Nordic Bulk Carriers A/S

Tuborg Havnevej 4 - 8, 1., 2900 Hellerup

Company reg. no. 32 08 14 87

Annual report

1 January - 31 December 2015

The annual report have been submitted and approved by the general meeting on the 12 May 2016.

Mads Rosenberg Boye
Chairman of the meeting

Contents

Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance USD 146.940 is the same as the English amount of USD 146,940, and that 23,5 % is the same as the English 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of Nordic Bulk Carriers A/S for the financial year 1 January to 31 December 2015.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2015 and of the company's results of its activities in the financial year 1 January to 31 December 2015.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Hellerup, 12 May 2016

Managing Director

Mads Rosenberg Boye Petersen

Board of directors

Edward Coll
Chairman

Anthony Laura

Carl Claus Bøggild

Mads Rosenberg Boye Petersen

The independent auditor's reports

To the shareholders of Nordic Bulk Carriers A/S

Report on the annual accounts

We have audited the annual accounts of Nordic Bulk Carriers A/S for the financial year 1 January to 31 December 2015, which comprise accounting policies used, profit and loss account, balance sheet, statement of changes in equity and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

The management's responsibility for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore, the management is responsible for such internal control considered necessary in order to prepare annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with international standards on auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of annual accounts that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The audit has not resulted in any qualification.

The independent auditor's reports

Opinion

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2015 and of the results of the company's operations for the financial year 1 January to 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the management's review

Pursuant to the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the performed audit of the annual accounts. On this basis, it is our opinion that the information provided in the management's review is consistent with the annual accounts.

Copenhagen, 12 May 2016

Grant Thornton

Company reg. no. 34 20 99 36

Michael Beuchert
State Authorised Public Accountant

Ulrik Bloch-Sørensen
State Authorised Public Accountant

Company data

The company	Nordic Bulk Carriers A/S Tuborg Havnevej 4 - 8, 1. 2900 Hellerup	
	Web site	www.nordicbulkcarriers.com
	Company reg. no.	32 08 14 87
	Established:	13 March 2009
	Domicile:	Gentofte
	Financial year:	1 January - 31 December
Board of directors	Edward Coll, Chairman Anthony Laura Carl Claus Bøggild Mads Rosenberg Boye Petersen	
Managing Director	Mads Rosenberg Boye Petersen	
Auditors	Grant Thornton, Statsautoriseret Revisionspartnerselskab Stockholmsgade 45 2100 København Ø	
Parent company	Pangaea Logistics Solutions Ltd., Bermuda	

Financial highlights

USD in thousands.	2015	2014	2013	2012	2011
Profit and loss account:					
Net turnover	106.886	150.312	131.160	140.383	89.844
Gross profit	3.611	1.117	-786	4.789	1.258
Results from operating activities	1.881	-889	-2.785	2.769	62
Net financials	-212	-3.951	951	-51	-5
Results for the year	1.368	-5.205	-2.104	2.475	-92
Balance sheet:					
Balance sheet sum	13.280	17.744	21.534	23.107	11.652
Equity	2.768	-3.901	2.521	4.400	2.224
Employees:					
Average number of full time employees	12	15	12	11	9
Key figures in %: *)					
Gross margin	3,4	0,7	-0,6	3,4	1,4
Profit margin	1,8	-0,6	-2,1	2,0	0,1
Solvency ratio	20,8	-22,0	11,7	19,0	19,1
Return on equity	-	-	-60,8	74,7	-3,0

*) The key figures have been laid out in accordance with the publication "Anbefalinger & Nøgletal 2015" ("Recommendations & Key Figures 2015") published by the CFA Society Denmark. As to definitions, please see the section on accounting policies used.

Management's review

The principal activities of the company

The Company is engaged in the Ocean transportation and related activities of dry bulk cargoes worldwide through chartering and operation of dry-bulk vessels.

Development in activities and financial matters

The net turnover for the year is USD 106.886.000 against USD 150.312.000 last year. The results from ordinary activities after tax are USD 1.368.000 against USD -5.205.000 last year.

Capital resources

The Company finances its operating activities and capital requirements with cash flow from operations and parent company loans when necessary.

Special risks - operating risks and financial risks

Operating risks

The company's operational risks primarily relate to marine disaster, environmental accidents, cargo and property loss, war, political and regulatory actions. Any of these events could increase our costs or lower our revenues.

Market risks

Traditionally, the shipping market is characterized by high volatility, and Management expects the cyclical and volatile nature of the seaborne drybulk transportation industry may lead to decreases in charter and freight rates, which may have an adverse effect on the Company's revenues, earnings and profitability. Demand remains weak, rates are at the lowest point since 1985 and asset values for modern tonnage continue to decline due to the over-supply of dry bulk carriers.

The Company assesses risk associated with fluctuating future freight rates and, when appropriate, hedges identified economic risk with appropriate derivative instruments, specifically forward freight agreements (FFAs).

Foreign exchange risks

The Company's cash flows are primarily in USD, and therefore the functional currency is USD. On this basis Management has decided to present the financial statements in USD. The Company is to a minor degree exposed to currency fluctuations in other currencies.

Credit risks

The Company's conservative approach to risk mitigation moreover comprises careful selection of contract partners. In times of expected low contribution margins, the assessment of the solvency of the counterparty is of decisive importance and, therefore, the Company's policy is not to do business with other parties without having thoroughly examined their creditworthiness and payment history in the market and through credit rating agencies.

Management's review

The expected development

Management expects the international freight markets to be characterised by significant uncertainty in the coming years, but will continue the implementation of the Company's strategy for the purpose of fulfilling the Company's vision of being market leader in the segment for high iceclass ships.

Events subsequent to the financial year

No events have occurred subsequent to the balance sheet date, which would have material impact on the financial position of the company.

Accounting policies used

The annual report for Nordic Bulk Carriers A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (medium sized enterprises).

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in American dollars (USD) with exchange rate from DKK of 683 (2014: 612) at the balance sheet date.

No consolidated annual accounts have been prepared, cf. section 112(1) of the Danish Financial Statements Act. The annual accounts of Nordic Bulk Carriers A/S and its group enterprises are included in the consolidated annual accounts for Pangaea Logistics Solutions Ltd., reg. no. 49020.

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement for the enterprise has been prepared, as the relevant information is included in the consolidated annual accounts of Pangaea Logistics Solutions Ltd.

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency, which are not settled at the date of the balance sheet, are translated by using the closing rate. The difference between the closing rate and the rate at the time of establishment of the receivable or the payable is recognised in the profit and loss account under financial income and financial costs.

Accounting policies used

Derived financial instruments

At the first recognition, derived financial instruments are recognised at cost in the balance sheet. Afterwards they are measured at fair value. Positive and negative fair values of derived financial instruments are recognised under other debtors and other creditors respectively.

Changes in the fair value of derived financial instruments classified as and meeting the criteria for hedging future assets and liabilities are recognised under debtors or creditors and in the equity.

If a future transaction results in recognition of assets or liabilities, amounts which have been recognised in the equity, are transferred from the equity and recognised in the cost for the asset or the liability respectively. If the future transaction results in income or costs, amounts which have been recognised in the equity, are transferred to the profit and loss account in the period in which the hedged item influenced the profit and loss account.

The profit and loss account

Net turnover

Revenue comprises income from voyages and is recognised exclusive of VAT and duties. Revenue is recognised as the work is completed, calculated on the basis of stage of completion (production criterion) at the balance sheet date. Recognition occurs when the following conditions are met:
- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the etity
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Stage of completion is determined on the basis of the completed travel time compared to the expected travel time.

Voyages expenses

Vessels operation expenses comprise the expenses, incurred to generate revenue for the year. The expenses include charter hire for charted vessels (operating leases), bunker oil consumption, staff costs, other vyage costs such as commissions and harbour charges, repair and maintenance costs, insurance costs and other operations expenses. Like revenue, vessels operation expenses are recognised on the basis of stage of completion.

Other external costs

Other external costs comprise costs for premises and sales as well as office expenses, etc..

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members.

Accounting policies used

Depreciation, amortisation and writedown

Depreciation and writedown comprise depreciation and writedown for the year of tangible fixed assets.

Net financials

Financial income and expenses comprise interest, realised and unrealised exchange adjustments, fair value adjustments of derivative financial instruments that are not qualified for hedging and are recognised in the income statement at the amounts relating to the financial year.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The Company's current tax is paid according to the regulations of the Danish Tonnage Tax Act.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

Other plants, operating assets, fixtures and furniture	2-4 years

Minor assets costing less than USD 2,500 are recognised as costs in the profit and loss account in the year of acquisition.

Bunker oil stock

Inventories comprise bunker oil kept on board vessels. Inventories are measured at the lower of cost under the FIFO method and net realisable value.

Accounting policies used

Receivables

Receivables are measured at amortized cost which usually corresponds to nominal value. In order to meet expected losses, writedown takes place at the net realizable value.

Voyages in progress

Voyages in progress is measured at the selling value of the proportionately incurred travel costs. calculated on the basis of stage of completion. State of completion is determined on the basis of the completed travel time compared to the expected travel time.

Accrued income and prepaid expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Cash funds

Cash funds comprise cash at bank.

Equity - dividend

Dividend expected to be distributed for the year is recognised as a separate item under the equity.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Nordic Bulk Carriers A/S is unlimited and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax. In the period 2014 to 2016, the corporate tax rate will be reduced gradually from 25 % to 22 %, which will affect the deferred tax liabilities and deferred tax assets. Unless a recognition with a different tax rate than 22 % will result in a significant material deviation in the estimated deferred tax liability or tax asset, deferred tax liabilities and assets are recognised by 22 %.

Accounting policies used

Other provisions

Provisions for onerous contracts are recognised when a loss on performance of the contract is unavoidable. Management is collectively operating the charted vessels, for which reason contract perfomance can usually be achieved by substitution. The unavoidable loss is assessed in consideration of this possibility. The provision is measured at the lower of the net cost of contract performance and damages payable on termination of the contract. Provisions for onerous contracts are recognised in the income statement in the item "Voyages expenses".

Liabilities

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Accounting policies used

The key figures

The key figures have been laid out in accordance with the publication "Anbefalinger & Nøgletal 2015" ("Recommendations & Key Figures 2015") published by the CFA Society Denmark.

The key figures in the survey appear as follows:

Gross margin	$\frac{\text{Gross results} \times 100}{\text{Net turnover}}$
Profit margin (EBIT margin)	$\frac{\text{Results from primary activities (EBIT)} \times 100}{\text{Net turnover}}$
Acid test ratio	$\frac{\text{Current assets} \times 100}{\text{Short-term liabilities}}$
Equity share	$\frac{\text{Equity, closing balance} \times 100}{\text{Assets in total, closing balance}}$
Return on equity	$\frac{\text{Results for the year} \times 100}{\text{Average equity}}$

Profit and loss account 1 January - 31 December

All amounts in USD.

Note		2015	2014
	Net turnover	106.885.737	150.311.812
	Voyage costs	-101.712.499	-147.321.771
	Other external costs	-1.562.072	-1.873.139
	Gross results	**3.611.166**	**1.116.902**
1	Staff costs	-1.696.455	-1.975.031
	Depreciation and writedowns relating to tangible fixed assets	-34.058	-30.573
	Results before net financials	**1.880.653**	**-888.702**
	Other financial income	65	0
2	Other financial costs	-211.600	-3.950.809
	Results before tax	**1.669.118**	**-4.839.511**
3	Tax on ordinary result	-301.309	-365.610
	Results for the year	**1.367.809**	**-5.205.121**
	Proposed distribution of the results:		
	Allocated to retained earnings	1.367.809	0
	Allocated from retained earnings	0	-5.205.121
	Distribution in total	**1.367.809**	**-5.205.121**

Balance sheet 31 December

All amounts in USD.

Note	Assets	2015	2014
	Fixed assets		
4	Other plants, operating assets, and fixtures and furniture	62.018	96.076
	Tangible fixed assets in total	62.018	96.076
5	Other receivables	104.725	113.405
	Financial fixed assets in total	104.725	113.405
	Fixed assets in total	**166.743**	**209.481**
	Current assets		
	Bunker oil stock	2.623.727	4.469.679
	Trade receivables	4.767.853	7.271.683
	Amounts owed by group enterprises	303.162	369.670
	Receivable corporate tax	34.331	0
	Other receivables	12.808	178.014
	Accrued income and prepaid expenses	1.662.748	2.010.115
	Receivables in total	6.780.902	9.829.482
	Cash funds	3.708.456	3.235.796
	Current assets in total	**13.113.085**	**17.534.957**
	Assets in total	**13.279.828**	**17.744.438**

Balance sheet 31 December

All amounts in USD.

Equity and liabilities

Note		2015	2014
	Equity		
6	Share capital	4.089.337	89.337
	Retained earnings	-1.321.043	-3.990.755
	Equity in total	**2.768.294**	**-3.901.418**
	Liabilities		
	Trade payables	3.635.943	9.800.108
	Voyages in progress	1.363.697	1.532.518
	Debt to group enterprises	3.076.142	8.808.784
	Corporate tax	0	41.057
	Other debts	2.435.752	1.463.389
	Short-term liabilities in total	10.511.534	21.645.856
	Liabilities in total	**10.511.534**	**21.645.856**
	Equity and liabilities in total	**13.279.828**	**17.744.438**

7 **Contingencies**

8 **Related parties**

Statement of changes in equity

All amounts in USD.

	Share capital	Retained earnings	In total
Equity 1 January 2015	89.337	2.431.281	2.520.618
Profit or loss for the year brought forward	0	-5.205.121	-5.205.121
Fair value adjustment of hedging instruments, beginning of the year	0	84.988	84.988
Fair value adjustment of hedging instruments, end of year	0	-1.301.903	-1.301.903
Equity 1 January 2015	89.337	-3.990.755	-3.901.418
Cash capital increase	4.000.000	0	4.000.000
Profit or loss for the year brought forward	0	1.367.809	1.367.809
Fair value adjustment of hedging instruments, beginning of the year	0	1.301.903	1.301.903
	4.089.337	-1.321.043	2.768.294

Notes

All amounts in USD.

		2015	2014
1.	**Staff costs**		
	Salaries and wages	1.667.202	1.957.134
	Other costs for social security	29.253	17.897
		1.696.455	**1.975.031**
	Executive board	510.655	928.896
	Average number of employees	12	15
2.	**Other financial costs**		
	Financial costs, group enterprises	201.301	195.856
	Other financial costs	10.299	3.754.953
		211.600	**3.950.809**
3.	**Tax on ordinary result**		
	Tax of the results for the year, parent company	287.259	337.610
	Adjustment of tax for previous years	14.050	28.000
		301.309	**365.610**
4.	**Other plants, operating assets, and fixtures and furniture**		
	Cost 1 January 2015	270.997	237.267
	Additions during the year	0	33.730
	Cost 31 December 2015	**270.997**	**270.997**
	Depreciation and writedown 1 January 2015	-174.921	-144.348
	Depreciation for the year	-34.058	-30.573
	Depreciation and writedown 31 December 2015	**-208.979**	**-174.921**
	Book value 31 December 2015	**62.018**	**96.076**

Notes

All amounts in USD.

		31/12 2015	31/12 2014
5.	**Other receivables**		
	Cost 1 January 2015	113.405	111.474
	Additions during the year	1.900	1.931
	Disposals during the year	-10.580	0
	Cost 31 December 2015	**104.725**	**113.405**
	Book value 31 December 2015	**104.725**	**113.405**

6. **Share capital**

The share capital consists of 27,186,800 shares of a nominal value of DKK 1. No shares carry any special rights. There have been no changes in share capital before 2015.

7. **Contingencies**

Contractual obligations

Contractual obligations relating to agreements for chartering of vessels on a fixed-price time charter that expire in the coming financial year amount to 32,094,500 (2014:26.971.900)USD.

Joint taxation

Nordic Bulk Holding ApS, company reg. no 32081169 being the administration company, the company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

8. **Related parties**

Controlling interest

Pangaea Logistics Solutions Ltd., Bermuda
Bulk Partners (Bermuda) Ltd. (2008)
Bulk Partners Holding Company Bermuda Ltd., Bermuda
N.B.V. Nordic Bulk Ventures (Cyprus) Ltd., Cypern/Cyprus