

**EAGLE BULK SHIPCO LLC  
AND SUBSIDIARIES**

**Fleet List**

**Responsibility Statement**

**Condensed Consolidated Financial Statements as of and for the Three and Nine  
Months Ended  
September 30, 2019 and 2018  
(Unaudited)**

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## Our Fleet

The 23 vessels in our owned fleet as of September 30, 2019 are fitted with cargo cranes and cargo grabs that enable our vessels to load and unload cargo in ports that do not have shore-side cargo handling infrastructure in place. Our owned vessels are flagged in the Marshall Islands and are employed on time and voyage charters. Our owned fleet as of September 30, 2019 included the following vessels:

Vessel	Class	Dwt	Year Built
Bittern	Supramax	57,809	2009
Canary	Supramax	57,809	2009
Cardinal	Supramax	55,362	2004
Crane	Supramax	57,809	2010
Crested Eagle	Supramax	55,989	2009
Crowned Eagle	Supramax	55,940	2008
Egret Bulker	Supramax	57,809	2010
Goldeneye	Supramax	52,421	2002
Hawk I	Supramax	50,296	2001
Jaeger	Supramax	52,483	2004
Oriole	Supramax	57,809	2011
Osprey I	Supramax	50,206	2002
Owl	Supramax	57,809	2011
Petrel Bulker	Supramax	57,809	2011
Puffin Bulker	Supramax	57,809	2011
Roadrunner Bulker	Supramax	57,809	2011
Sandpiper Bulker	Supramax	57,809	2011
Shrike	Supramax	53,343	2003
Singapore Eagle	Ultramax	63,386	2017
Skua	Supramax	53,350	2003
Stamford Eagle	Ultramax	61,530	2016
Stellar Eagle	Supramax	55,989	2009
Tern	Supramax	50,209	2003

## Responsibility Statement

We confirm, to the best of our knowledge, that the condensed consolidated financial statements as of and for the three and nine months ended September 30, 2019 and 2018 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit for the Issuer and the Company taken as a whole.

Stamford, CT USA, 23 December 2019

The Management of Eagle Bulk Shipco LLC

/s/ Gary Vogel  
Gary Vogel

President and Chief Executive Officer  
(Principal Executive Officer)

/s/ Frank De Costanzo  
Frank De Costanzo

Vice President, Secretary and Chief Financial Officer  
(Principal Financial and Accounting Officer)

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**EAGLE BULK SHIPCO LLC AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>ASSETS:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 13,594,234	\$ 19,273,740
Accounts receivable	10,667,488	9,145,026
Accounts receivable - related party	—	2,620,894
Prepaid expenses	1,229,484	1,342,765
Inventories	6,562,458	8,411,747
Vessels held for sale	—	8,458,444
Other current assets	1,034,421	421,944
<b>Total current assets</b>	<b>33,088,085</b>	<b>49,674,560</b>
<b>Noncurrent assets:</b>		
Vessels and vessel improvements, at cost, net of accumulated depreciation of \$86,821,147 and \$80,546,985, respectively	307,089,032	330,215,290
Advance for vessel purchase	1,980,000	—
Restricted cash	29,511,425	10,878,968
Deferred drydocking costs, net	8,464,792	6,386,377
Deferred financing costs - Super Senior Revolver Facility	180,487	285,342
Other Assets	20,808,306	8,545,916
<b>Total noncurrent assets</b>	<b>368,034,042</b>	<b>356,311,893</b>
<b>Total assets</b>	<b>\$ 401,122,127</b>	<b>\$ 405,986,453</b>
<b>LIABILITIES &amp; STOCKHOLDER'S EQUITY:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 5,907,009	\$ 6,521,222
Accrued interest	5,537,583	1,489,917
Other accrued liabilities	6,191,022	3,687,075
Fair value of derivatives	215,400	—
Unearned charter hire revenue	2,330,356	1,871,261
Current portion of Norwegian Bond Debt	8,000,000	8,000,000
<b>Total current liabilities</b>	<b>28,181,370</b>	<b>21,569,475</b>
<b>Noncurrent liabilities:</b>		
Norwegian Bond Debt, net of debt discount and debt issuance costs	179,509,565	182,469,155
<b>Total noncurrent liabilities</b>	<b>179,509,565</b>	<b>182,469,155</b>
<b>Total liabilities</b>	<b>207,690,935</b>	<b>204,038,630</b>
<b>Stockholder's equity:</b>		
Common shares, zero par value, 100 shares authorized and issued	—	—
Paid-in Capital	360,092,997	365,592,997
Accumulated Deficit	(166,661,805)	(163,645,174)
<b>Total Stockholder's equity</b>	<b>193,431,192</b>	<b>201,947,823</b>
<b>Total liabilities and Stockholder's equity</b>	<b>\$ 401,122,127</b>	<b>\$ 405,986,453</b>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

**EAGLE BULK SHIPCO LLC AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)**  
**(Unaudited)**

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenues, net	\$ 29,015,715	\$ 36,215,143	\$ 84,100,897	\$ 107,359,303
Voyage expenses	5,878,777	7,067,526	21,958,660	22,701,040
Vessel expenses	9,636,464	11,594,245	31,121,041	36,344,034
Depreciation and amortization	5,206,160	5,227,302	15,058,408	15,682,926
General and administrative expenses	3,923,929	4,003,156	11,327,705	11,555,878
Gain on sale of vessels	(669,395)	(235,695)	(5,742,744)	(235,695)
Total operating expenses	23,975,935	27,656,534	73,723,070	86,048,183
Operating income	5,039,780	8,558,609	10,377,827	21,311,120
Interest expense	4,479,708	4,569,562	13,390,346	13,467,052
Interest income	(195,701)	(24,205)	(658,218)	(47,084)
Other expense, net	1,344,957	6,897	662,330	49,768
Total other expenses, net	5,628,964	4,552,254	13,394,458	13,469,736
Net (Loss)/income and Comprehensive (loss)/income	\$ (589,184)	\$ 4,006,355	\$ (3,016,631)	\$ 7,841,384

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

**EAGLE BULK SHIPCO LLC AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
(Unaudited)**

	Common shares amount	Paid-in Capital	Accumulated Deficit	Total Stockholder's Equity
Balance at December 31, 2018	—	\$ 365,592,997	\$ (163,645,174)	\$ 201,947,823
Net income	—	—	1,020,997	1,020,997
<b>Balance at March 31, 2019</b>	—	\$ 365,592,997	\$ (162,624,177)	\$ 202,968,820
Net loss	—	—	(3,448,444)	(3,448,444)
Capital distribution to the Parent Company	—	(5,500,000)	—	(5,500,000)
<b>Balance at June 30, 2019</b>	—	\$ 360,092,997	\$ (166,072,621)	\$ 194,020,376
Net loss	—	—	(589,184)	(589,184)
<b>Balance at September 30, 2019</b>	—	\$ 360,092,997	\$ (166,661,805)	\$ 193,431,192

	Common shares amount	Paid-in Capital	Accumulated Deficit	Total Stockholder's Equity
<b>Balance at December 31, 2017</b>	—	\$ 365,592,997	\$ (174,094,047)	\$ 191,498,950
Cumulative effect of accounting change *	—	—	(556,014)	(556,014)
Net income	—	—	3,495,394	3,495,394
<b>Balance at March 31, 2018</b>	—	\$ 365,592,997	\$ (171,154,667)	\$ 194,438,330
Net income	—	—	339,635	339,635
<b>Balance at June 30, 2018</b>	—	\$ 365,592,997	\$ (170,815,032)	\$ 194,777,965
Net income	—	—	4,006,355	4,006,355
<b>Balance at September 30, 2018</b>	—	\$ 365,592,997	\$ (166,808,677)	\$ 198,784,320

\*The opening accumulated deficit has been adjusted on January 1, 2018 in connection with the adoption of Accounting Standards Update 2014-09.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements



**EAGLE BULK SHIPCO LLC AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	For the Nine Months Ended	
	September 30, 2019	September 30, 2018
<b>Cash flows from operating activities:</b>		
Net (loss)/income	\$ (3,016,631)	\$ 7,841,384
Adjustments to reconcile net (loss)/income to net cash provided by operating activities:		
Depreciation	12,205,109	12,871,150
Amortization of deferred drydocking costs	2,860,650	2,811,776
Amortization of debt discount and debt issuance costs	1,166,347	955,552
Net unrealized (gain)/loss on fair value of derivatives	—	202,500
Drydocking expenditures	(5,305,774)	(3,057,441)
Gain on sale of vessels	(5,742,744)	(235,695)
Changes in operating assets and liabilities:		
Accounts receivable and accounts receivable - related party	2,318,087	1,366,290
Prepaid expenses	113,281	(291,795)
Inventories	1,849,289	(668,501)
Accounts payable	2,147,805	404,822
Accrued interest	4,047,666	4,170,167
Other current assets	(612,477)	(479,565)
Accrued expenses	(277,894)	(1,196,845)
Fair value of derivatives	215,400	—
Unearned revenue	459,095	490,674
<b>Net cash provided by operating activities</b>	<b>12,427,209</b>	<b>25,184,473</b>
<b>Cash flows from investing activities:</b>		
Vessel purchases and improvements	(79,334)	(126,482)
Cash paid for scrubbers and ballast water treatment systems	(19,487,376)	(1,548,809)
Proceeds from hull and machinery claims	288,610	—
Proceeds from sale of vessels	29,324,924	10,826,189
<b>Net cash provided by investing activities</b>	<b>10,046,824</b>	<b>9,150,898</b>
<b>Cash flows from financing activities:</b>		
Repayment of Norwegian Bond Debt	(4,000,000)	—
Capital distribution to the Parent Company	(5,500,000)	—
Other financing costs	(21,082)	(1,095,748)
<b>Net cash used in financing activities</b>	<b>(9,521,082)</b>	<b>(1,095,748)</b>
Net increase in cash and cash equivalents and restricted cash	12,952,951	33,239,623
Cash and cash equivalents and restricted cash at beginning of period	30,152,708	7,744,005
<b>Cash and cash equivalents and restricted cash at end of period</b>	<b>\$ 43,105,659</b>	<b>\$ 40,983,628</b>
<b>Supplemental cash flow information:</b>		
Cash paid during the period for interest	\$ 8,146,334	8,341,334
Non-cash accruals for Scrubbers and ballast water systems included in Accounts payable and other accrued liabilities	\$ 2,934,559	\$ —

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**EAGLE BULK SHIPCO LLC AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. General Information:**

The accompanying condensed consolidated financial statements include the accounts of Eagle Bulk Shipco LLC ("Shipco" or "Issuer"), a limited liability company organized under the laws of Marshall Islands on September 20, 2016, and its wholly owned vessel owning subsidiaries (collectively, the "Company"). The Company is engaged in the ocean transportation of drybulk cargoes worldwide through the ownership, charter and operation of drybulk vessels. The Company's fleet is comprised of Supramax and Ultramax bulk carriers, which are considered to be Handymax class of vessels and the Company operates its business in one business segment. The operations of the vessels are managed by Eagle Bulk Management LLC, a wholly owned subsidiary of Eagle Bulk Shipping Inc. (the "Parent Company"). Shipco is a wholly owned subsidiary of the Parent Company.

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

As of September 30, 2019, the Company owned and operated a modern fleet of 23 oceangoing vessels, 21 Supramax and 2 Ultramax, with a combined carrying capacity of 1,288,594 dwt and an average age of approximately 11.3 years.

There are no charterers for the Company that individually accounted for more than 10% of the Company's revenue for the three and nine months ended September 30, 2019 and 2018.

Share capital as of September 30, 2019 consists of 100 authorized and issued shares with no par value. The shares were issued to the Parent Company as its sole member.

*Significant Accounting Policies*

As of January 1, 2019, we adopted ASU No. 2016-02, "Leases," as amended ("ASC 842" or the "new lease standard"). ASC 842 increases transparency and comparability among organizations by requiring a lessee to record right-of-use assets and related lease liabilities on its balance sheet when it commences an operating lease. The Company adopted ASC 842 using the modified retrospective transition method of adoption. Under this method, the cumulative effect of applying the new lease standard is recorded with no restatement of any comparative prior periods presented. The new lease standard will continue to classify leases as either financing or operating, with classification affecting the pattern of expense recognition. The accounting applied by a lessor under the new guidance will be substantially equivalent to current lease accounting guidance.

The following are the type of contracts that fall under ASC 842:

*Time charter out contracts*

Our shipping revenues are principally generated from time charters and voyage charters. In a time charter contract, the vessel is hired by the charterer for a specified period of time in exchange for consideration which is based on a daily hire rate. The charterer has the full discretion over the ports visited, shipping routes and vessel speed. The contract/charter party generally provides typical warranties regarding the speed and performance of the vessel. The charter party generally has some owner protective restrictions such that the vessel is sent only to safe ports by the charterer, subject always to compliance with applicable sanction laws, and carry only lawful or non-hazardous cargo. In a time charter contract, the Company is responsible for all the costs incurred for running the vessel such as crew costs, vessel insurance, repairs and maintenance and lubes. The charterer bears the voyage related costs such as bunker expenses, port charges and canal tolls during the hire period. The performance obligations in a time charter contract are satisfied over the term of the contract beginning when the vessel is delivered to the charterer until it is redelivered back to the Company. The charterer generally pays the charter hire in advance of the upcoming contract period. The Company determined that all time charter contracts are considered operating leases and therefore fall under the scope of ASC 842 because: (i) the vessel is an identifiable asset; (ii) the Company does not have substantive substitution rights; and (iii) the charterer has the right to control the use of the vessel during the term of the contract and derives the economic benefits from such use.

The transition guidance associated with ASC 842 allows for certain practical expedients to the lessors. The Company elected not to separate the lease and non-lease components included in the time charter revenue because the pattern of revenue recognition for the lease and non-lease components (included in the daily hire rate) is the same. The daily hire rate represents the

hire rate for a bare boat charter as well as the compensation for expenses incurred running the vessel such as crewing expense, repairs, insurance, maintenance and lubes. Both the lease and non-lease components are earned by passage of time.

The adoption of ASC 842 did not materially impact our accounting for time charter out contracts. The revenue generated from time charter out contracts is recognized on a straight-line basis over the term of the respective time charter agreements, which are recorded as part of revenues, net in our Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2019 and 2018.

#### *Time charter in contracts*

The Company did not have any time charter in contracts as of January 1, 2019 and for the three and nine months ended September 30, 2019 which would have resulted in recognition of right-of-use assets and the corresponding liabilities on the Condensed Consolidated Balance sheet for time charter in contracts greater than 12 months on the date of adoption of ASC 842. The Company elected the practical expedient of ASC 842 that allows for time charter in contracts with an initial lease term of less than 12 months to be excluded from the operating lease right-of-use assets and lease liabilities recognized on our Condensed Consolidated Balance Sheet as of January 1, 2019. The Company did not have any time charter in contracts less than 12 months on the date of adoption and for the three and nine months ended September 30, 2019.

Under ASC 842, leases are classified as either finance or operating arrangements, with such classification affecting the pattern and classification of expense recognition in an entity's income statement. For operating leases, ASC 842 requires recognition in an entity's income statement of a single lease expense, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis. Right-of-use assets represent a right to use an underlying asset for the lease term and the related lease liability represents an obligation to make lease payments pursuant to the contractual terms of the lease agreement.

In connection with its adoption of ASC 842, the Company elected the "package of 3" practical expedients permitted under the transition guidance, which exempts the Company from reassessing:

- whether any expired or existing contracts are or contain leases.
- any expired or existing lease classifications
- initial direct costs for any existing lease.

Additionally, the Company elected, consistent with the practical expedient allowed under the transition guidance of ASC 842 to not separate the lease and non-lease components related to a lease contract and to account for them instead as a single lease component for the purposes of the recognition and measurement requirements of ASC 842.

#### *Revenue recognition*

##### *Voyage charters*

In a voyage charter contract, the charterer hires the vessel to transport a specific agreed-upon cargo for a single voyage, which may contain multiple load ports and discharge ports. 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 charter party generally has a minimum amount of cargo. The charterer is liable for any short loading of cargo or "dead" freight. The voyage contract generally has standard payment terms of 95% freight paid within three days after completion of loading. The voyage charter party generally has a "demurrage" or "despatch" clause. As per this clause, the charterer reimburses the Company for any delays that exceed the agreed to laytime at the ports visited, with the amounts recorded as demurrage revenue. Conversely, the charterer is given credit if the loading/discharging activities happen within the allowed laytime which is known as despatch and results in a reduction of revenue. In a voyage charter contract, the performance obligations begin to be satisfied once the vessel begins loading the cargo. The Company determined that its voyage charter contracts consist of a single performance obligation of transporting the cargo within a specified time 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 the loading of cargo to completion of discharge.

The voyage contracts are considered service contracts which fall under the provisions of ASC 606 because the Company, as the shipowner, retains control over the operations of the vessel such as directing the routes taken or the vessel speed. The voyage

contracts generally have variable consideration in the form of demurrage or despatch. The amount of revenue earned as demurrage or despatch paid by the Company for the three and nine months ended September 30, 2019 and 2018 is not material.

The following table shows the revenues earned from time charters and voyage charters for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Time charters	\$ 18,366,722	\$ 20,624,251	\$ 45,913,441	\$ 55,578,748
Voyage charters	10,648,993	15,590,892	38,187,456	51,780,555
	<b>\$ 29,015,715</b>	<b>\$ 36,215,143</b>	<b>\$ 84,100,897</b>	<b>\$ 107,359,303</b>

### *Contract costs*

In a voyage charter contract, the Company bears all voyage related costs such as fuel costs, port charges and canal tolls. These costs are considered contract fulfillment costs because the costs are direct costs related to the performance of the contract and are expected to be recovered. The costs incurred during the period prior to commencement of loading the cargo, primarily bunkers, are deferred as they represent setup costs and recorded as a current asset and are amortized on a straight-line basis as the related performance obligations are satisfied. As of September 30, 2019, the Company recognized \$0.1 million of deferred costs which represents bunker expenses and charter-hire expenses incurred prior to commencement of loading. These costs, are recorded in Other current assets on the Condensed Consolidated Balance Sheet.

There have been no material changes from the “Critical Accounting Policies” previously disclosed in our Annual Report for the year ended December 31, 2018, filed with the SEC on March 13, 2019 except for the new accounting pronouncements adopted as of January 1, 2019.

### **Note 2. Vessels and vessel improvements**

As of September 30, 2019, the Company’s operating fleet consisted of 23 drybulk vessels.

On July 18, 2019, the Company signed a memorandum of agreement to sell the vessel Kestrel I for \$7.0 million, after broker commissions and associated selling expenses. The vessel was delivered to the buyer in the third quarter of 2019. The Company recorded a gain of approximately \$1.0 million in its Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2019.

On May 2, 2019, the Company signed a memorandum of agreement to sell the vessel Thrasher for \$9.8 million, after broker commissions and associated selling expenses. The vessel was delivered to the buyer in the second quarter of 2019. The Company recorded a gain of approximately \$1.0 million in its condensed consolidated statements of operations for the nine months ended September 30, 2019.

On January 4, 2019, the Company signed a memorandum of agreement to sell the vessel Merlin, a 2001 built Supramax, for \$6.1 million after brokerage commissions and associated selling expenses. The vessel was delivered to the buyer in the first quarter of 2019. The Company recorded a gain of \$1.9 million in its condensed consolidated statements of operations for the nine months ended September 30, 2019.

On December 13, 2018, the Company signed a memorandum of agreement to sell the vessel Condor, a 2001 built Supramax, for \$12.8 million after brokerage commissions and associated selling expenses. The vessel was delivered to the buyer in the first quarter of 2019. The Company recorded a gain of \$2.2 million in its condensed consolidated statement of operations for the nine months ended September 30, 2019.

Additionally, the Company recorded \$0.3 million in transaction fees paid to Eagle Bulk Management LLC, a wholly owned subsidiary of the Parent Company in relation to the above vessel sales transaction which represented 1% of the sales price.

During 2018, the Company entered into a series of agreements to purchase 16 exhaust gas cleaning systems which are to be retrofitted on 16 of the 23 Norwegian Bond security vessels (the "Shipco Vessels"). The projected cost, including the installation, is approximately \$2.2 million per Shipco Vessel. The retrofitted Shipco Vessels will be able to burn high sulfur fuel after the implementation of the sulfur emission cap regulation set forth by the International Maritime Organization ("IMO") which will become effective on January 1, 2020. The Company has recorded \$2.2 million in Vessels and Vessel Improvements for the one vessel that completed scrubber installation, and recorded \$19.5 million in Other assets in the condensed consolidated balance sheet as of September 30, 2019.

During 2018, the Company entered into a contract for the installation of ballast water treatment systems ("BWTS") on our owned vessels. The projected costs, including installation, is approximately \$0.5 million per BWTS. The Company intends to complete the installation during scheduled drydockings. The Company has recorded \$1.6 million in Vessels and Vessel Improvements for the four vessels that completed BWTS installations, and recorded \$1.3 million in Other assets in the condensed consolidated balance sheet as of September 30, 2019.

The Vessel and vessel improvements roll forward as of September 30, 2019 consisted of the following:

Vessels and vessel improvements, at December 31, 2018	\$ 330,215,290
Purchase of Vessels and Vessel Improvements	79,334
Scrubbers and BWTS	3,756,544
Sale of vessels	(14,757,027)
Vessel depreciation expense	(12,205,109)
Vessels and vessel improvements, at September 30, 2019	<u>\$ 307,089,032</u>

### Note 3. Debt

Long-term debt consists of the following:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Norwegian Bond Debt	\$ 192,000,000	\$ 196,000,000
Debt discount and debt issuance costs - Norwegian Bond Debt	(4,490,435)	(5,530,845)
Norwegian Bond Debt, net of debt discount and debt issuance costs	187,509,565	190,469,155
Less: Current Portion - Norwegian Bond Debt	(8,000,000)	(8,000,000)
Total long-term debt	<u>\$ 179,509,565</u>	<u>\$ 182,469,155</u>

#### *Norwegian Bond Debt*

On November 28, 2017, Shipco issued \$200.0 million in aggregate principal amount of 8.25% Senior Secured Bonds (the "Bonds" or the "Norwegian Bond Debt"), pursuant to those certain bond terms (the "Bond Terms"), dated as of November 22, 2017, by and between the Issuer and Nordic Trustee AS, as the Bond Trustee. After giving effect to an original issue discount of approximately 1% and deducting offering expenses of \$3.1 million, the net proceeds from the issuance of the Bonds were approximately \$195.0 million. These net proceeds from the Bonds were used to repay amounts outstanding including accrued interest under various debt facilities of a wholly-owned subsidiary of the Parent Company and to pay expenses associated with the refinancing transactions. Shipco incurred \$1.3 million in other financing costs in connection with the transaction.

The Norwegian Bond Debt is guaranteed by the limited liability companies that are subsidiaries of the Issuer and the legal and beneficial owners of 23 security vessels (the "Shipco Vessels") in the Company's fleet, and was secured by mortgages over such security vessels, a pledge granted by the Company over all of the shares of the Issuer, a pledge granted by the Issuer over all the shares in the Vessel Owners, certain charter contract assignments, certain assignments of earnings, a pledge over certain accounts, an assignment of insurances covering security vessels, and assignments of intra-group debt between the Parent Company and the Issuer or its subsidiaries.

Pursuant to the Bond Terms, interest on the Norwegian Bonds will accrue at a rate of 8.250% per annum on the nominal amount of each of the Norwegian Bonds from November 28, 2017, payable semi-annually on May 29 and November 29 of each

year (each, an “Interest Payment Date”), commencing May 29, 2018. The Bonds will mature on November 28, 2022. On each Interest Payment Date from and including November 29, 2018, the Issuer must repay an amount of \$4.0 million, plus accrued interest thereon. Any outstanding Norwegian Bonds must be repaid in full on the Maturity Date at a price equal to 100% of the nominal amount, plus accrued interest thereon.

The Issuer may redeem some or all of the outstanding Norwegian Bonds at any time on or after the Interest Payment Date in May 2020 (the “First Call Date”), at the following redemption prices (expressed as a percentage of the nominal amount), plus accrued interest on the redeemed amount, on any business day from and including:

Period	Redemption Price
First Call Date to, but not including, the Interest Payment Date in November 2020	104.125%
Interest Payment Date in November 2020 to but not including, the Interest Payment Date in May 2021	103.3%
Interest Payment Date in May 2021 to, but not including, the Interest Payment Date in November 2021	102.475%
Interest Payment Date in November 2021 to, but not including, the Interest Payment Date in May 2022	101.65%
Interest Payment Date in May 2022 to, but not including, the Maturity Date	100%

Prior to the First Call Date, the Issuer may redeem some or all of the outstanding Bonds at a price equal to 100% of the nominal amount of the Bonds plus a “make-whole” premium and accrued and unpaid interest to the redemption date.

If the Company experiences a change of control, each holder of the Bonds will have the right to require that the Issuer purchase all or some of the Bonds held by such holder at a price equal to 101% of the nominal amount, plus accrued interest.

The Bond Terms contain certain financial covenants that the Issuer’s leverage ratio, defined as the ratio of outstanding bond amount and any drawn amounts under the Super Senior Facility less consolidated cash balance to the aggregate book value of the Shipco Vessels, must not exceed 75.0% and its subsidiaries’ free liquidity including the availability under the Super Senior Facility must at all times be at least \$12.5 million. Shipco is in compliance with its financial covenants as of September 30, 2019.

During the nine months ended September 30, 2019, the Company sold four vessels, Kestrel, Thrasher, Condor and Merlin, for combined net proceeds of \$29.3 million. Additionally, the Company sold one vessel, Thrush, in 2018 for net proceeds of \$10.8 million. Pursuant to the Bond Terms governing the Norwegian Bond Debt, the proceeds from the sale of vessels are to be held in a restricted account to be used for the financing of the acquisition of additional vessels by Shipco. As a result, the Company recorded the proceeds from the sale of these vessels as restricted cash in the Condensed Consolidated Balance Sheet.

On November 6, 2018, the Company received approval for an amendment to the Bond Terms to allow for the proceeds from the sale of the Shipco Vessels for partial financing of Scrubbers. As of September 30, 2019, the Company used \$11.0 million of proceeds received from the sales of Shipco Vessels for financing of Scrubbers.

The Bond Terms also contain certain events of default customary for transactions of this type, including, but not limited to, those relating to: a failure to pay principal or interest; a breach of covenants, representation or warranty; a cross default to other indebtedness; the occurrence of certain bankruptcy and insolvency events; and the impossibility or unlawfulness of performance of the finance documents.

The Bond Terms also contain certain events of default customary for transactions of this type, including, but not limited to, those relating to: a failure to pay principal or interest; a breach of covenants, representation or warranty; a cross default to other indebtedness; the occurrence of certain bankruptcy and insolvency events; and the impossibility or unlawfulness of performance of the finance documents.

The Bond terms also contain certain exceptions and qualifications, among other things, limit the Company’s and the Issuer’s ability and the ability of the Issuer’s subsidiaries to do the following: make distributions; carry out any merger, other business combination, demerger or corporate reorganization; make substantial changes to the general nature of their respective businesses; incur certain indebtedness; incur liens; make loans or guarantees; make certain investments; transact with affiliates; enter into sale and leaseback transactions; engage in certain chartering-in of vessels; dispose of shares of Vessel Owners; or acquire the Bonds.

The Bonds were listed for trading on the Oslo Stock Exchange on May 15, 2018.

### *Super Senior Facility*

On December 8, 2017, Shipco entered into the Super Senior Facility, which provides for a revolving credit facility in an aggregate amount of up to \$15.0 million. The proceeds of the Super Senior Facility, which are currently undrawn, are expected, pursuant to the terms of the Super Senior Facility, to be used (i) to acquire additional vessels or vessel owners and (ii) for general corporate and working capital purposes of Shipco and its subsidiaries. The Super Senior Facility matures on August 28, 2022. Shipco incurred \$0.2 million as other financing costs in connection with the transaction which was recorded as deferred financing costs on the Condensed Consolidated Balance Sheet at September 30, 2019.

As of September 30, 2019, the availability under the Super Senior Facility was \$15.0 million.

The outstanding borrowings under the Super Senior Facility will bear interest at LIBOR plus 2.00% per annum and commitment fees of 40% of the applicable margin on the undrawn portion of the facility. For each loan that is requested under the Super Senior Facility, Shipco must repay such loan along with accrued interest on the last day of each interest period relating to the loan. Interest periods are for three months, six months or any other period agreed between Shipco and the Super Senior Facility Agent. Additionally, subject to the other terms of the Super Senior Facility, amounts repaid on the last day of each interest period may be re-borrowed.

Shipco's obligations under the Super Senior Facility are guaranteed by the limited liability companies that are subsidiaries of Shipco and the legal and beneficial owners of 23 vessels in the Company's fleet (the "Eagle Shipco Vessel Owners"), and will be secured by mortgages over such vessels, a pledge granted by the Company over all of the shares of Shipco, a pledge granted by Shipco over all the shares in the Eagle Shipco Vessel Owners, certain charter contract assignments, certain assignments of earnings, a pledge over certain accounts, an assignment of insurances covering security vessels, and assignments of intra-group debt between the Company and Shipco or its subsidiaries. The Super Senior Facility ranks super senior to the Bonds with respect to any proceeds from any enforcement action relating to security or guarantees for both the Super Senior Facility and the Bonds.

The Super Senior Facility contains certain covenants that, subject to certain exceptions and qualifications, among other things, limit Shipco's and its subsidiaries' ability to do the following: make distributions; carry out any merger, other business combination, or corporate reorganization; make substantial changes to the general nature of their respective businesses; incur certain indebtedness; incur liens; make loans or guarantees; make certain investments; transact other than on arm's-length terms; enter into sale and leaseback transactions; engage in certain chartering-in of vessels; or dispose of shares of Eagle Shipco Vessel Owners. Additionally, Shipco's leverage ratio must not exceed 75% and its and its subsidiaries' free liquidity must at all times be at least \$12.5 million. Also, the total commitments under the Super Senior Facility will be cancelled if (i) at any time the aggregate market value of the security vessels for the Super Senior Facility is less than 300% of the total commitments under the Super Senior Facility or (ii) if Shipco or any of its subsidiaries redeems or otherwise repays the Bonds so that less than \$100.0 million is outstanding under the Bond Terms. The Company is in compliance with its financial covenants as of September 30, 2019.

The Super Senior Facility also contains certain events of default customary for transactions of this type, including, but not limited to, those relating to: a failure to pay principal or interest; a breach of covenants, representation or warranty; a cross default to other indebtedness; the occurrence of certain bankruptcy and insolvency events; the cessation of business; the impossibility or unlawfulness of performance of the finance documents for the Super Senior Facility; and the occurrence of a material adverse effect.

### *Interest rates*

For the three and nine months ended September 30, 2019, interest rates on our outstanding debt under the Norwegian Bond Debt was 8.25%. The weighted average effective interest rate including the amortization of debt discount and debt issuance costs for the three and nine months ended September 30, 2019 was 9.07% and 8.97%, respectively. Additionally, we paid commitment fees of 40% of the margin on the undrawn portion of the Super Senior Revolver Facility.

For the three and nine months ended September 30, 2018, the interest rate on the Norwegian Bond Debt was 8.25%. The weighted average effective interest rate including the amortization of debt discount and debt issuance costs for these periods was 8.80%.

Interest expense consisted of:

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Norwegian Bond Debt interest and commitment fees under Super Senior Facility	\$ 4,107,667	\$ 4,248,200	\$ 12,224,000	\$ 12,511,500
Amortization of deferred financing costs	372,041	321,362	1,166,346	955,552
<b>Total Interest Expense</b>	<b>\$ 4,479,708</b>	<b>\$ 4,569,562</b>	<b>\$ 13,390,346</b>	<b>\$ 13,467,052</b>

#### Note 4. Related Party transactions

On December 8, 2017, Shipco entered into a commercial and technical management agreement with Eagle Bulk Management LLC, a wholly-owned subsidiary of the Parent Company, for performance of technical and commercial services to 28 vessels owned by Shipco at a fee of \$150,000 per vessel per annum for commercial management services and \$135,000 per vessel per annum for technical management services. In addition, Shipco is required to pay 1% of the purchase or sale price of every new vessel purchased or sold. Shipco also entered into an overhead sharing agreement which provides for an additional fee allocation of cash general and administrative expenses of Eagle Bulk Management LLC, less the technical and commercial management fees already paid, based on relative vessel ownership days of Shipco to the total consolidated vessel ownership days of the Parent Company and all of its subsidiaries. The term of the agreements shall continue thereafter until terminated in writing by one of the parties. The agreement may be terminated with or without cause by any party upon 30 days' prior written notice to other parties.

For the three and nine months ended September 30, 2019, the Company incurred \$1.7 million and \$5.2 million, respectively for technical and commercial management fees to Eagle Bulk Management LLC for the Shipco vessels. Additionally, the Company incurred \$2.1 million and \$5.6 million, respectively as additional fee allocation as per the overhead sharing agreement for the three and nine months ended September 30, 2019. Additionally, the Company incurred \$0.3 million in fees for the sales of the vessels Condor, Merlin, Thrasher, and Kestrel. As of September 30, 2019, the Company owed \$3.6 million out of which \$2.0 million related to the acquisition of an Ultramax vessel, to Eagle Bulk Management LLC which is included in the accounts payable in the condensed consolidated balance sheet. Please refer to Note 8 Subsequent Events to the condensed consolidated financial statements.

For the three and nine months ended September 30, 2018, the Company incurred \$2.0 million and \$5.9 million, respectively for technical and commercial management fees to Eagle Bulk Management LLC for the 28 vessels. Additionally, the Company incurred \$1.7 million and \$4.9 million, respectively as additional fee allocation as per the overhead sharing agreement.

#### Note 5. Derivative Instruments and Fair Value Measurements

##### *Forward freight agreements, bunker swaps and freight derivatives*

The Company trades in forward freight agreements (“FFAs”) and bunker swaps, with the objective of utilizing this market as economic hedging instruments that reduce the risk of specific vessels to changes in the freight market. The Company’s FFAs and bunker swaps have not qualified for hedge accounting treatment. As such, unrealized and realized gains are recognized as a component of other expense in the condensed consolidated statement of operations and other current assets and Fair value of derivatives in the condensed consolidated balance sheets. Derivatives are considered to be Level 2 instruments in the fair value hierarchy.

The effect of non-designated derivative instruments on the condensed consolidated statements of operations:



Derivatives not designated as hedging instruments	Location of (gain)/ loss recognized	For the three months ended		For the nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
FFAs	Other expense	\$ 1,344,957	\$ 6,897	662,330	\$ 49,768
Total		\$ 1,344,957	\$ 6,897	\$ 662,330	\$ 49,768

Derivatives not designated as hedging instruments	Balance Sheet location	September 30, 2019	December 31, 2018
FFAs - Unrealized loss	Fair value of Derivatives	\$ 215,400	\$ —

#### Cash Collateral Disclosures

The Company does not offset fair value amounts recognized for derivatives by the right to reclaim cash collateral or the obligation to return cash collateral. The amount of collateral to be posted is defined in the terms of respective master agreement executed with counterparties or exchanges and is required when agreed upon threshold limits are exceeded. The Company posted \$0.9 million cash collateral related to derivative instruments under its collateral security arrangements as of September 30, 2019.

#### Fair Value Measurements

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

*Cash, cash equivalents and restricted cash*-the carrying amounts reported in the condensed consolidated balance sheets for interest-bearing deposits approximate their fair value due to their short-term nature thereof.

*Debt*-the carrying amounts of borrowings under the Norwegian Bond Debt (prior to application of the discount and debt issuance costs) including the revolving credit agreement approximate their fair value, due to the variable interest rate nature thereof.

The Company defines fair value, establishes a framework for measuring fair value and provides disclosures about fair value measurements. The fair value hierarchy for disclosure of fair value measurements is as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities. Our Level 1 non-derivatives include cash and money-market accounts.

Level 2 - Quoted prices for similar assets and liabilities in active markets or inputs that are observable. Our Level 2 non-derivatives include debt balances under the Norwegian Bond Debt.

Level 3 - Inputs that are unobservable (for example cash flow modeling inputs based on assumptions).

Assets and liabilities measured at fair value:

	Carrying Value	Fair Value	
		Level 1	Level 2
June 30, 2019			
<b>Assets</b>			
Cash and cash equivalents <sup>1</sup>	\$ 43,105,659	\$ 43,105,659	\$ —
<b>Liabilities</b>			
Norwegian Bond Debt *	\$ 187,509,565	\$ —	\$ 192,240,000

	Carrying Value	Fair Value	
		Level 1	Level 2
December 31, 2018			
<b>Assets</b>			
Cash and cash equivalents <sup>1</sup>	\$ 30,152,708	\$ 30,152,708	\$ —
<b>Liabilities</b>			
Norwegian Bond Debt *	\$ 190,469,155	\$ —	\$ 195,040,000

<sup>1</sup> Includes restricted cash of \$29.5 million at September 30, 2019 and \$10.9 million at December 31, 2018.

\* The fair value of the Norwegian Bond Debt is based on the last trades on September 25, 2019 and December 21, 2018 on Bloomberg.com.

## Note 6. Commitments and Contingencies

### *Legal Proceedings*

The Company is involved in legal proceedings and may become involved in other legal matters arising in the ordinary course of its business. The Company evaluates these legal matters on a case-by-case basis to make a determination as to the impact, if any, on its business, liquidity, results of operations, financial condition or cash flows.

Note 7. Issuer only condensed financial statements

EAGLE BULK SHIPCO LLC (ISSUER ONLY)

CONDENSED BALANCE SHEETS  
(Unaudited)

	September 30, 2019	December 31, 2018
<b>ASSETS:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 13,500,595	\$ 19,263,334
Accounts Receivable - Related party	—	2,620,894
Prepaid expenses	26,723	42,509
Other Current Assets	901,470	—
Total current assets	14,428,788	21,926,737
<b>Noncurrent assets:</b>		
Investment in subsidiaries	344,679,738	360,940,259
Restricted cash	29,511,425	10,878,968
Deferred financing costs - Super Senior Revolver Facility	180,487	285,342
Total noncurrent assets	374,371,650	372,104,569
<b>Total assets</b>	<b>\$ 388,800,438</b>	<b>\$ 394,031,306</b>
<b>LIABILITIES &amp; STOCKHOLDER'S EQUITY:</b>		
<b>Current liabilities:</b>		
Accounts Payable	\$ 1,980,000	\$ —
Accrued interest	\$ 5,537,583	\$ 1,489,917
Other accrued liabilities	126,698	124,411
Fair value of derivatives	215,400	—
Current portion of Norwegian Bond Debt	8,000,000	8,000,000
Total current liabilities	15,859,681	9,614,328
<b>Noncurrent liabilities:</b>		
Norwegian Bond Debt, net of debt discount and debt issuance costs	179,509,565	182,469,155
Total noncurrent liabilities	179,509,565	182,469,155
<b>Total liabilities</b>	<b>195,369,246</b>	<b>192,083,483</b>
<b>Stockholder's equity:</b>		
Common shares, zero par value, 100 shares authorized and issued	—	—
Paid-in Capital	360,092,997	365,592,997
Accumulated Deficit	(166,661,805)	(163,645,174)
Total Stockholder's equity	193,431,192	201,947,823
<b>Total liabilities and Stockholder's equity</b>	<b>\$ 388,800,438</b>	<b>\$ 394,031,306</b>

**EAGLE BULK SHIPCO LLC (ISSUER ONLY)**

**CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Interest expense	\$ 4,479,708	\$ 4,569,562	\$ 13,390,346	\$ 13,467,052
Interest income	(195,701)	(24,205)	(658,218)	(47,084)
Other expense, net	1,344,957	6,897	662,330	49,768
Total other expenses, net	5,628,964	4,552,254	13,394,458	13,469,736
Equity in net income of subsidiaries	5,039,780	8,558,609	10,377,827	21,311,120
Net (loss)/income and comprehensive (loss)/ income	\$ (589,184)	\$ 4,006,355	\$ (3,016,631)	\$ 7,841,384

**EAGLE BULK SHIPCO LLC (ISSUER ONLY)**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>For the Nine Months Ended</b>	
	<b>September 30, 2019</b>	<b>September 30, 2018</b>
<b>Net cash provided by operating activities</b>	\$ 6,130,279	\$ 8,584,263
<b>Cash flows from investing activities:</b>		
Dividends received from subsidiaries	16,260,521	15,267,692
<b>Net cash provided by investing activities</b>	<b>16,260,521</b>	<b>15,267,692</b>
<b>Cash flows from financing activities:</b>		
Other financing costs	(21,082)	(1,095,748)
Capital distribution to the Parent Company	(5,500,000)	—
Debt repayment Norwegian Bond Debt	(4,000,000)	—
<b>Net cash used in financing activities</b>	<b>(9,521,082)</b>	<b>(1,095,748)</b>
Net increase in cash and cash equivalents and restricted cash	12,869,718	22,756,207
Cash and cash equivalents and restricted cash at beginning of period	30,142,302	7,391,945
<b>Cash and cash equivalents and restricted cash at end of period</b>	<b>\$ 43,012,020</b>	<b>\$ 30,148,152</b>
<b>Supplemental cash flow information:</b>		
Cash paid during the period for interest	\$ 8,146,334	\$ 8,341,334

**Notes to the Unconsolidated Condensed Financial Statements**

**Basis of Presentation**

In the Issuer-only condensed financial statements, the Eagle Bulk Shipco LLC investment in subsidiaries is accounted for under the equity method of accounting. The paid-in capital represents capital contributions by the Parent Company.

As per the Bond Terms, the Parent Company is allowed dividend distribution up to 75% of the net income of Shipco upon satisfaction certain criteria as defined in the Bond Terms. The Company paid \$5.5 million to the Parent Company as dividend distribution which represents 50% of the net profit earned by the Company for the year ended December 31, 2018.

**Note 8. Subsequent Events**

During the third quarter of 2019, the Company entered into an agreement to purchase one Ultramax vessel. The Company paid a deposit of \$2.0 million for the vessel as of September 30, 2019. The aggregate purchase price for the vessel is \$19.8 million. The Company took delivery of the vessel, Shanghai Eagle in November 2019. The Company utilized \$18.1 million of the proceeds raised from the sale of Shipco vessels held in a restricted account to be used for the financing of the acquisition of additional vessels.

Subsequent events have been evaluated by the Company through December 13, 2019, the date these condensed consolidated financial statements were available to be issued.