**NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES**

**Index to consolidated financial statements**


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## NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES

### Report of Independent Auditors

To the Board of Directors of Navig8 Chemical Tankers Inc

We have audited the accompanying consolidated financial statements of Navig8 Chemical Tankers Inc and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, consolidated statement of changes in shareholders' equity and consolidated statements of cash flows for the years then ended.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Navig8 Chemical Tankers Inc and its subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers AS

Oslo, Norway

May 4, 2021

## NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

| *(in thousands of US$)* | Dec 31, 2020 | Dec 31, 2019 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | 16,232 | 38,792 |
| Trade receivables | 4,518 | 50 |
| Related party trade receivables | 14,921 | 17,330 |
| Prepaid expenses and other assets | 7,029 | 6,379 |
| Prepaid interest expenses | 866 | 1,302 |
| Related party prepaid expenses and other assets | 6,094 | 11,208 |
| Inventories | 3,195 | 2,796 |
| Total current assets | 52,855 | 77,857 |
| Non-current assets | | |
| Restricted cash | 12,700 | 15,200 |
| Vessels, net | 1,058,267 | 1,085,076 |
| Furniture and fittings | 14 | - |
| Total non-current assets | 1,070,981 | 1,100,276 |
| Total assets | 1,123,836 | 1,178,133 |
| **Liabilities and shareholders' equity** | | |
| Current liabilities | | |
| Deferred revenue | 1,693 | 2,162 |
| Current portion of loans | 56,652 | 55,843 |
| Accounts payables and accrued expenses | 18,246 | 13,244 |
| Related party payables and accrued expenses | 632 | 623 |
| Total current liabilities | 77,223 | 71,872 |
| Non-current liabilities | | |
| Long-term loans, net of unamortised debt issuance cost | 664,984 | 710,557 |
| Accrued interest expenses | 7,151 | 5,279 |
| Total non-current liabilities | 672,135 | 715,836 |
| Total liabilities | 749,358 | 787,708 |
| Commitments and contingent liabilities (Note 7) | - | - |
| Shareholders' equity | | |
| Common stock, $0.01 par value per share; authorized 500 million shares (2019: 500 million shares); 38,489,108 shares issued and outstanding as of Dec 31, 2020 (Dec 31, 2019: 38,489,108 shares) | 385 | 385 |
| Paid-in capital | 403,641 | 403,641 |
| Retained earnings (Accumulated deficit) | (29,548) | (13,601) |
| Total shareholders' equity | 374,478 | 390,425 |
| Total liabilities and shareholders' equity | 1,123,836 | 1,178,133 |

See notes to consolidated financial statements

## NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

| *(in thousands of US$, except per share data)* | 2020 | 2019 |
|---|---|---|
| **Operating revenue** | | |
| Pool revenue (includes related party revenue of $107,921; 2019: $163,310) | 132,477 | 163,310 |
| Time charter revenue | 24,169 | 10,667 |
| Voyage revenue | 2,477 | - |
| **Total operating revenue** | 159,123 | 173,977 |
| **Other operating income** | 3,651 | 1,871 |
| **Operating expenses** | | |
| Vessel operating expenses (includes related party expenses of $5,595; 2019: $5,544) | (76,488) | (70,705) |
| Voyage expenses (includes related party expenses of $1,930; 2019: $2,705) | (4,580) | (4,178) |
| Depreciation | (50,348) | (50,215) |
| General and administrative expenses (includes related party expenses of $1,985; 2019: $3,936) | (5,273) | (4,990) |
| **Total operating expenses** | (136,689) | (130,088) |
| **Net operating income** | 26,085 | 45,760 |
| **Financial items** | | |
| Interest income | 205 | 449 |
| Interest expense and finance costs | (42,105) | (56,073) |
| Other financial items | (105) | (103) |
| **Net financial items** | (42,005) | (55,727) |
| **Net income (loss) before income tax** | (15,920) | (9,967) |
| Income tax expense | (27) | (3) |
| **Net income (loss)** | (15,947) | (9,970) |
| **Earnings (loss) per common share:** | | |
| Basic | $ (0.41) | $ (0.26) |
| Diluted | $ (0.41) | $ (0.26) |

See notes to consolidated financial statements

## NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

| *(in thousands of US$, except number of shares)* | Number of shares outstanding | Common stock | Paid-in capital | Retained Earnings (Accumulated Deficit) | Total |
|---|---|---|---|---|---|
| Balance as of Dec. 31, 2018 | 38,489,108 | 385 | 403,641 | (3,631) | 400,395 |
| Net income (loss) | - | - | - | (9,970) | (9,970) |
| Balance as of Dec. 31, 2019 | 38,489,108 | 385 | 403,641 | (13,601) | 390,425 |
| Balance as of Dec. 31, 2019 | 38,489,108 | 385 | 403,641 | (13,601) | 390,425 |
| Net income (loss) | - | - | - | (15,947) | (15,947) |
| Balance as of Dec. 31, 2020 | 38,489,108 | 385 | 403,641 | (29,548) | 374,478 |

See notes to consolidated financial statements

## NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

*(in thousands of US$)*

| | 2020 | 2019 |
|---|---|---|
| **Operating activities** | | |
| Net income (loss) | (15,947) | (9,970) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation of vessels | 50,348 | 50,215 |
| Amortisation of debt issuance cost | 2,722 | 2,960 |
| Debt extinguishment costs | 583 | 266 |
| Provision for doubtful account | - | - |
| Changes in operating assets and liabilities: | | |
| Trade receivables | (4,468) | 90 |
| Related party trade receivables | 2,409 | (1,496) |
| Prepaid expenses and other assets | (214) | (2,998) |
| Related party prepaid expenses and other assets | 5,114 | 1,006 |
| Inventories | (399) | 238 |
| Deferred revenue | (469) | 2,162 |
| Accounts payables and accrued expenses | 9,126 | 5,973 |
| Related party accounts payables and accrued expenses | 9 | (16) |
| **Net cash provided by operating activities** | **48,814** | **48,430** |
| **Investing activities** | | |
| Payments for vessels * | (25,791) | (3,899) |
| Purchase of furniture and fittings | (14) | - |
| **Net cash used in investing activities** | **(25,805)** | **(3,899)** |
| **Financing activities** | | |
| Proceeds from loans, net of debt issuance cost | 86,089 | 91,451 |
| Repayment of loans | (133,575) | (114,740) |
| Debt extinguishment costs | (583) | (266) |
| **Net cash used in financing activities** | **(48,069)** | **(23,555)** |
| Net change in cash, cash equivalents and restricted cash | (25,060) | 20,976 |
| Cash, cash equivalents and restricted cash, beginning of year | 53,992 | 33,016 |
| **Cash, cash equivalents and restricted cash, end of year** | **28,932** | **53,992** |

**Supplemental disclosure of cash flow information:**

| | 2020 | 2019 |
|---|---|---|
| Interest paid, net of interest capitalised | 36,265 | 50,809 |

***** Please refer to note 4 for non-cash items

See notes to consolidated financial statements

**NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## 1. General information and significant accounting policies

*Company*

Navig8 Chemical Tankers Inc and its subsidiaries (together "we", "us" or the "Company") is a company formed for the purpose of acquiring and operating chemical tankers with fuel-efficient specifications and carrying capacities of equivalent to or greater than 25,000 dwt in the international shipping markets. The Company was incorporated in the Republic of the Marshall Islands on August 15, 2013, and since August 11, 2014, the Company's shares are traded on the over-the-counter market in Oslo, Norway ("NOTC-List").

As of December 31, 2020, the Company has taken delivery of 32 vessels (2019: 32 vessels), of which 25 (2019: 23) are under sale and leaseback arrangements which are treated as financing transactions. During 2020, the Company re-delivered four S-Class vessels from Navig8's Stainless8 Pool and entered vessels into Odfjell Tankers AS Chempool 25. In addition, the Company re-delivered four T-Class vessels and two V-Class vessels from Navig8's Chronos8 Pool and entered the vessels into Odfjell Tankers AS Coated MR Pool. As of December 31, 2020, the Company had its entire A-Class fleet employed in the Navig8 Alta8 Pool, set up within Navig8 Chemicals Pool Inc.

The full fleet comprises 18 (37,600 dwt to 38,500 dwt) Interline-9001 and Marineline coated chemical tankers, 8 (25,200 dwt) stainless steel chemical tankers, 4 (49,500 dwt) IMO II Interline-9001 coated chemical tankers and 2 (49,100 dwt) epoxy-coated chemical tankers.

*Basis of accounting*

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The consolidated financial statements include the assets and liabilities of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

We evaluate our subsidiaries, and any other entities in which we hold a variable interest, in order to determine whether we are the primary beneficiary of the entity, and where it is determined that we are the primary beneficiary we fully consolidate the entity.

A variable interest entity is defined by the accounting standard as a legal entity where either (a) the total equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated support; (b) equity interest holders as a group lack either i) the power to direct the activities of the entity that most significantly impact its economic success, ii) the obligation to absorb the expected losses of the entity, or iii) the right to receive the expected residual returns of the entity; or (c) the voting rights of some investors in the entity are not proportional to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest.

The accounting standard requires a variable interest entity to be consolidated by its primary beneficiary, being the interest holder, if any, which has both (1) the power to direct the activities of the entity which most significantly impact the entity's economic performance, and (2) the right to receive benefits or the obligation to absorb losses from the entity which could potentially be significant to the entity.

## 1. General information and significant accounting policies (Continued)

*Significant Accounting Policies*

*Accounting estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting year. Actual results could differ from those estimates.

In addition to the estimates noted above, significant estimates include vessel valuations, residual value of vessels, useful life of vessels and bargain purchase options included within sale and leaseback arrangements.

*Cash, cash equivalents and restricted cash*

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with original maturities of three months or less, and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying value of cash and cash equivalents approximates fair value due to the short-term nature of these instruments. Restricted cash consists mainly of bank deposits in the Debt Service Reserve Account, which must be maintained in accordance with the contractual arrangement under the CA- KEXIM, DVB and Credit Suisse bank loan facility agreements. Restricted cash also consists of bank deposits in the Cash Deposit Account for CMBFL, SBI and ICBC sale and leaseback arrangements (see Note 8 for details).

*Trade Receivables*

Trade Receivables include amounts due from pools and other recoverable expenses due to the Company. At the balance sheet date, all potentially uncollectible accounts are assessed individually for the purposes of determining the appropriate provision for doubtful accounts. No provision was recorded as of December 31, 2020 (2019: nil).

*Prepayments*

Prepayments consist of payments in advance for insurance or other ad hoc prepaid purchases.

*Other Assets*

Other assets consist primarily of advances and deposits which primarily include amounts advanced to third-party technical managers for expenses incurred by them in operating the vessels, together with other necessary deposits paid during the course of business. At the balance sheet date, all potentially uncollectible accounts are assessed individually for the purposes of determining the appropriate provision for doubtful accounts. As of December 31, 2020, no provision was recorded (2019: nil).

*Inventories*

Inventories consist of lubricating oils and other consumables on board the Company's vessels. Inventories are valued at the lower of cost and market value on a first-in-first-out basis. Cost is based on the normal levels of cost and comprises the cost of purchase, being the suppliers' invoice price with the addition of charges such as freight or duty where appropriate.

**1. General information and significant accounting policies (Continued)**

*Vessels*

Vessels are recorded at their cost less accumulated depreciation. Vessel cost comprises acquisition costs directly attributable to the vessel and the expenditures made to prepare the vessel for its initial voyage. Vessels are depreciated on a straight-line basis over their estimated useful economic life from the date of initial delivery from the shipyard. The useful life of the vessels is estimated at 25 years from the date of initial delivery from the shipyard. Depreciation is based on cost less estimated residual scrap value. Residual scrap value is estimated as the lightweight tonnage of each vessel multiplied by the estimated scrap value per ton. The market price of scrap per tonne is calculated based on the historical ten-year average. Residual values are reviewed annually. The Company capitalises and depreciates the costs of significant replacements, renewals and upgrades to its vessels over the shorter of the vessel's remaining useful life or the life of the renewal or upgrade. The amount capitalised is based on management's judgement as to expenditures that extend a vessel's useful life or increase the operational efficiency of a vessel. Costs that are not capitalised are recorded as a component of direct vessel operating expenses during the period incurred. Expenses for routine maintenance and repairs are expensed as incurred.

*Drydock Expenditure*

Part of the purchase price of a new built vessel corresponding to the normal expected dry-docking expense is recognised as a separate component of the asset (dry-docking part of vessel) and is amortised over the expected useful life of five years. Actual dry-docking expenditures are capitalised when incurred and these expenditures are amortised from the completion of a dry-docking to the estimated completion of the next dry-docking, generally between two and a half to five years. When significant dry-docking expenditures occur prior to the expiration of the estimated amortisation period, the remaining unamortised balance of the previous dry-docking cost is expensed in the month of the subsequent dry-docking. Expenses for routine maintenance and repairs, incurred during dry-docking, are expensed as incurred.

*Coating Upgrade*

Application of a new and different coating is considered to represent an upgrade of the capabilities of a vessel and will be capitalised on the respective vessel and depreciated over the remaining useful life. Insurance claims received relating to coating under the Company's Hull & Machinery insurance policies are deducted against the capitalised cost of coating.

## 1. General information and significant accounting policies (Continued)

*Vessel Impairment*

Vessels are assessed for impairment when events or circumstances indicate the carrying amount of the asset may not be recoverable. When such indicators are present, the carrying value of the vessels are tested for recoverability by comparing the estimate of future undiscounted net operating cash flows associated with all future expenditure necessary to operate the vessel and expected to be generated by the use of the vessel over its useful life and its eventual disposal to its carrying amount based on the expected service potential of the asset. Net operating cash flows are determined by applying various assumptions regarding future revenues net of commissions, operating expenses, scheduled drydocking, expected offhire and scrap values, and taking into account historical revenue data and published forecasts on future economic growth and inflation. An impairment charge is recognized if the carrying value is in excess of the estimated future undiscounted net operating cash flows. The impairment loss is measured based on the excess of the carrying amount over the fair value of the asset.

*Financing arrangements*

Navig8 Chemical Tankers Inc. may enter into transactions accounted for as sale and leasebacks, in which vessels are sold to a third party and then leased for use by Navig8 Chemical Tankers Inc. Under certain circumstances, the necessary criteria to recognise a sale of these assets may not occur and the transaction is reflected as a financing arrangement, with proceeds received from the transaction reflected as a borrowing (see Note 8). When the necessary criteria have been met to recognise a sale, gains or losses on the sale of the assets are generally deferred and amortised over the term of the transaction, except in certain limited instances when a portion of the gain or loss may be recognised upon inception.

*Distributions to shareholders*

Distributions to the shareholders are applied first to retained earnings. When retained earnings are not sufficient, distributions are applied to the additional paid in capital account.

*Financial Instruments*

In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

## 1. General information and significant accounting policies (Continued)

*Deferred finance charges*

Deferred financing charges include fees, commissions and legal expenses associated with securing financing facilities. Deferred financing charges are presented on the balance sheet as a contra-liability, against the debt liability. These costs are amortised, over the term of the debt, to interest expense and finance costs in the consolidated statement of operations using the straight-line method as the results obtained are not materially different from those that would result from use of the use of the interest method.

Deferred initial up-front commitment fees paid to lenders for revolving credit facilities and lines of credit represent the benefit of being able to access capital over the contractual term, and therefore, meet the definition of an asset. These are presented as another asset and subsequently amortised ratably over the term of the commitment period for the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement.

*Contingencies*

Navig8 Chemical Tankers Inc provides for contingent liabilities when (i) it is probable that a liability has been incurred at the date of the financial statements and (ii) the amount of the loss can be reasonably estimated. Disclosure in the notes to the financial statements is required for material contingent liabilities that do not meet both these conditions if there is a reasonable possibility that a liability may have been incurred at the balance sheet date.

*Equity issuance costs*

Incremental costs incurred that are directly attributable to an actual offering of equity securities are deferred and deducted from the related proceeds of the offering, and the net amount is recorded as contributed shareholders' equity in the period when such shares are issued. Other costs incurred that are not directly attributable, but are related, to an actual offering are expensed as incurred.

*Earnings per share*

Basic earnings per share is calculated by dividing the net income (loss) attributable to equity holders of the common shares by the weighted average number of common shares outstanding. Diluted earnings per share are calculated by adjusting the net income (loss) attributable to equity holders of the common shares and the weighted average number of common shares used for calculating basic earnings per share for the effects of all potentially dilutive shares. Such dilutive common shares are excluded when the effect would be to increase earnings per share or reduce a loss per share.

## 1. General information and significant accounting policies (Continued)

*Taxes*

Navig8 Chemical Tankers Inc and all of its subsidiaries, except one, are incorporated in the Republic of the Marshall Islands, and in accordance with the income tax laws of the Marshall Islands, are not subject to Marshall Islands' income tax. The Company is generally not subject to state and local income taxation. Pursuant to various tax treaties, the Company's shipping operations are not subject to foreign income taxes. However, the Company does not qualify for the exemption pursuant to Section 883 of the U.S. federal income taxation Code and therefore is subject to U.S. federal tax on its shipping income derived from the United States.

One of the Company's subsidiaries is incorporated in Denmark and is subject to income tax under local jurisdictions. The tax paid by subsidiary of the Company that are subject to income tax is not material. The Company does not have any unrecognized tax benefits, material accrued interest or penalties relating to income taxes.

*Foreign currencies*

The individual financial statements of Navig8 Chemical Tankers Inc and each of its subsidiaries are presented in the currency of the primary economic environment in which we operate (its functional currency), which in all cases is U.S. dollars. For the purpose of the consolidated financial statements, our results and financial position are also expressed in U.S. dollars.

In preparing the financial statements of Navig8 Chemical Tankers Inc and each of its subsidiaries, transactions in currencies other than the U.S. dollar are recorded at the rate of exchange prevailing on the dates of the transactions. Any change in exchange rate between the date of recognition and the date of settlement may result in a gain or loss which is recognized in the consolidated statement of operations. At the end of each reporting period, monetary assets and liabilities denominated in other currencies are retranslated into the functional currency at rates ruling at that date. All resultant exchange differences have been recognized in the consolidated statement of operations.

*Revenue Recognition*

Operating revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, and other sales-related or value added taxes.

Operating revenue comprises pool revenue, time charter revenue, and voyage revenue.

a) Pool revenue for each vessel is determined in accordance with the profit-sharing terms specified within each pool agreement. In particular, the pool manager aggregates the revenues and expenses of all of the pool participants and distributes the net earnings to participants based on the following allocation key:
   - the pool scores (vessel attributes such as cargo carrying capacity, fuel consumption, and construction characteristics are taken into consideration); and
   - the number of days the vessel participated in the pool in the period.

Pool revenue is accounted for as variable lease consideration and are recognized on a monthly basis when the vessel has participated in a pool during the period, and the amount of pool revenue for the month can be estimated reliably.

b) Time charter revenue is recognized on a straight-line basis over the term of the respective time charter agreements.

## 1. General information and significant accounting policies (Continued)

*Revenue Recognition (continued)*

c) For voyage revenue, the charterer hires the vessel to transport a specific agreed-upon cargo for a single voyage. The consideration in such a contract is determined on the basis of a freight rate per metric ton of cargo carried or occasionally on a lump sum basis. The charterer is responsible for any short loading of cargo or "dead" freight. The voyage charter party generally has standard payment terms with freight paid on completion of discharge. The voyage charter party generally has a "demurrage" clause. As per this clause, the charterer reimburses us for any potential delays exceeding the allowed laytime as per the charter party clause at the ports visited, which is recorded as voyage revenue, as such, demurrage is considered variable consideration under the contract. In a voyage charter contract, the performance obligations begin to be satisfied once the vessel begins loading the cargo.

We have determined that our voyage charter contracts consist of a single performance obligation of transporting the cargo within a specified period. Therefore, the performance obligation is met evenly as the voyage progresses, and the revenue is recognized on a straight-line basis over the voyage days from the commencement of loading to completion of discharge.

*Other Operating Income*

Other operating income consists of loss of hire income recovered from insurance claims.

*Vessel Operating Expenses*

Vessel operating expenses, which include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses and technical management fees, are expensed as incurred.

*Voyage Expenses*

Voyage expenses, which include pool administration fees, vessel commission and transportation tax, are expensed as incurred.

*Interest expense*

Interest costs are expensed as incurred.

## 2. Newly issued accounting standards

**Accounting Standards Updates, not yet adopted**

In October 2018, the FASB issued ASU No. 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities. Under the amendments in this Update, a private company (reporting entity) may elect not to apply VIE guidance to legal entities under common control (including common control leasing arrangements) if both the parent and the legal entity being evaluated for consolidation are not public business entities. Effectively, the amendments in this Update expand the private company alternative provided by Accounting Standards Update No. 2014-07, Consolidation (Topic 810): Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements, not to apply the VIE guidance to qualifying common control leasing arrangements. Because the private company accounting alternative in this Update applies to all common control arrangements that meet specific criteria and not just leasing arrangements, the amendments in Update 2014-07 are superseded by the amendments in this Update. Indirect interests held through related parties in common control arrangements should be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. This is consistent with how indirect interests held through related parties under common control are considered for determining whether a reporting entity must consolidate a VIE. For example, if a decision maker or service provider owns a 20 percent interest in a related party and that related party owns a 40 percent interest in the legal entity being evaluated, the decision maker's or service provider's indirect interest in the VIE held through the related party under common control should be considered the equivalent of an 8 percent direct interest for determining whether its fees are variable interests. As a non-public company, these updates are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The Company is currently evaluating the effect that adopting this standard will have on its financial statements and related disclosures.

In March 2020, the FASB issued ASU 2020-04 (ASC 848 Reference Rate Reform), which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this update are elective and apply to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments in this update are effective for all entities as of March 12, 2020 through December 31, 2022. We are currently evaluating the impact of electing the expedients and exceptions for applying GAAP provided by the update on our consolidated financial statements.

### 3. Segment Information

The Company and the chief operating decision maker ("CODM") measure performance based on the Company's 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 the Company has only one reportable segment.

The Company's vessels operate worldwide and therefore management does not evaluate performance by geographical region as this information is not meaningful. The Company operates in one market, the chemical carrier market as an international provider of seaborne transportation of chemicals.

### 4. Cash Flow Information

Non-cash investing activities not included in the consolidated statement of cash flows of:

| | 2020 ('000) | 2019 ('000) |
|---|---|---|
| Amounts unpaid for vessels | $ 613 | $ 2,865 |

### 5. Cash, cash equivalents and restricted cash

The cash, cash equivalents and restricted cash as of December 31, 2020 and 2019 are denominated in United States Dollars. As of December 31, 2020 and 2019, the cash and cash equivalents balance relate solely to cash deposited with the banks, and the Company had bank deposits amounting to $12.7 million (2019: $15.2 million) in the Debt Service Reserve Accounts or designated deposit accounts, which must be maintained in accordance with the contractual arrangements per the credit facilities and sale and leaseback agreements to meet the minimum liquidity requirement for each delivered vessel.

As of December 31, 2020 and 2019, the following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of such amounts shown in the consolidated statements of cash flows.

| | 2020 ('000) | 2019 ('000) |
|---|---|---|
| Cash and cash equivalents | $ 16,232 | $ 38,792 |
| Non-current restricted cash | $ 12,700 | $ 15,200 |
| Total cash, cash equivalents and restricted cash | $ 28,932 | $ 53,992 |

**NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## 6. Vessels

| (in thousands of $) | Vessels[(1) (2)] |
|---|---|
| **Cost at December 31, 2018** | **1,276,360***|
| Additions | 6,764 |
| **Cost at December 31, 2019** | **1,283,124*** |
| Additions | 23,539 |
| **Cost at December 31, 2020** | **1,306,663*** |
| | |
| **Accumulated Depreciation at December 31, 2018** | **(147,833)*** |
| Depreciation | (50,215) |
| **Accumulated Depreciation at December 31, 2019** | **(198,048)*** |
| Depreciation | (50,348) |
| **Accumulated Depreciation at December 31, 2020** | **(248,396)*** |
| | |
| **Net Balance at December 31, 2018** | **1,128,527** |
| **Net Balance at December 31, 2019** | **1,085,076** |
| **Net Balance at December 31, 2020** | **1,058,267** |

* Includes $859.8 million (2019: $921.9 million) of cost and $158.0 million (2019: $137.9 million) of depreciation, for the 25 vessels (2019: 23vessels) sold as part of the Sale and Leaseback agreements (see Note 8). These sale and leaseback agreements have been treated as financing arrangements.

(1) As of December 31, 2020, the balance includes a component of net capitalised drydock cost of $16.3 million (2019: $7.4million), comprising of cost of $17.5 million (2019: $24.2 million) and accumulated depreciation of $1.2 million (2019: $16.8 million).

(2) During 2020, the Company has claimed compensation in UK arbitration proceedings from the paint manufacturer for damages to and deterioration of Interline 9001 protective coating on the cargo tanks of several of its A-Class and T-Class vessels. The Company has also raised separate claims under its Hull & Machinery and Loss of Hire insurance policies. In anticipation of the cargo tank coating damage resulting in an insurable claim under these policies, the Company's underwriters have provided the Company on-account payments. These payments have been deducted from the capitalised cost of coating.

## 6. Vessels (Continued)

Navig8 Chemical Tankers Inc.'s fleet as of December 31, 2020 comprises of the following:

| No. | Vessel Name | DWT | Yard | Built |
|---|---|---|---|---|
| 1(1) | Navig8 Victoria | 49,100 | Hyundai Vinashin | January 2015 |
| 2(6) | Navig8 Almandine | 38,500 | Hyundai MIPO | February 2015 |
| 3(6) | Navig8 Amber | 38,500 | Hyundai MIPO | February 2015 |
| 4(7) | Navig8 Amethyst | 38,500 | Hyundai MIPO | March 2015 |
| 5(1) | Navig8 Violette | 49,100 | Hyundai Vinashin | March 2015 |
| 6(7) | Navig8 Ametrine | 38,500 | Hyundai MIPO | April 2015 |
| 7(5) | Navig8 Aventurine | 38,500 | Hyundai MIPO | April 2015 |
| 8(5) | Navig8 Andesine | 38,500 | Hyundai MIPO | May 2015 |
| 9(6) | Navig8 Amazonite | 38,500 | Hyundai MIPO | May 2015 |
| 10(3) | Navig8 Aronaldo | 38,500 | Hyundai MIPO | June 2015 |
| 11(7) | Navig8 Aquamarine | 38,500 | Hyundai MIPO | June 2015 |
| 12(2) | Navig8 Axinite | 38,500 | Hyundai MIPO | July 2015 |
| 13(7) | Navig8 Amessi | 38,500 | Hyundai MIPO | July 2015 |
| 14(2) | Navig8 Ammolite | 38,500 | Hyundai MIPO | August 2015 |
| 15(2) | Navig8 Azurite | 38,500 | Hyundai MIPO | August 2015 |
| 16(3) | Navig8 Azotic | 38,500 | Hyundai MIPO | September 2015 |
| 17(6) | Navig8 Adamite | 38,500 | Hyundai MIPO | September 2015 |
| 18(1) | Navig8 Aragonite | 37,600 | Hyundai MIPO | October 2015 |
| 19(1) | Navig8 Alabaster | 38,500 | Hyundai MIPO | November 2015 |
| 20(1) | Navig8 Achroite | 37,600 | Hyundai MIPO | January 2016 |
| 21(3) | Navig8 Turquoise | 49,500 | STX | April 2016 |
| 22(3) | Navig8 Topaz | 49,500 | STX | July 2016 |
| 23(1) | Navig8 Sirius | 25,200 | Kitanihon | June 2016 |
| 24(1) | Navig8 Sky | 25,200 | Kitanihon | August 2016 |
| 25(4) | Navig8 Spark | 25,200 | Kitanihon | October 2016 |
| 26(4) | Navig8 Stellar | 25,200 | Kitanihon | October 2016 |
| 27(3) | Navig8 Tourmaline | 49,500 | STX | October 2016 |
| 28(3) | Navig8 Tanzanite | 49,500 | STX | November 2016 |
| 29(2) | Navig8 Saiph | 25,200 | Kitanihon | January 2017 |
| 30(2) | Navig8 Sceptrum | 25,200 | Kitanihon | May 2017 |
| 31(4) | Navig8 Spica | 25,200 | Fukuoka | May 2017 |
| 32(4) | Navig8 Sol | 25,200 | Fukuoka | August 2017 |

(1) Company's owned vessels.

(2) Vessels subject to the CMB financing arrangement (see Note 8).

(3) Vessels subject to the Ocean Yield financing arrangement (see Note 8).

(4) Vessels subject to the SBI financing arrangement (see Note 8).

(5) Vessels subject to the AVIC financing arrangement (see Note 8).

(6) Vessels subject to the ICBC financing arrangement (see Note 8).

(7) Vessels subject to the SPDB financing arrangement (see Note 8).

## 7. Commitments and Contingencies

As of December 31, 2020, the Company has taken delivery of its entire Chemical fleet and no new shipbuilding contract was signed during the financial year. There are no outstanding commitments to shipyards.

There are no contingencies outstanding which are expected to have a material impact on the financial position, results of operations or cash flow either individually or in the aggregate.

## 8. Debt

As of December 31, 2020 the Company had three bank loan facilities (2019: three) and six sale and leaseback financing arrangements (2019: five), which it has used to finance vessels. The Company's applicable ship-owning subsidiaries have granted first priority mortgages against the relevant vessels in favor of the lenders as security for the Company's obligations under the bank loan facilities and the Company also acts as guarantor of the bank loan facilities and the sale and leaseback financings. These mortgages and guarantees can be called upon following a payment default or other event of default or termination event.

The outstanding principal balance on each debt facility at the balance sheet date is as follows:

| | 2020 (000) | 2019 (000) |
|---|---|---|
| *Senior Secured CA-KEXIM Credit Facility* | | |
| *-Kexim Global Notes* | $ - | $ 17,492 |
| *-ECA Tranche* | 25,047 | 28,662 |
| *-Commercial Tranche* | 13,229 | 24,078 |
| *Senior Secured DVB Credit Facility* | 36,170 | 39,420 |
| *Senior Secured Credit Suisse Credit Facility* | 39,108 | 42,708 |
| *Ocean Yield Sale and Leaseback* | 179,203 | 241,872 |
| *CMBFL Sale and Leaseback* | 114,041 | 124,468 |
| *SBI Sale and Leaseback* | 111,116 | 121,390 |
| *AVIC Sale and Leaseback* | 45,031 | 48,306 |
| *ICBC Sale and Leaseback* | 84,033 | 90,134 |
| *SPDB Sales and Leaseback* | 86,194 | - |
| Total debt | 733,171 | 778,530 |
| Less: unamortised debt issuance cost | (11,535) | (12,130) |
| Net debt | 721,636 | 766,400 |
| Less: current portion | (56,652) | (55,843) |
| | **$ 664,984** | **$ 710,557** |

## 8. Debt (Continued)

Future minimum scheduled repayments under the Company's bank loan facilities and sale and leaseback financing arrangements as of December 31, 2020 are as follows:

| *$'000* | 2021 | 2022 | 2023 | 2024 | 2025 | Thereafter |
|---|---|---|---|---|---|---|
| Aggregate Bank Loan Facilities | 12,133 | 12,133 | 25,196 | 46,949 | 5,283 | 11,858 |
| Aggregate Sale and Leaseback Financing Arrangements (1) (2) (3) | 71,878 | 70,551 | 151,968 | 120,170 | 41,443 | 324,565 |
| Total | 84,011 | 82,684 | 177,164 | 167,119 | 46,726 | 336,423 |

(1) Amount includes Purchase Options for 6 Ocean Yield Sale and Leaseback vessels totaling $72.0 million; Purchase Obligations for 5 CMB Sale and Leaseback vessels totaling $83.4 million; Purchase Options for 4 SBI Sale and Leaseback vessels totaling $89.9 million; Purchase Obligations for 2 AVIC Sale and Leaseback vessels totaling $19.7 million; Purchase Obligations for 4 ICBC Sale and Leaseback vessels totaling $52.0 million; Purchase Obligations for 4 SPDBFL Sale and Leaseback vessels totaling $24.0 million.

(2) Excluding interest amount of $161.0 million, the net financing arrangements liability is $619.6 million.

(3) Amount assume execution of bargain purchase options for 6 Ocean Yield Sale and Leaseback vessels after year 15, and 4 SBI Sale and Leaseback vessels after year 7.

### *Senior Secured CA-KEXIM Credit Facility*

As of December 31, 2020, following a number of amendments and sale and leaseback refinancing (including one mentioned below), the Senior Secured CA-KEXIM Credit Facility provides financing to 3 vessels (2019: 5 vessels) delivered by Hyundai MIPO between February 2015 and January 2016. This facility is provided by a combination of commercial banks and The Export-Import Bank of Korea ("KEXIM"). As of December 31, 2020, the facility is comprised of a commercial debt tranche of $13.2 million and a KEXIM-funded debt tranche of $25.0 million. Navig8 Chemical Tankers (A-Ships) Inc., our indirect wholly owned subsidiary, is the borrower under the Senior Secured CA-KEXIM Credit Facility.

On March 15, 2019, the ICBC Sale and Leaseback Arrangement (see further below) was completed and as part of the arrangement the senior debt outstanding on four vessels of $61.2 million was repaid in full on March 15, 2019. The debt repaid on three vessels was related to the commercial debt and Global Note tranches and debt repaid on one vessel was related to the commercial and ECA debt tranches.

On June 8, 2020, the Company entered into Sale and Leaseback Arrangements with SPDBFL (see further below) and as part of the arrangement, the debt outstanding on 2 vessels of $ 24.9 million was repaid in full. The debt repaid was related to the commercial facility and Global Note tranches.

The commercial and ECA debt tranches under the facility bear interest at LIBOR plus a margin of 3.25%. Interest on the guaranteed note tranche is at a fixed rate of 2.90%. The weighted average interest rate on outstanding borrowings under our Senior Secured CA-KEXIM Credit Facility as of December 31, 2020 was 4.71% (2019: 4.98%) including the KEXIM guarantee premium for the KEXIM-guaranteed Global Note tranche for 2019. As of December 31, 2020, the Global Notes are fully repaid. Principal repayments on the facility are made on a quarterly basis. The facility fully matures in March 2027. As of December 31, 2020, 3 vessels (2019: 5 vessels) are financed under this facility.

## 8. Debt (Continued)

### *Senior Secured DVB Credit Facility*

As of December 31, 2020, we have fully drawn down on the $52.0 million Senior Secured DVB Credit Facility, to finance two vessels that were delivered by Hyundai Vinashin between January 2015 and March 2015, and no further amounts are available for borrowing. Debt under the facility bears interest at LIBOR plus a margin of 2.5%. Principal repayments on the facility are made on a quarterly basis, with a balloon payment paid with the final instalment. This loan fully matures in March 2024.

### *Senior Secured Credit Suisse Credit Facility*

As of December 31, 2020, we have fully drawn down on the $55.0 million Senior Secured Credit Suisse Facility, to finance two vessels that were delivered by Kitanihon Shipyard between June 2016 and August 2016, and no further amounts are available for borrowing. Debt under the facility bears interest at LIBOR plus a margin of 2.60% per annum. Principal repayments on the facility are made on a quarterly basis, with a balloon payment paid with the final instalment. This loan fully matures in June 2024.

### *Ocean Yield Sale and Leaseback Arrangement*

On April 1, 2015, the Company entered into a sale and leaseback arrangement with Ocean Yield ASA (“OCY”), in respect of four vessels (Navig8 Amessi, Navig8 Aquamarine, Navig8 Aronaldo and Navig8 Azotic) that were delivered by Hyundai MIPO between June 2015 and September 2015, and four vessels (Navig8 Turquoise, Navig8 Tanzanite, Navig8 Topaz, and Navig8 Tourmaline) that were delivered by STX between April 2016 and November 2016. This transaction was treated as a financing transaction. The net proceeds from the financing (after a 10% sellers' credit and before taking into account liquidated damages) was $276.6 million. As of December 31, 2020, we have fully drawn down on the financing and no further amounts are available for borrowing.

Under the arrangement, eight vessels were delivered to OCY upon delivery from the relevant shipyard and thereafter the Company entered into 15-year bareboat charters for each vessel, each commencing upon their respective deliveries. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, with the first of such option exercisable on the fifth anniversary from the delivery date of the subject vessel. Post-delivery charterhire under the arrangement comprise of a fixed per day rate, paid monthly in advance. The fixed charterhire rate is subject to annual adjustment based on the prevailing rate of LIBOR.

On June 8, 2020, the Company entered into sale and leaseback agreements with SPDBFL (see further below) and as part of the arrangement, Navig8 Aquamarine and Navig8 Amessi were repurchased by the Company from OCY for $26.5 million each before their delivery to SPDBFL.

**8. Debt (Continued)**

***CMBFL Sale and Leaseback Arrangement - HMD***

On June 14, 2016, the Company entered into sale and leaseback agreements with CMB Financial Leasing Co. Ltd ("CMBFL") for three Hyundai MIPO built chemical tanker vessels. This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $91.2 million. As of December 31, 2020, we have fully drawn down on the financing.

The Company has entered into 7-year bareboat charters for the three vessels, commencing upon their respective deliveries to CMBFL. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, with the first of such option exercisable on the third anniversary from the delivery date of the respective vessel and a purchase obligation at the end of the charter term. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 3.88%.

***CMBFL Sale and Leaseback Arrangement - Kitanihon***

On May 31, 2017, the Company entered into additional sale and leaseback agreements with CMBFL for two Kitanihon built chemical tanker vessels (Navig8 Saiph and Navig8 Sceptrum). This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $65.2 million. Under this arrangement, the two vessels were delivered by the Company to CMBFL. As of December 31, 2020, we have fully drawn down on the financing.

The Company has entered into 7-year bareboat charters for the two vessels, commencing upon their respective deliveries to CMBFL. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, with the first of such option exercisable on the third anniversary from the delivery date of the respective vessel and a purchase obligation at the end of the charter term. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 3.70%.

***SBI Sale and Leaseback - Kitanihon***

On September 15, 2016, the Company entered into sale and leaseback agreements with SBI Holdings Inc ("SBI") for two vessels under construction at the yard of Kitanihon Shipbuilding Co., Ltd ("Kitanihon"). This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $74.4 million. As of December 31, 2020 we have fully drawn down on the financing, in line with both vessel deliveries in October 2016.

Under the arrangement, both vessels were delivered to SBI upon delivery from shipyard and thereafter entered into 11-year bareboat charters, commencing upon their respective deliveries. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, on the fifth and seventh anniversary from the delivery date of the respective vessel. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 2.75%.

## 8. Debt (Continued)

***SBI Sale and Leaseback - Fukuoka***

On May 19, 2017, the Company entered into additional sale and leaseback agreements with SBI for two vessels under construction at the yard of Fukuoka Shipbuilding Co. Ltd ("Fukuoka"). This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $74.0 million. As of December 31, 2020, we have fully drawn down on the financing, in line with vessel deliveries in May and August 2017.

Under the arrangement, both vessels were delivered to SBI upon delivery from Fukuoka and thereafter entered into 11 year and 6-month bareboat charters, commencing upon their respective deliveries. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, at approximately the end of the fifth and seventh year after the delivery date of the respective vessel. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 2.75%.

***AVIC Sale and Leaseback Arrangement***

On December 7, 2018, the Company entered into sale and leaseback agreements with AVIC International Leasing Co., Ltd ("AVIC") for two Hyundai MIPO built chemical tanker vessels previously financed under the Senior Secured CA-KEXIM Credit Facility. This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $52.4 million. Under this arrangement, the loan tranches relevant to the two vessels under the Senior Secured CA-KEXIM Credit Facility were repaid, the existing mortgages over the two vessels were discharged and the two vessels were delivered by the Company to AVIC. As of December 31, 2020, we have fully drawn down on the financing.

The Company has entered into 10-year bareboat charters for the two vessels, commencing upon their respective deliveries to AVIC. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, with the first of such option exercisable on the second anniversary from the delivery date of the respective vessel and a purchase obligation at the end of the charter term. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 3.80%.

***ICBC Sale and Leaseback Arrangement***

On March 15, 2019, the Company entered into sale and leaseback agreements with ICBC Financial Leasing Co., Ltd ("ICBC") for four Hyundai MIPO built chemical tanker vessels previously financed under the Senior Secured CA-KEXIM Credit Facility. This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $94.7 million. Under this arrangement, the loan tranches relevant to the four vessels under the Senior Secured CA-KEXIM Credit Facility were repaid, the existing mortgages over the four vessels were discharged and the four vessels were delivered by the Company to ICBC. As of December 31, 2020, we have fully drawn down on the financing.

**8. Debt (Continued)**

***ICBC Sale and Leaseback Arrangement (Continued)***

The Company has entered into 7-year bareboat charters for the four vessels, commencingupon their respective deliveries to ICBC. The Company has purchase options to re-acquire each ofthe subject vessels during the bareboat charter period, with the first of such option exercisable on the second anniversary from the delivery date of the respective vessel and a purchase obligation atthe end of the charter term. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 3.30%.

***SPDBFL Sale and Leaseback Arrangement***

On June 8, 2020, the Company entered into sale and leaseback agreements with SPDB Financial Leasing Co., Ltd ("SPDBFL") for two HMD built chemical tanker vessels previously financed under the multi-bank Loan facility, facilitated by ABN AMRO Bank and Wilmington Trust, and two HMD built chemical tanker vessels originally financed under OCY financing arrangements. This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $88.2 million. Under this arrangement, the loan tranches relevant to the vessels under the multi-bank Loan Facility were repaid and OCY financing arrangements, with mortgages over the vessels discharged and the vessels were delivered by the Company to SPDBFL. As of December 31, 2020, we have fully drawn down on the financing.

The Company has entered into 10-year bareboat charters for the four vessels, commencing upon their respective deliveries to SPDBFL. The Company has purchase options to re-acquire the vessels during the charter period, with the first such option exercisable on the third anniversary of the delivery date for 2 vessels and the second anniversary of the delivery date for the other 2 vessels, and a purchase obligation at the end of the charter term. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 3.40%.

***Financial Covenants***

The above financings have, where indicated the following financial covenants that require us to maintain (based on terms defined in the credit/sale and leaseback agreements):

- for each financing arrangement in the table above, minimum liquidity of $0.5 million ($1.0 million for the case of OCY Sale and Leaseback Arrangement, and $0.75 million for the case of SPDBFL Sale and Leaseback Arrangement) per delivered vessel. The minimum required liquidity is $32 million. As of December 31, 2020, the total actual liquidity in aggregate is $36.7 million;
- for each bank financing, an amount between $0.5 million – $1.3 million, depending on the bank financing facility, per delivered vessel under the subject financing facility to be held in debt service reserve accounts. For each sale and leaseback financing, a deposit account requirement between $0.0 million and $1.0 million, depending on the sale and leaseback facility, per delivered vessel under the subject facility. These are amounts set as restricted in the balance sheet of $12.7 million;
- for each financing arrangement in the table above (other than CMBFL Sale and Leaseback and AVIC Sale and Leaseback), a ratio of total net debt (all obligations in respect of borrowings less aggregate of cash and cash equivalents) to total net assets (total market value of assets less aggregate of cash and cash equivalents) of no more than 75%. For CMBFL Sale and Leaseback and AVIC Sale and Leaseback, the calculation is total net debt to total assets of no more than 75%. For SPDBFL Sale and Leaseback, there is an additional obligation that the total net debt to capitalisation should not be more than 75%;

**8. Debt (Continued)**

- Maintain a minimum fair value of the collateral for each bank finance facility, SBI Sale and Leaseback Arrangements, CMBFL Sale and Leaseback Arrangements, AVIC Sale and Leaseback Arrangements, ICBC Sale and Leaseback Arrangements and SPDBFL Sale and Leaseback Arrangements. For the bank finance facilities, the minimum required aggregate fair value of the vessels collateralizing the credit facility ranges between 130% -140% of the outstanding debt amount (net of DSRA) under such facility. In the case of the CMBFL Sale and Leaseback Arrangements, the AVIC Sale and Leaseback Arrangements and SPDBFL Sale and Leaseback Arrangements, the minimum fair value required is 115% of the aggregate principal amount outstanding for each vessel. In the case of the ICBC Sale and Leaseback Arrangement, until the third anniversary, the minimum fair value required is 115% of the aggregate principal amount outstanding after deduction of the deposit for each vessel. This increases to 125% after the third anniversary. The SBI financings require each vessel to maintain at least a minimum fair value of 110% for the Kitanihon vessels (and 120% for the Fukuoka vessels) of the outstanding senior debt amount with the first test at the anniversary date of the delivery of each vessel followed by semi-annual testing;
- Under the OCY Sale and Leaseback Arrangements, minimum value adjusted equity of $250 million;
- Under the SPDBFL Sale and Leaseback Arrangements, the working capital needs to be positive at the end of June and December every year.

Each of our financings discussed above have, unless indicated otherwise below and among other things, the following restrictive covenants which would restrict our ability to:

- incur additional indebtedness;
- (under the bank financing facilities) sell the collateral vessel;
- make additional investments or acquisitions;
- pay dividends, in the event of a default, or if an event of default would occur as a result of the payment of dividends and in the case of the all of the bank financings, our ability to pay dividends is restricted if the debt service reserve accounts are not fully funded and in the case of certain of the bank financings our ability to pay dividends is restricted if satisfactory cash flow forecasts are not provided and in the case of the OCY Sale and Leaseback Arrangement, we can pay dividends only if our consolidated total net debt to total net assets ratio does not exceed 72.5% both before and after the relevant dividend payment; in addition, we can make investments over $7.5 million only if the consolidated total net debt to total net assets ratio does not exceed 70% at the time the commitment is made in relation to the relevant investment;
- other than under the CMBFL Sale and Leaseback, to undergo a change of control of our shareholding structure; and
- to change the type of business concerned, its name, type of organisation and its jurisdiction of incorporation (this is only applicable to the SBI Sale and Leaseback and the ICBC Sale and Leaseback, except that the latter does not restrict our ability to change our jurisdiction of incorporation).

Our obligations under the sale and leaseback arrangements are secured by, among other things, assignments of earnings and insurances, stock pledges and account charges in respect of the subject vessels and are unconditionally and irrecoverably guaranteed by us. In addition, each of our financing arrangements contain customary events of default (for the bank financings) or termination events (for the sale and leaseback arrangements), including cross-default provisions.

As of December 31, 2020, we are in compliance with the financial covenants of each of our financing arrangements.

## 8. Debt (Continued)

### *Assets Pledged*

As of December 31, 2020, 32 vessels (2019: 32 vessels) with an aggregate carrying value of $1,058 million (2019: $1,085 million) were pledged as security for the Company's debt.

## 9. Common Shares

As of December 31, 2020, we have:

- 38,489,108 shares (2019: 38,489,108) of common stock issued and paid; the $0.01 par value of which is recorded as common stock of $384,891 (2019: $384,891).
- Paid-in capital of $403.6 million (2019: $403.6 million) represents the excess of net proceeds from common stock issuances over the par value, net of any direct issue costs amounting to $2.4 million (2019: $2.4 million).

## 10. Earnings (loss) per Share

The computation of basic earnings per share is based on net income (loss) and the weighted average number of shares outstanding during the year.

The components of the numerator for the calculation of basic and diluted EPS for Net income (loss), are as follows:

| | 2020 ('000) | 2019 ('000) |
|---|---|---|
| Net income (loss) | $ (15,947) | $ (9,970) |

The components of the denominator for the calculation of basic and diluted EPS are as follows:

| | 2020 ('000) | 2019 ('000) |
|---|---|---|
| Weighted average number of shares outstanding – basic | 38,489 | 38,489 |
| Weighted average number of shares outstanding – diluted | 38,489 | 38,489 |

There were no potentially dilutive securities outstanding for any of the periods presented.

## 11. Operating Revenue

| | | 2020 (‘000) | | 2019 (‘000) |
|---|---|---|---|---|
| Pool revenue | $ | 132,477 | $ | 163,310 |
| Time charter revenue | | 24,169 | | 10,667 |
| Voyage revenue | | 2,477 | | - |
| | $ | 159,123 | $ | 173,977 |

In 2020, the Company recognised $107.9 million (2019: $163.3 million) of pool revenue from Navig8 Chemicals Pool Inc. of which $75.1 million (2019: $92.7 million) relating to the eighteen Hyundai MIPO vessels participating in the Alta8 Pool, $28.5 million (2019: $34.6 million) relating to the two Vinashin and the four STX vessels participating in the Chronos8 Pool, and $4.3 million (2019: $36.0 million) relating to the four (2019: eight) vessels participating in the Stainless8 Pool. During 2020, the four Stainless8 Pool vessels were re-deployed to Odfjell Chempool 25 Pool and the six Chronos8 pool vessels were redeployed to Odfjell Coated MR Pool, from which the Company recognized pool revenue of $24.6 million.

In 2020, the Company chartered out four stainless steel vessels and recognized $24.2 million in time charter revenue (2019: $10.7 million).

In February 2020, the Navig8 Ametrine, one of the Company’s A-Class vessels operated by the Alta8 Pool, delivered a cargo of light naphtha to Hin Leong Trading (“Hin Leong”) in Singapore. Hin Leong’s funding for this cargo was provided by ING Bank (“ING”). The insolvency filing by Hin Leong prior to repayment of this loan resulted in a financial loss for ING, who subsequently decided to claim that their loss was due to mis-delivery of the cargo. As the holder of the original bills of lading, ING instructed the arrest of the Navig8 Ametrine in Singapore in November 2020. As a result, the Alta8 Pool was forced to put up security in an amount of USD 9.5 million to free the vessel from this arrest. As the largest participant in the Alta8 Pool, the Company’s earnings from this pool were impacted by USD 7.3 million for the year 2020. The Company is in the process of defending against ING’s mis-delivery claim in the Singaporean judicial system.

## 12. Other Operating Income

| | | 2020 (‘000) | | 2019 (‘000) |
|---|---|---|---|---|
| Other operating income | $ | 3,651 | $ | 1,871 |

During 2020, the Company recovered loss of hire income of $3.0 million (2019: $1.9 million) from insurance claims. These includes on-account payments on loss of hire income from underwriters on the cargo tank coating (see Note 6).

## 13. Vessel Operating Expenses

| | | 2020 (‘000) | | 2019 (‘000) |
|---|---|---|---|---|
| Vessel Operating Expenses | $ | 76,488 | $ | 70,705 |

During 2020 and 2019, vessel operating expenses, which include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses and technical management fees, were incurred on the 32 vessels in the fleet.

## 14. Voyage Expenses

| | 2020 ('000) | 2019 ('000) |
|---|---|---|
| Voyage Expenses | $ 4,580 | $ 4,178 |

During 2020 and 2019, voyage expenses, which include pool administration fees, vessel commission and transportation tax, were incurred on the 32 vessels in the fleet.

## 15. General and administrative expenses

| | 2020 ('000) | 2019 ('000) |
|---|---|---|
| Corporate Administration Fees (related party – see Note 18) | $ 1,985 | $ 2,570 |
| Management Services Fees (related party – see Note 18) | - | 1,511 |
| Other expenses | 3,288 | 909 |
| | $ 5,273 | $ 4,990 |

## 16. Interest expense and finance costs

| | 2020 ('000) | 2019 ('000) |
|---|---|---|
| Interest Incurred(1) | $ 38,800 | $ 52,847 |
| Cancellation fees due to refinancing | 583 | 266 |
| Amortisation of debt issuance cost(2)(3) | 2,722 | 2,960 |
| | $ 42,105 | $ 56,073 |

(1) Included within the interest incurred is variable interest expense of $0.3 million (2019: $2.9 million) incurred on the sale and leaseback financing arrangement with Ocean Yield. Also included within the interest incurred is variable interest income of $0.5 million (2019: $0.2 million) incurred on the sale and leaseback financing arrangement with AVIC, $0.0 million (2019: variable interest expense of $1.3 million) incurred on the sale and leaseback financing arrangement with SBI, $0.2 million (2019: variable interest expense of $2.0 million) incurred on the sale and leaseback financing arrangement with CMB, $0.0 million (2019: $0.0 million) incurred on the sale and leaseback financing arrangement with SPDBFL, and $1.0 million (2019: $0.1 million) incurred on the sale and leaseback financing arrangement with ICBC.

(2) In 2019, amortization of debt issuance cost includes the write-off of unamortized debt issuance cost ($0.7 million) due to refinancing to ICBC sale and leaseback financing arrangement for four vessels.

(3) In 2020, amortization of debt issuance cost includes the write-off of unamortized debt issuance cost ($0.3 million) due to refinancing to SPDBFL sale and leaseback financing arrangement for four vessels.

## 17. Financial Instruments

### Interest rate risk management

In certain situations, the Company may enter into financial instruments to reduce the risk associated with fluctuations in interest rates. The Company does not hold or issue instruments for speculative trading purposes. As of December 31, 2020 and 2019, the Company is not party to any interest rate swaps to hedge interest rate exposure.

### Foreign currency risk

The majority of the Company's transactions, assets and liabilities are denominated in United States dollars, the functional currency of the Company. There is no significant risk that the currency fluctuations will have a negative effect of the value of the Company's cash flows.

The carrying value and estimated fair value of the Company's financial instruments at December 31, 2020 and 2019 are as follows:

| (in thousands of $) | 2020 Fair Value | 2020 Carrying Value | 2019 Fair Value | 2019 Carrying Value |
|---|---|---|---|---|
| Cash and cash equivalents | 16,232 | 16,232 | 38,792 | 38,792 |
| Restricted cash | 12,700 | 12,700 | 15,200 | 15,200 |
| Trade receivables | 19,439 | 19,439 | 17,380 | 17,380 |
| Fixed rate financing | - | - | 15,574 | 17,492 |
| Floating rate financing | 733,171 | 733,171 | 761,038 | 761,038 |

The fair values of cash and cash equivalents, restricted cash and trade receivables have been determined using level 1 inputs and are assumed to be their carrying values.

The fair value of floating rate debt has been determined using level 2 inputs and is considered to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis. The fixed rate financing has been determined using level 2 inputs.

As of December 31, 2020, Navig8 Chemicals Pool Inc., a related party of the Company (see Note 18), represented a large portion of the Company's accounts receivable balance collectively. This related credit risk is deemed remote as Navig8 Chemicals Pool Inc. is an established and reputable entity with no prior history of default.

## 18. Related party transactions

As of December 31, 2020, the Company remains with 18 vessels operating in the Alta8 Pool, which is part of Navig8 Chemicals Pool Inc. The company paid working capital of $0.3 million for every vessel that entered the Alta8 Pool. The working capital is refundable when the vessel exits the respective pools.

On May 28, 2020, the Company entered into pool agreements with Odfjell Tankers AS for four S-Class vessels which were previously operating in the Stainless8 Pool; and on November 30, 2021, for four T-Class vessels and two V-Class vessels which were operating in the Chronos8 Pool. The vessels were redelivered by the Stainless8 Pool and Chronos8 Pool to the Company and delivered by the Company to Odfjell Tankers AS between January 2020 to April 2020 and between November 2020 to December 2020, respectively.

## 18. Related party transactions (continued)

On May 31, 2019, the Company entered into time charter agreements with MOL Chemical Tankers Pte. Ltd. ("MOL") for four S-Class vessels which were previously operating in the Stainless8 Pool and time-chartered out by the Stainless8 Pool to MOL. The vessels were redelivered by the Stainless8 Pool to the Company and immediately delivered by the Company to MOL on the anniversary of the delivery date of the respective vessel by the Stainless8 Pool to MOL.

During 2020, the Company has changed technical manager for four of its vessels to OSM Ship Management AS, a related party to Oaktree group.

During 2020, we had technical manager, commercial manager and administrative manager (collectively known as our "Related Managers") that are affiliates of Navig8 Group, which is majority owned and controlled (directly or indirectly) by senior employees of Navig8 Group. In addition, our Commercial Manager is majority owned by a Navig8 Group entity and minority owned by an affiliate of Oaktree. Under the agreements with our Related Managers for the management of our vessels, we (i) effectively pay our pro rata share of the fees the Pool Company is obligated to pay our Commercial Manager, amounting to 2% of all gross pool revenue plus an administration fee of $250 per vessel per day, (ii) pay our Navig8 Technical Manager a fee of approximately $500 per vessel per day for each vessel it technically manages, and (iv) pay our Administrative Manager a fee of $220 per vessel per day that has been accruing since the date of the building contract for each vessel.

As of December 31, 2020, the Company has changed out the related party technical managers for four of its vessels, the commercial managers for ten of its vessels, and terminated the Corporate Administration Agreement with Navig8 Group.

A summary of net amounts earned (incurred) from related parties for the years ended December 31, 2020 and 2019 are as follows:-

| | 2020 (‘000) | 2019 (‘000) |
|---|---|---|
| Navig8 Chemicals Pool Inc | $ 107,921 | $ 163,310 |
| Suntech Ship Management Pte Ltd (previously known as Navig8 Shipmanagement Pte Ltd) | (2,463) | (2,520) |
| TB Marine Shipmanagement GmbH | (2,991) | (3,024) |
| OSM Ship Management AS | (141) | - |
| Navig8 Chemicals Asia Pte Ltd | (1,930) | (2,705) |
| Navig8 Asia Pte Ltd | (1,985) | (2,570) |
| Navig8 Europe Ltd | - | (485) |
| Navig8 America LLC | - | (121) |
| Navig8 Chems America LLC – Houston | - | (112) |
| Northlander Shipping ApS | - | (284) |
| SAN Consult | - | (127) |
| Baker Consulting | - | (157) |
| Otto Danielsen A/S | - | (79) |

Net amounts earned from related party comprises pool distributable income, and net amounts paid to related parties comprise technical management fees, commercial management administration fees, corporate administration fees, commercial commission fees, management services fees and administrative expenses.

## 18. Related party transactions (continued)

A summary of short-term balances due from / (due to) related parties as at December 31, 2020 and 2019 is as follows:

| **Current Receivables, prepayments and other assets** | | 2020 (‘000) | | 2019 (‘000) |
|---|---|---|---|---|
| Navig8 Chemicals Pool Inc | $ | 19,871 | $ | 25,080 |
| TB Marine Shipmanagement GmbH | | - | | 1,174 |
| Suntech Ship Management Pte Ltd (previously known as Navig8 Shipmanagement Pte Ltd) | | 1,144 | | 2,284 |
| | $ | 21,015 | $ | 28,538 |

| **Payables and accrued expenses** | | 2020 (‘000) | | 2019 (‘000) |
|---|---|---|---|---|
| Navig8 Chemicals Asia Pte Ltd | $ | (157) | $ | (197) |
| Navig8 Asia Pte Ltd | | - | | (218) |
| TB Marine Shipmanagement GmbH | | (152) | | - |
| OSM Ship Management AS | | (323) | | - |
| Northlander Shipping ApS | | - | | (108) |
| SAN Consult | | - | | (44) |
| Baker Consulting | | - | | (40) |
| Otto Danielsen A/S | | - | | (16) |
| | $ | (632) | $ | (623) |

Short term balances due from related parties comprise pool revenue receivables and pool working capital. Short term balances due to related parties comprise unpaid management services fees, corporate administration fees, commercial management administration fees and administrative expenses.

On January 3, 2019, Mr. Jens Gronning was appointed as a director of the Company, and he shall receive a director’s fee of $75,000 per year. The director’s fee ceased on December 1, 2019. As of December 31, 2020, the Company has not paid any director’s fee (2019: $68,459).

Navig8 Chemicals Pool Inc, Suntech Ship Management Pte Ltd (previously known as Navig8 Shipmanagement Pte Ltd), TB Marine Shipmanagement GmbH, Navig8 Chemicals Asia Pte Ltd, Navig8 Asia Pte Ltd, Navig8 Chemicals Europe Ltd, Navig8 Europe Ltd, Navig8 Americas LLC, and Navig8 Chems America LLC - Houston are related companies to one of our shareholders, Navig8 Chemical Tanker Holdings Inc, and its parent company, Navig8 Limited.

OSM Ship Management AS is a related party to our shareholder, OCM (Gibraltar) Chemical Tankers Ltd.

## 19. Variable Interest Entities ("VIEs")

In 2020, the Company participated in commercial pool arrangements with the commercial pools (Alta8 Pool, Chronos8 Pool and Stainless8 Pool) set up within Navig8 ChemicalsPool Inc. As of December 31, 2020, the Company remains with Alta8 Pool. Commercial pools operate a large number of vessels as an integrated transportation system, which offers customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Participants in the commercial pools contribute one or more vessels and generally provide an initial contribution towards the working capital of the pool at the time they entertheir vessels. The pools finance their operations primarily through the earnings that they generate.

The Company enters into the pool arrangement to take advantage of commercial opportunities. In the pool, the Company has the same relative rights and obligations and financial risks and rewards as other pool participants. The Company has determined that the participation in the pools of Navig8 Chemicals Pool Inc. (the legal entity) met the criteria of a VIE and, therefore, the Company reviewed its participation in the VIE to determine if it was the primary beneficiary of it. The Company reviewed the legal documents that govern the creation and management of the VIE described above and also analyzed its involvement to determine if the Company was a primary beneficiary. A VIE for which the Company is determined to be the primary beneficiary is required to be consolidated in its financial statements.

The pool agreements state that the commercial manager of each pool has decision making power over their significant decisions. The pool participants are members of a pool committee, however, the pool committee's power is limited to approving the pool total costs for each vessel, which is how pool revenue is allocated to its participants, and approve any additional working capital financing from its pool participants. Since the Commercial Manager of the pool holds the power to make all significant economic decisions that affect the pools and the Company does not control a majority of either the board or pool committee, the Company is not considered a primary beneficiary of the VIE, Navig8 Chemicals Pool Inc.

As of December 31, 2020, the Company has $5.0 million (2019: $5.0 million) in the balance sheet related to working capital contributions to the Alta8 Pool. The amount of $1.8 million in the balance sheet as of December 31, 2019 related to the working capital contributions to the Chronos8 Pool is refundable to the company after the vessels left the pool during the year; as of December 31, 2020, the Company has recovered $1.2 million of the working capital contributions from the Chronos8 Pool. The Company also has $12.1 million (2019: $11.8 million) and $2.8 million (2019: $4.0 million) in the balance sheet related to the pool distribution to be received from the Alta8 Pool and Chronos8 Pool, respectively. The sum of these amounts represents the Company's maximum exposure to the VIE. The company has no liquidity arrangements, guarantees or other third-party commitments that may affect the fair value or risk of the reporting entity's variable interest in the VIE.

The Company also participates in other commercial pools (Odfjell Tankers AS Chempool 25 and Odfjell Tankers AS Coated MR Pool). In the same manner, the pools are not legal entities and are therefore not VIEs, while Odfjell Coated MR Pool AS has been identified as a VIE. In connection with the formation of this new pool, the Company acquired on February 22, 2021 a 50% stake in Odfjell Coated MR Pool AS, a newly established joint venture company, from Odfjell Tankers AS for a total price of USD $6,045 (NOK 50,000). The objective of Odfjell Coated MR Pool AS is the commercial management of the 12 MR vessels owned by the joint venture partners, as well as the timely distribution of funds earned by the vessels in the MR pool.

## 19. Variable Interest Entities ("VIEs") (continued)

As of December 31, 2020, the Company has $1.0 million (2019: $0 million) and $2.1 million (2019: $0 million) in the balance sheet related to working capital contributions to the Odfjell Tankers AS Chempool 25 and Odfjell Tankers AS Coated MR Pool, respectively. The Company also has $3.7 million (2019: $0 million) and $0.8 (2019: $0 million) in the balance sheet related to the pool distribution to be received from the Odfjell Tankers AS Chempool 25 and Odfjell Tankers AS Coated MR Pool, respectively. The sum of these amounts represents the Company's maximum exposure to the VIE. The company has no liquidity arrangements, guarantees or other third-party commitments that may affect the fair value or risk of the reporting entity's variable interest in the VIE.

Since the Commercial Manager of the pool holds the power to make all significant economic decisions that affect the pools and the Company does not control a majority of either the board or pool committee, the Company is not considered a primary beneficiary of the VIE, Odfjell Coated MR Pool AS.

## 20. Subsequent events

We have evaluated subsequent events through April 30, 2021, which is the date the consolidated financial statements were available to be issued.

During the fourth quarter of 2020, the Company gradually transferred four T-Class and two V-Class vessels from Navig8's Chronos8 Pool to a commercial management arrangement with Odfjell, where the vessels are now employed in a newly formed MR pool. In connection with the formation of this new pool, the Company acquired on February 22, 2021, a 50% stake in Odfjell Coated MR Pool AS, a newly established joint venture company, from Odfjell Tankers AS for a total price of NOK 50,000. The objective of Odfjell Coated MR Pool AS is the commercial management of the 12 MR vessels owned by the joint venture partners, as well as the timely distribution of funds earned by the vessels in the MR pool.

On January 22, 2021, the Company entered into sale and leaseback agreements with CSSC (Hong Kong) Shipping Company Limited ("CSSC") for three of the A-class vessels and two of the T-class vessels for a total net proceeds of approximately $110 million. The A-class vessels were delivered by the Company to CSSC on February 3, 2021. The net proceeds to the Company from these transactions were approximately $65 million. A portion of these proceeds was utilized to repay the loan facility for the three A-Class vessels dated January 22, 2015. In connection with this transaction, the Company also exercised its purchase options for the Navig8 Topaz and Navig8 Tourmaline, which are expected to be delivered in July and October 2021, respectively.