6	-
Capitalized interest, newbuildings	(0.5)	-
Total	2.1	-

8. EARNINGS PER SHARE

	3 months to March 31, 2020	3 months to March 31, 2019
- Basic earnings (loss) per share	0.01	(0.10)
- Diluted earnings (loss) per share	0.01	(0.10)
Issued ordinary shares at the end of the period	22 170 906	14 370 906
Weighted average number of shares outstanding - basic	22 170 906	14 252 928

9. LEASES

Lessor

The Company has the following vessels on operating lease contracts:

Vessel	Contract start	Charterer	Charter expiry	Gross rate/day, USD
Bulk Sandefjord	13-Aug-2019	Koch Shipping	Aug 22	Premium to Baltic 5TC index + scrubber benefit
Bulk Santiago	21-Sep-2019	Koch Shipping	Nov 21 - Jan 22	19 525 (until 24 Dec 2020), index linked
Bulk Seoul	1-Nov-2019	Koch Shipping	Dec 21 - Feb 22	22 250 (until 31 Dec 2020), index linked
Bulk Shanghai	9-Nov-2019	Glencore	Dec 20	22 673
Bulk Shenzhen	10-Jan-2020	Glencore	Dec 20	21 919
Bulk Sydney	23-Jan-2020	Koch Shipping	Jan 23	Premium to Baltic 5TC index + scrubber benefit

Lessee

Effective January 1, 2019, the Company entered into a long term lease contract for an office in Oslo. Effective January 1, 2020, the Company leased additional office space in Oslo. The total right-of-use asset as of March 31, 2020 was US\$0.5 million and a corresponding lease liability was US\$0.4 million. The amortization of right of use assets relating to office lease is presented under Depreciation and Amortization in the statement of operations.

10. VESSELS AND EQUIPMENT, NET AND NEWBUILDINGS

(In millions of US\$)	Newbuildings	Vessels and equipment, net	Total
Cost as of December 31, 2018	68.4	-	68.4
Capital expenditures	189.6	-	189.6
Capitalized interests	1.5	-	1.5
Transfers to vessels and equipment, net	(190.0)	190.0	-
Cost as of December 31, 2019	69.5	190.0	259.5
Capital expenditures	61.7	-	61.7
Capitalized interests	0.5	-	0.5
Transfers to vessels and equipment, net	(96.1)	96.1	-
Cost as of March 31, 2020	35.6	286.1	321.7
Accumulated depreciation as of December 31, 2019	-	1.2	1.2
Depreciation	-	1.9	1.9
Accumulated depreciation as of March 31, 2020	-	3.1	3.1
Balance as of December 31, 2019	69.5	188.8	258.3
Balance as of March 31, 2020	35.6	283.0	318.6

In January 2020, the Company took delivery of the Bulk Shenzhen, a newcastlemax dry bulk newbuilding. Upon delivery, the Company paid the delivery instalment of US\$30.4 million and utilized US\$30 million of the term loan facility (see note 13)

In January 2020, the Company took delivery of the Bulk Sydney, a newcastlemax dry bulk newbuilding. Upon delivery, the Company paid the delivery instalment of US\$30.4 million and utilized US\$30 million of the term loan facility (see note 13)

11. OTHER LONG-TERM ASSETS

(In millions of US\$)	March 31, 2020	December 31, 2019
Deferred loan costs	1.0	1.7
Right-of-use asset	0.5	0.2
Total	1.5	1.9

12. RELATED PARTY TRANSACTIONS

In April 2019, the Company entered into a short term convertible debt agreement of US\$8.0 million with the shareholders Drew Holdings Ltd., Ubon AS, Titan Credit Master Fund and MH Capital AS (a company owned by Magnus Halvorsen). The convertible debt was converted to shares in the private placement completed on May 23, 2019.

In May 2019, the Company entered into a short term loan agreement of US\$360.0 thousand with MH Capital AS. The short term loan was settled as part of MH Capital AS subscription of shares in the private placement completed on May 23, 2019.

In June 2019, the Company provided Magnus Halvorsen an interest bearing loan of US\$945,827. The current loan balance is US\$0.8 million and is classified as other current assets.

In July 2019, the Company signed a Revolving Credit Facility Agreement of US\$5.5 million with Drew Holdings Ltd. The Revolving Credit Facility agreement was cancelled during the fourth quarter of 2019.

13. DEBT

(In millions of US\$)	March 31, 2020	December 31, 2019
<i>Pledged</i>		
Term loan Tranche I ("Bulk Sandefjord"), balloon payment August 2024	29.2	29.6
Term loan Tranche II ("Bulk Santiago"), balloon payment August 2024	29.2	29.6
Term loan Tranche V ("Bulk Shenzhen"), balloon payment August 2024	30.0	-
Term loan Tranche VI ("Bulk Sydney"), balloon payment August 2024	30.0	-
<i>Other long term debt</i>		
Vessel financing ("Bulk Seoul")	41.0	41.6
Vessel financing ("Bulk Shanghai")	41.0	41.6
Long-term debt, gross	200.4	142.4
Less current portion long term debt	(11.5)	(8.1)
Less deferred loan costs	(3.3)	(2.3)
Total long-term debt	185.6	132.0

In February 2019, the Company signed a term loan facility agreement for US\$240 million of bank financing for its newbuilding program. When the Company entered into the sale and leaseback arrangement with Ocean Yield (please see below), the Company cancelled two tranches each of US\$30 million. The term loan facility carries an interest of Libor+250 bps, has an 18-year repayment profile for the principle amount and a balloon repayment five years after delivery of the first vessel. The term loan facility contains financial covenants for the Group (i) value adjusted equity shall be equal to or higher than 30% of value adjusted total assets, working capital (defined as consolidated current assets minus consolidated current liabilities (excluding current portion of long term debt and subordinated shareholder loans)) shall at all times be no less than US\$0 and free and available cash shall at all times be higher of (a) US\$1,25 million per delivered vessel and (b) 5% of total debt. If a dividend is paid, available cash shall be higher of (a) US\$2,25 million per delivered vessel and (b) 7,5% of total debt on a pro-forma basis after such distribution. As of March 31, 2020, we were compliant with the covenants and our obligations under our term loan facility agreement. The vessels are pledged upon draw down of the loan facility, with cross collateral agreements in place upon each vessel within the term loan facility.

In October 2019, the Company entered into a sale and lease back arrangement with Ocean Yield for its two Newcastlemax vessels, Bulk Seoul and Bulk Shanghai. The vessels were delivered from the yard on October 30 and November 6, respectively, and were at delivery sold to Ocean Yield for a price per vessel of US\$42 million, net of a US\$5 million sellers' credit. The vessels have been chartered back to the Company on thirteen years bareboat charters which include a purchase obligation at the end of the respective charter periods and certain options to either sell or acquire the vessels during the charter periods. The bareboat charter hire is US\$6,575 per day plus an adjustment based on LIBOR plus a margin of 450 basis points. Since the Company have purchase obligations at the end of the charter periods, the Company has accounted for the transaction as a financing

arrangement. The Company have pledged the shares in the subsidiaries chartering the vessels back from Ocean Yield and issued certain guarantees in line with standard terms contained in sale and leaseback transactions.

The outstanding debt as of March 31, 2020 is repayable as follows:

(In millions of US\$)	
2020	8.6
2021	11.5
2022	11.5
2023	11.5
2024	98.1
Thereafter	59.2
	200.4

14. FINANCIAL ASSETS AND LIABILITIES

Foreign currency risk

The majority of our transactions, assets and liabilities are denominated in United States dollars. However, we incur expenditure in currencies other than United States dollars, mainly in Norwegian Kroner. There is a risk that currency fluctuations in transactions incurred in currencies other than the functional currency will have a negative effect of the value of our cash flows. We are then exposed to currency fluctuations and we may enter into foreign currency swaps to mitigate such risk exposures.

Fair values

The guidance for fair value measurements applies to all assets and liabilities that are being measured and reported on a fair value basis. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The same guidance requires that assets and liabilities carried at fair value should be classified and disclosed in one of the following three categories based on the inputs used to determine its fair value:

Level 1: Quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data;

Level 3: Unobservable inputs that are not corroborated by market data.

The carrying value and estimated fair value of our cash and financial instruments are as follows:

(In millions of US\$)		March 31,	December 31,
	Hierarchy	2020	2019
<i>Assets</i>			
Cash and cash equivalents	1	15.1	20.1
Restricted cash	1	0.2	0.1
<i>Liabilities</i>			
Short term debt and current portion of long term debt	2	11.5	8.1
Long term debt	2	185.6	132.0

Financial instruments included in the consolidated accounts within 'Level 1 and 2' of the fair value hierarchy are valued using quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency.

There have been no transfers between different levels in the fair value hierarchy during the periods presented.

Concentrations of risk

There is a concentration of credit risk with respect to cash and cash equivalents to the extent that nearly all of the amounts are carried with Danske Bank. However, we believe this risk is remote, as Danske Bank is an established financial institution.

Guarantees

The China Merchants Bank, Nanjing Branch has given letters of guarantee to two of the Liberian subsidiaries of the group for payments made prior to delivery of the vessels under each of their respective newbuilding contracts. The guarantees cover all milestone payments under the Novation Agreements between the subsidiaries and New Times Shipbuilding Co., Ltd. including interest at the rate of 5%.

The Company has issued guarantees to New Times Shipyard for payment of instalments on all the newbuilding contracts.

15. SHARE BASED PAYMENT COMPENSATION

In January 2019, the Board of Directors established a long-term incentive plan and approved a grant of 740,000 options to employees and directors. Further, 740,000 of the Company's authorized but unissued share capital was allocated to this purpose. The share options will have a five-year term and will vest equally one quarter every six months commencing on June 30, 2019 over a two year vesting period. The exercise price is US\$10.0 and will be reduced with any dividends paid. The total estimated cost is approximately US\$2.1 million and will be expensed over the requisite service period. US\$0.2 million have been expensed for the three months ended March 31, 2020.

16. COMMITMENTS AND CONTINGENCIES

As of March 31, 2020, the Company had two vessels under construction. The outstanding commitments for the two newbuildings amounted to US\$60.8 million which are due in 2020.

The Company insures the legal liability risks for its shipping activities with Assuranceforeningen SKULD and Assuranceforeningen Gard Gjensidig, both mutual protection and indemnity associations. As a member of these mutual associations, the Company is subject to calls payable to the associations based on the Company's claims record in addition to the claim records of all other members of the associations. A contingent liability exists to the extent that the claims records of the members of the associations in the aggregate show significant deterioration, which result in additional calls on the members.

To the best of our knowledge, there are no legal or arbitration proceedings existing or pending which have had or may have significant effects on our financial position or profitability and no such proceedings are pending or known to be contemplated.

17. SUBSEQUENT EVENTS

Interest hedging

In April the Company entered into interest rate swap agreements for a notional amount of approximately US\$177 million, effectively securing an all-in interest rate of 3% for the fully drawn amount under the term loan facility.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

	3 months to March 31, 2020	3 months to March 31, 2019
(In millions of US dollars)		
Operating profit (loss)	2.5	(1.4)
Depreciation and amortization	(1.9)	-
EBITDA	4.4	(1.4)

	3 months to March 31, 2020	3 months to March 31, 2019
(In millions of US dollars, except per day data)		
Time charter revenues	7.8	-
Commission	(0.3)	-
Time charter equivalent revenues, gross	8.1	-
Fleet onhire days	519	-
Average time charter equivalent rate, gross	15 600	-

The European Securities and Markets Authority (“ESMA”) issued guidelines on Alternative Performance Measures (“APMs”) that came into force on July 3, 2016. The Company has defined and explained the purpose of the following APMs:

EBITDA, when used by the Company, means operating profit (loss) excluding depreciation and amortization. The Company has included EBITDA as a supplemental disclosure because the Company believes that the measure provides useful information regarding the Company’s ability to service debt and pay dividend and provides a helpful measure for comparing its operating performance with that of other companies.

Average time charter equivalent, gross, when used by the Company, means time charter revenues excluding commission and divided by on hire days. The Company has included Average time charter equivalent earnings, gross as a supplemental disclosure because the Company believes that the measure provides useful information regarding the fleets’ daily income performance.