

**EAGLE BULK SHIPCO LLC AND  
SUBSIDIARIES**

**Condensed Consolidated Financial Statements as of and for the Three Months  
Ended March 31, 2018 and 2017**

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

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>ASSETS:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 20,504,013	\$ 7,744,005
Accounts receivable	7,375,565	9,869,508
Accounts receivable - related party	—	41,830
Prepaid expenses	1,260,987	516,845
Inventories	7,308,451	7,174,889
Vessel held for sale	10,354,855	—
Other current assets	570,389	126,837
<b>Total current assets</b>	<b>47,374,260</b>	<b>25,473,914</b>
<b>Noncurrent assets:</b>		
Vessels and vessel improvements, at cost, net of accumulated depreciation of \$72,605,690 and \$70,558,905, respectively	351,377,286	366,054,562
Deferred drydocking costs, net	5,944,710	6,765,953
Deferred financing costs - Super Senior Revolver Facility	285,342	190,000
<b>Total noncurrent assets</b>	<b>357,607,338</b>	<b>373,010,515</b>
<b>Total assets</b>	<b>\$ 404,981,598</b>	<b>\$ 398,484,429</b>
<b>LIABILITIES &amp; MEMBER'S EQUITY:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 3,214,150	\$ 3,448,101
Accrued interest	5,690,666	1,566,333
Fair value of derivatives	141,000	73,170
Other accrued liabilities	4,026,223	5,031,517
Unearned charter hire revenue	2,755,060	2,916,029
Current portion of long-term debt - Norwegian Bond Debt	4,000,000	4,000,000
<b>Total current liabilities</b>	<b>19,827,099</b>	<b>17,035,150</b>
<b>Noncurrent liabilities:</b>		
Norwegian Bond Debt, net of debt discount and debt issuance costs	190,160,155	189,950,329
<b>Total noncurrent liabilities</b>	<b>190,160,155</b>	<b>189,950,329</b>
<b>Total liabilities</b>	<b>209,987,254</b>	<b>206,985,479</b>
Commitment and contingencies		
<b>Member's equity:</b>		
Common shares, zero par value, 100 shares authorized and issued	—	—
Paid-in Capital	365,592,997	365,592,997
Accumulated Deficit	(170,598,653)	(174,094,047)
<b>Total Member's equity</b>	<b>194,994,344</b>	<b>191,498,950</b>
<b>Total liabilities and Member's equity</b>	<b>\$ 404,981,598</b>	<b>\$ 398,484,429</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)**

	<b>For the Three Months Ended</b>	
	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Revenues, net	\$ 39,048,858	\$ 27,331,707
Voyage expenses	9,582,168	8,300,883
Vessel expenses	12,444,942	12,294,802
Depreciation and amortization	5,272,040	4,925,145
General and administrative expenses	3,714,622	3,834,092
Total operating expenses	31,013,772	29,354,922
Operating income/(loss)	8,035,086	(2,023,215)
Interest expense	4,464,761	—
Interest income	(7,751)	—
Other expense, net	82,682	—
Total other expenses, net	4,539,692	—
Net income/(loss) and comprehensive income/(loss)	\$ 3,495,394	\$ (2,023,215)

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 MEMBER'S EQUITY**  
(Unaudited)

	<b>Common shares amount</b>	<b>Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total Member's Equity</b>
Balance at December 31, 2017 *	—	\$ 365,592,997	\$ (174,094,047)	\$ 191,498,950
Net income	—	—	3,495,394	3,495,394
Balance at March 31, 2018	—	\$ 365,592,997	\$ (170,598,653)	\$ 194,994,344

\* The opening retained earnings has been adjusted on January 1, 2018 in connection with adoption of Accounting Standards Update 2014-09 ("ASC 606"). Please refer to Note 2 "Recently Adopted Accounting Pronouncements" to the condensed consolidated financial statements.

	<b>Common shares amount</b>	<b>Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total Member's Equity</b>
Balance at December 31, 2016	—	\$ 551,480,183	\$ (173,088,883)	\$ 378,391,300
Net loss	—	—	(2,023,215)	(2,023,215)
Capital contribution of services by the Parent Company	—	3,834,092	—	3,834,092
Cash capital contribution by the Parent Company	—	17,188,334	—	17,188,334
Balance at March 31, 2017	—	\$ 572,502,609	\$ (175,112,098)	\$ 397,390,511

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)**

	<b>For the Three Months Ended</b>	
	<b>March 31, 2018</b>	<b>March 31, 2017</b>
<b>Cash flows from operating activities:</b>		
Net income/(loss)	\$ 3,495,394	\$ (2,023,215)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation	4,378,708	4,243,880
Amortization of deferred drydocking costs	893,332	681,265
Amortization of debt discount and debt issuance costs	310,428	—
Management services contributed by the Parent Company	—	3,834,092
Net unrealized loss on fair value of derivatives	67,830	—
Drydocking expenditures	(72,089)	(27,097)
Changes in operating assets and liabilities:		
Accounts receivable	2,535,773	(6,494,504)
Prepaid expenses	(744,142)	432,008
Inventories	(133,562)	1,752,840
Accounts payable	(233,951)	327,698
Accrued interest	4,124,333	—
Other current assets	(443,552)	—
Other accrued liabilities	(301,432)	(1,295,407)
Unearned revenue	(160,969)	134,985
<b>Net cash provided by operating activities</b>	<b>13,716,101</b>	<b>1,566,545</b>
<b>Cash flows from investing activities:</b>		
Vessel purchases and improvements	(56,287)	(17,188,334)
<b>Net cash used in investing activities</b>	<b>(56,287)</b>	<b>(17,188,334)</b>
<b>Cash flows from financing activities:</b>		
Other financing costs	(899,806)	—
Capital distribution to the Parent Company	—	(1,264,759)
Capital contribution from the Parent Company	—	17,188,334
<b>Net cash (used in)/provided by financing activities</b>	<b>(899,806)</b>	<b>15,923,575</b>
Net increase in cash and cash equivalents and restricted cash	12,760,008	301,786
Cash and cash equivalents and restricted cash at beginning of period	7,744,005	2,065,925
<b>Cash and cash equivalents and restricted cash at end of period</b>	<b>\$ 20,504,013</b>	<b>\$ 2,367,711</b>
<b>Supplemental cash flow information:</b>		
Cash paid during the period for interest	\$ 30,000	—

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 subsidiaries of 28 vessel owning entities, (collectively, the "Company"). The Company is engaged in the ocean transportation of dry bulk cargoes worldwide through the ownership, charter and operation of dry bulk 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").

The accompanying condensed consolidated financial statements are unaudited and include all adjustments (consisting of normal recurring adjustments) that management considers necessary for a fair presentation of its condensed consolidated financial position and results of operations for the interim periods presented.

As of March 31, 2018, the Company owned and operated a modern fleet of 28 oceangoing vessels, 26 Supramax, and two Ultramax, with a combined carrying capacity of 1,544,070 dwt and an average age of approximately 10.1 years.

There are no charterers for the Company that individually accounted for more than 10% of the Company's revenue for the three months ended March 31, 2018 and 2017.

We adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09" or "ASC 606") as of January 1, 2018 utilizing the modified retrospective method of transition. ASC 606 impacted the timing of recognition of revenues from certain ongoing spot voyage charters as well as timing of recognition of certain voyage related expenses. Under ASC 606, revenue is recognized beginning from the commencement of loading until the completion of discharge at the discharge port instead of recognizing revenue from the discharge of the previous voyage provided an agreed non-cancellable charter between the Company and the charterer is in existence, the charter rate is fixed and determinable, and collectability is reasonably assured.

With the adoption of ASC 606, we recognize as an asset any costs incurred prior to commencement of loading because these costs are incurred to fulfill a contract and are directly relate to a contract or an anticipated contract that we can specifically identify. These costs are amortized over the term of the contract on a straight-line basis as the performance obligations are met.

We recorded an adjustment of approximately of \$0.6 million to increase our opening accumulated deficit, increase our unearned revenue and other current assets on our Condensed Consolidated Balance Sheet on January 1, 2018. Please refer to Note 2 "Recently Adopted Accounting Pronouncements" for further information.

We adopted the ASU No. 2016-18, "Statement of Cash Flows - Restricted Cash" ("ASU 2016-18"), which requires that the statement of cash flows explain the change in the total of cash and cash equivalents and restricted cash. ASU 2016-18 was adopted retrospectively for the periods ended March 31, 2018 and 2017. There is no impact of the adoption of the standard on the condensed consolidated statements of cash flows for the each of the periods presented.

Share capital as of March 31, 2018 consists of 100 authorized and issued shares with no par value. The shares were issued to the Parent Company as its sole member.

**Note 2. Recently Adopted Accounting Pronouncements:**

*Revenue Recognition*

Our shipping revenues are principally generated from time charters and voyage charters. In a time charter voyage, 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 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, canal tolls during the hire period. The performance obligations in a time charter contract are satisfied over 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 time charter contracts are considered operating leases and therefore do not fall under the scope of ASC 606 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.

#### *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 responsible for any short loading of cargo or "dead" freight. The voyage contract generally has standard payment terms of 90% 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 potential delays exceeding the allowed laytime as per the charter party clause at the ports visited which is recorded as demurrage revenue. Conversely, the charterer is given credit if the loading/discharging activities happen within the allowed laytime which is despatch resulting in a reduction in 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 (i) the Company as the ship owner retains the 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 months ended March 31, 2018 is not material.

The following table shows the revenues earned from time charters and voyage charters for the three months ended March 31, 2018:

	<b>Three Months Ended March 31, 2018</b>	
Time charters	\$	15,704,170
Voyage charters		23,344,688
	<b>\$</b>	<b>39,048,858</b>

#### *Contract costs*

In a voyage 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

In May 2014, the FASB issued ASU 2014-09, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. Under ASC 606, an entity is required to perform the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations of the

contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfied a performance obligation. Additionally, the guidance requires improved disclosures as to the nature, amount, timing and uncertainty of revenue that is recognized.

We adopted the provisions of ASC 606 on January 1, 2018 using the modified retrospective approach. As such, the comparative information has not been restated and continues to be reported under the accounting standards in effect for periods prior to January 1, 2018. Under the modified retrospective approach, the Company recognized the cumulative effect of adopting this standard as an adjustment amounting to \$0.6 million to increase the opening balance of Accumulated Deficit as of January 1, 2018. The Company recognized \$0.3 million of deferred costs which represents the costs such as bunker expenses incurred prior to commencement of loading are recorded in other current assets and \$0.9 million of unearned charter hire revenue which represents the Company's obligation to satisfy performance obligations under the contract for which the Company has received consideration from the customer.

The adoption of the ASC 606 impacted the timing of recognition of revenue for certain ongoing spot voyage charter contracts, related voyage expenses and charter hire expenses. Under ASU 2014-09, revenue is recognized from when the vessel commences loading through the completion of discharge at the discharge port instead of recognizing revenue from the discharge of the previous voyage provided an agreed non-cancellable charter between the Company and the charterer is in existence, the charter rate is fixed and determinable, and collectability is reasonably assured. Any expenses incurred during the ballast portion of the voyage (time spent by the vessel traveling from discharge port of the previous voyage to the load port of the subsequent voyage) such as bunker expenses are deferred and are recognized on a straight-line basis over the charter period as the Company satisfies the performance obligations under the contract.

Further, the adoption of ASC 606 impacted the accounts receivable and unearned revenue on our Condensed Consolidated Balance Sheet as of March 31, 2018. Under ASC 606, receivables represent an entity's unconditional right to consideration, billed or unbilled. The Company determined that the performance obligations on its spot voyage charters do not begin to be satisfied unless the vessel arrives at the load port and commences loading the cargo. This impacted the amount of accounts receivable and unearned revenue recorded in our Condensed Consolidated Balance Sheet.

The following table presents the impact of the adoption of ASC 606 on our Condensed Consolidated Balance Sheet at March 31, 2018:

	As of March 31, 2018		
	As Reported	Balances without Adoption of ASC 606	Effect of Change
<b>Assets</b>			
Accounts receivable	\$ 7,375,565	\$ 7,681,518	\$ (305,953)
Other current assets	570,389	283,767	286,622
<b>Liabilities</b>			
Unearned charter hire revenue	2,755,060	3,363,292	608,232

The following table presents the impact of the adoption of ASC 606 on our Condensed Consolidated Statement of Operations:

	For the Three Months Ended March 31, 2018		
	As Reported	Balances without Adoption of ASC 606	Effect of Change
Revenue, net	\$ 39,048,858	\$ 38,602,816	\$ 446,042
Voyage expenses	9,582,168	9,867,918	(285,750)
Net income/(loss)	3,495,394	3,335,102	160,292

The cumulative effect of changes made to our opening Condensed Consolidated Balance Sheet on January 1, 2018 for the adoption of ASC 606:

<b>For the Three Months Ended March 31, 2018</b>			
	<b>December 31, 2017</b>	<b>Effect of Adoption of ASC 606</b>	<b>January 1, 2018</b>
<b>Assets</b>			
Other current assets <sup>(1)</sup>	\$ 126,837	\$ 332,415	\$ 459,252
<b>Liabilities</b>			
Unearned charter hire revenue <sup>(2)</sup>	2,916,029	888,429	3,804,458
<b>Member's Equity</b>			
Accumulated deficit	(174,094,047)	(556,014)	(174,650,061)

<sup>(1)</sup> Under ASC 606, the contract fulfillment costs are deferred as a current asset and amortized as the related performance obligations are satisfied. The Other current assets consists of bunker expenses of \$0.3 million incurred to arrive at the load port for the voyages in progress as of January 1, 2018 to fulfill the performance obligations under the voyage contract.

<sup>(2)</sup> Under ASC 606, unearned charter hire revenue represents the consideration received for undelivered performance obligations. The Company recorded \$0.9 million as the unearned revenue on voyage in progress as of January 1, 2018. The Company recognized this revenue in the first quarter of 2018 as the performance obligations are met.

The adoption of ASC 606 had no impact on net cash provided by operating activities, investing activities and financing activities for the three months ended March 31, 2018.

We adopted the ASU No. 2016-18, "Statement of Cash Flows - Restricted Cash" ("ASU 2016-18"), which requires that the statement of cash flows explain the change in the total of cash and cash equivalents and restricted cash. ASU 2016-18 was adopted retrospectively for the periods ended March 31, 2018 and 2017. There is no impact of the adoption of the standard on the condensed consolidated statements of cash flows for the each of the periods presented.

### Note 3. Vessels and vessel improvements

As of March 31, 2018, the Company's operating fleet consisted of 28 dry bulk vessels.

On March 23, 2018, the Company signed a memorandum of agreement to sell the vessel Thrush for \$10.9 million after brokerage commissions and associated selling expenses. The vessel is expected to be delivered to the buyers in the third quarter of 2018. The Company expects to recognize a gain of \$0.4 million.

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Vessel and vessel improvements at the beginning of the year	\$ 366,054,562	\$ 363,093,345
Advance paid for purchase of Singapore Eagle	—	1,926,886
Purchase of Vessels and vessel improvements	56,287	18,246,428
Depreciation Expense	(4,378,708)	(17,212,097)
Transfer to vessel held for sale	(10,354,855)	—
Vessel and vessel improvements at the end of the period	<b>\$ 351,377,286</b>	<b>\$ 366,054,562</b>

#### Note 4. Deferred Drydock costs

Drydocking activity is summarized as follows:

	March 31, 2018	December 31, 2017
Beginning Balance	\$ 6,765,953	\$ 7,273,179
Drydocking expenditures	72,089	2,579,110
Drydock amortization	(893,332)	(3,086,336)
Ending Balance	<u>\$ 5,944,710</u>	<u>\$ 6,765,953</u>

#### Note 5. Other Accrued liabilities

Other accrued liabilities consist of:

	March 31, 2018	December 31, 2017
Vessel and voyage expenses	\$ 3,398,833	\$ 3,884,368
Accrued other financing costs	44,194	944,000
Other expenses	583,196	203,149
Balance	<u>\$ 4,026,223</u>	<u>\$ 5,031,517</u>

#### Note 6. Debt

Long-term debt consists of the following:

	March 31, 2018	December 31, 2017
Norwegian Bond Debt	\$ 200,000,000	200,000,000
Debt discount and debt issuance costs - Norwegian Bond Debt	(5,839,845)	(6,049,671)
Norwegian Bond Debt, net of debt discount and debt issuance costs	194,160,155	193,950,329
Less: Current Portion - Norwegian Bond Debt	(4,000,000)	(4,000,000)
Total long-term debt	<u>\$ 190,160,155</u>	<u>189,950,329</u>

##### *Norwegian Bond Debt*

On November 28, 2017, Eagle Bulk Shipco LLC, ("Shipco" or "Issuer") issued \$200,000,000 in aggregate principal amount of 8.250% 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 are 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 \$1.2 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 28 security vessels (the "Shipco Vessels") in the Company's fleet, and will be 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. Furthermore, if Shipco fails to have the Norwegian Bonds listed for trading within twelve months of the issue date, the rate on the Norwegian Bonds will increase by 0.5%. The Bonds were listed on the Oslo Stock Exchange as of May 15, 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 \$4,000,000, 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 Norwegian Bonds at a price equal to 100% of the nominal amount of the Norwegian Bonds plus a “make-whole” premium and accrued and unpaid interest to the redemption date.

If the Parent Company experiences a change of control, each holder of the Norwegian Bonds will have the right to require that the Issuer purchase all or some of the Norwegian 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 28 vessels in the Company’s fleet must not exceed 75% and its and its subsidiaries’ free liquidity must at all times be at least \$12,500,000. The Company is in compliance with its financial covenants as of March 31, 2018.

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 Parent 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 the vessel owning entities; or acquire the Norwegian Bonds.

### *Super Senior Facility*

On December 8, 2017, Shipco entered into the Super Senior Facility agreement, which provides for a revolving credit facility in an aggregate amount of up to \$15,000,000 (the "Super Senior Facility"). 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 paid \$285,342 as other financing costs in connection with the transaction.

As of March 31, 2018, the availability under the Super Senior Facility is \$15,000,000.

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 28 vessels in the Company's fleet, and are secured by mortgages over such vessels, a pledge granted by the Parent Company over all of the shares of Shipco, a pledge granted by Shipco over all the shares in the 28 vessel owning entities, 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 Shipco or its subsidiaries. The Super Senior Facility ranks super senior to the Norwegian Bonds with respect to any proceeds from any enforcement action relating to security or guarantees for both the Super Senior Facility and the Norwegian 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 Shipco's vessel owning entities. Additionally, the Company's leverage ratio must not exceed 75% and its and its subsidiaries' free liquidity must at all times be at least \$12,500,000. 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 Norwegian Bonds so that less than \$100,000,000 is outstanding under the Bond Terms. The Company is in compliance with its financial covenants as of December 31, 2017.

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 months ended March 31, 2018, interest rates on the Norwegian Bond Debt is 8.25%. The weighted average effective interest rate on the same was 8.87%. There was zero interest expense for the three months ended March 31, 2017 because the Company had no outstanding debt and the 26 guarantors served as security under outstanding debt facilities of Eagle Shipping LLC, a wholly-owned subsidiary of the Parent Company.

Interest expense consisted of:

	<b>Three Months Ended</b>	
	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Norwegian Bond Debt interest	\$ 4,125,000	\$ —
Amortization of deferred financing costs	310,428	—
Commitment fees - Super Senior Revolver Facility	29,333	—
Total Interest Expense	<u>\$ 4,464,761</u>	<u>\$ —</u>

### **Note 7. Related Party transactions**

Shipco entered into a commercial and technical management agreement with Eagle Shipping LLC, a wholly-owned subsidiary of the Parent Company, on November 21, 2016 for performance of technical and commercial services 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 for one vessel. Additionally, Shipco is required to pay 1% of the purchase price of every new vessel purchased to Eagle Shipping LLC which amounted to \$0.4 million for the year ended December 31, 2017, which is included in vessel and vessel improvements in the consolidated balance sheet as of December 31, 2017. An additional vessel was added to the agreement upon delivery of the Singapore Eagle in January 2017.

On December 8, 2017, Shipco cancelled the above existing agreement and entered into a new 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. Additionally, 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 months ended March 31, 2018, the Company incurred \$0.7 million for technical and commercial management fees to Eagle Bulk Management LLC for the 28 vessels. Additionally, the Company incurred \$0.6 million as additional fee allocation as per the overhead sharing agreement. As of March 31, 2018, the Company owed \$0.8 million to Eagle Bulk Management LLC which is included in accounts payable in the condensed consolidated balance sheet.

For the three months ended March 31, 2017, the Company was allocated \$3,834,092 as its share of the total consolidated cash general and administrative expenses of the Parent Company and all of its subsidiaries on the same basis as the new commercial and technical management agreements, as well as the overhead sharing agreement, which was recorded as a capital contribution from the Parent Company in the condensed statement of changes in member's equity for the three months ended March 31, 2017.

During the first quarter of 2017, Shipco entered into time charter agreements with Eagle Bulk Pte Ltd, a wholly-owned subsidiary of the Parent Company, where Eagle Bulk Pte Ltd chartered-in the vessels to perform third-party voyages. For the three months ended March 31, 2017, revenues included \$3.2 million, as internal charter hire income from Eagle Bulk Pte Ltd. As of March 31, 2018 and December 31, 2017, accounts receivable included zero and \$41,830, respectively, as charter hire receivable from Eagle Bulk Pte Ltd.

### **Note 8. 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:

		Amount of gain/(loss)	
		For the Three Months Ended	
Derivatives not designated as hedging instruments	Location of gain/(loss) recognized	March 31, 2018	March 31, 2017
FFAs	Other expense	\$ (77,208)	\$ —
Commissions	Other expense	(5,474)	—
Total		\$ (82,682)	\$ —

Derivatives not designated as hedging instruments	Balance Sheet Location	Fair value of derivatives	
		March 31, 2018	December 31, 2017
FFAs - Unrealized loss	Fair value of Derivatives	\$ 141,000	\$ 73,170
		\$ 141,000	\$ 73,170

#### 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. As of March 31, 2018 and December 31, 2017, the Company posted cash collateral related to derivative instruments under its collateral security arrangements of \$284,550 and 126,837, respectively, which is recorded within other current assets in the condensed consolidated balance sheets.

#### 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
March 31, 2018			
<b>Assets</b>			
Cash and cash equivalents	\$ 20,504,013	\$ 20,504,013	—
<b>Liabilities</b>			
Norwegian Bond Debt *	\$ 194,160,155	—	\$ 203,334,000

\* The fair value of the Norwegian Bond Debt is based on the last trade on March 1, 2018 on Bloomberg.com.

	Carrying Value	Fair Value	
		Level 1	Level 2
December 31, 2017			
<b>Assets</b>			
Cash and cash equivalents	\$ 7,744,005	\$ 7,744,005	—
<b>Liabilities</b>			
Norwegian Bond Debt *	\$ 193,950,329	—	200,990,000

\* The fair value of the Norwegian Bond Debt is based on the last trade on December 21, 2017 on Bloomberg.com

## Note 9. 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 10. Unconsolidated financial statements (Issuer only)**

**EAGLE BULK SHIPCO LLC (ISSUER ONLY)**  
**UNCONSOLIDATED CONDENSED BALANCE SHEETS**  
**(Unaudited)**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>ASSETS:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 20,136,771	\$ 7,391,945
Prepaid expenses	66,798	18,615
Other current assets	284,550	126,837
<b>Total current assets</b>	<b>20,488,119</b>	<b>7,537,397</b>
<b>Noncurrent assets:</b>		
Investment in subsidiaries	374,212,704	380,305,385
Deferred financing costs - Super Senior Revolver Facility	285,342	190,000
<b>Total noncurrent assets</b>	<b>374,498,046</b>	<b>380,495,385</b>
<b>Total assets</b>	<b>\$ 394,986,165</b>	<b>\$ 388,032,782</b>
<b>LIABILITIES &amp; MEMBER'S EQUITY:</b>		
<b>Current liabilities:</b>		
Accrued interest	\$ 5,690,666	\$ 1,566,333
Other accrued liabilities	—	944,000
Fair value of derivatives	141,000	73,170
Current portion of long-term debt - Norwegian Bond Debt	4,000,000	4,000,000
<b>Total current liabilities</b>	<b>9,831,666</b>	<b>6,583,503</b>
<b>Noncurrent liabilities:</b>		
Norwegian Bond Debt, net of debt discount and debt issuance costs	190,160,155	189,950,329
<b>Total noncurrent liabilities</b>	<b>190,160,155</b>	<b>189,950,329</b>
<b>Total liabilities</b>	<b>199,991,821</b>	<b>196,533,832</b>
Commitment and contingencies		
<b>Member's equity:</b>		
Common shares, zero par value, 100 shares authorized and issued	—	—
Paid-in Capital	365,592,997	365,592,997
Accumulated Deficit	(170,598,653)	(174,094,047)
<b>Total Member's equity</b>	<b>194,994,344</b>	<b>191,498,950</b>
<b>Total liabilities and Member's equity</b>	<b>\$ 394,986,165</b>	<b>\$ 388,032,782</b>

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

**UNCONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS  
(Unaudited)**

	<b>For the Three Months Ended</b>	
	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Interest expense	\$ 4,464,761	\$ —
Interest income	(7,751)	—
Other (income)/expense, net	82,682	—
Total other expenses, net	4,539,692	—
Equity in net income /(loss) of subsidiaries	8,035,086	(2,023,215)
Net income/(loss) and comprehensive income/(loss)	<u>\$ 3,495,394</u>	<u>\$ (2,023,215)</u>

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

**UNCONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**

	For the Three Months Ended	
	March 31, 2018	March 31, 2017
<b>Net cash provided by/(used in) operating activities</b>	\$ 7,551,951	\$ (2,023,215)
<b>Cash flows from investing activities:</b>		
Vessel purchases and improvements		(17,188,334)
Advance for purchase of vessel	—	—
Dividends received from subsidiaries	6,092,681	3,553,246
<b>Net cash provided by/ (used in) investing activities</b>	<b>6,092,681</b>	<b>(13,635,088)</b>
<b>Cash flows from financing activities:</b>		
Other financing costs	(899,806)	—
Return of capital to the Parent Company	—	(1,264,759)
Capital contribution from the Parent Company	—	17,188,334
<b>Net cash (used in)/provided by financing activities</b>	<b>(899,806)</b>	<b>15,923,575</b>
Net increase in cash and cash equivalents and restricted cash	12,744,826	265,272
Cash and cash equivalents and restricted cash at beginning of period	7,391,945	2,062,946
<b>Cash and cash equivalents and restricted cash at end of period</b>	<b>\$ 20,136,771</b>	<b>\$ 2,328,218</b>
<b>Supplemental cash flow information:</b>		
Cash paid during the period for interest	\$ 30,000	—

**Notes to the Unconsolidated Condensed Financial Statements**

**Basis of Presentation**

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

**Note 11. Subsequent Events**

The Company has evaluated all subsequent events through June 15, 2018, the date the financial statements were available to be issued, to ensure that the financial statements include appropriate recognition and disclosure of such events. As of June 15, 2018, there are no subsequent events to be recognized or disclosed, other than as disclosed herein, based on the Company's evaluation.