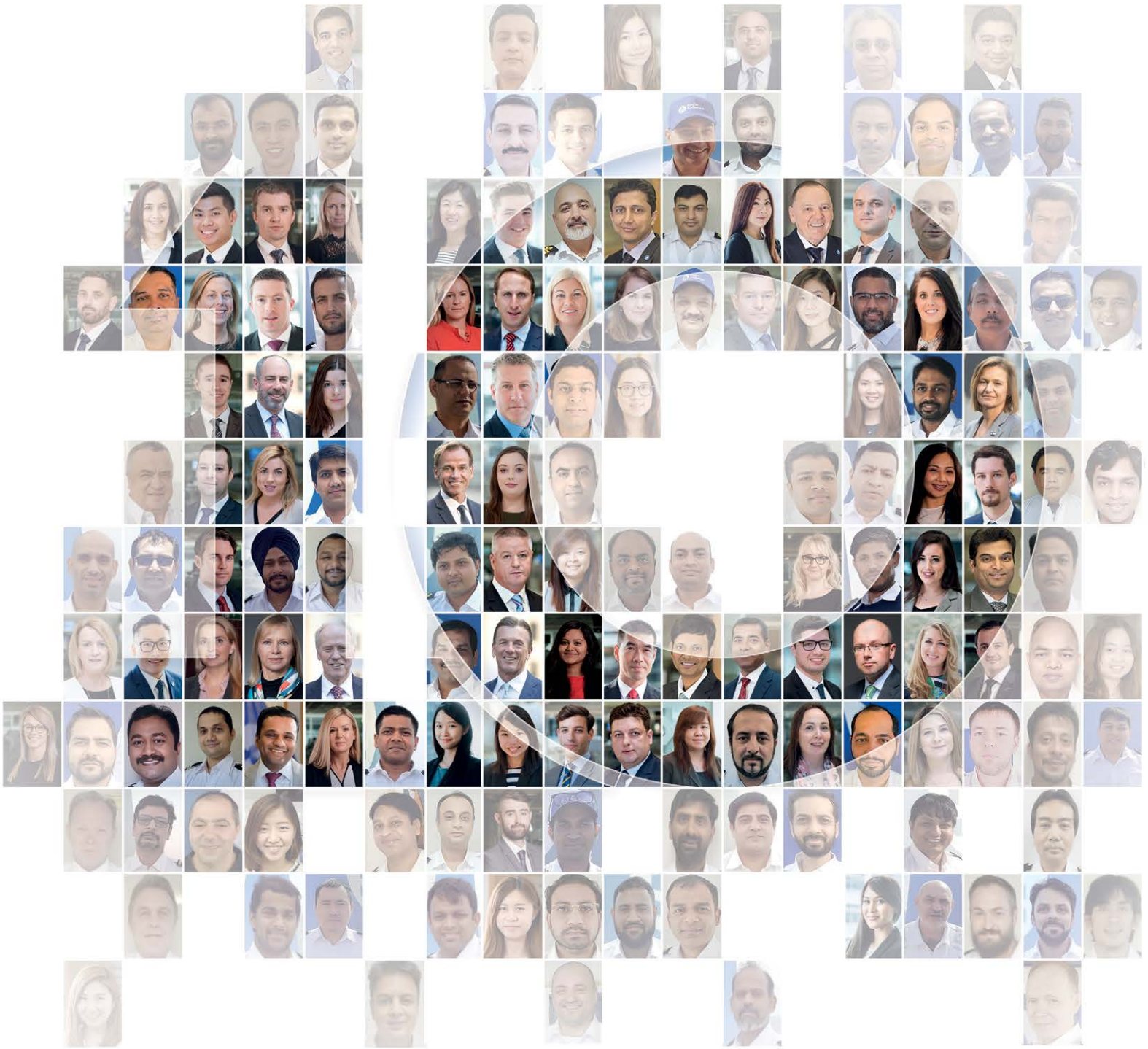




**ARDMORE SHIPPING  
CORPORATION**  
2019 ANNUAL  
REPORT



CELEBRATING *years* **10**





NO SMOKING

SAFETY FIRST





# ARDMORE SHIPPING CORPORATION

2019  
ANNUAL REPORT

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# OUR

# COMPANY

Ardmore Shipping owns and operates a fleet of mid-size product and chemical tankers.

We provide seaborne transportation of petroleum products and chemicals worldwide to oil majors, national oil companies, oil and chemical traders, and chemical companies, with our modern, fuel-efficient fleet of tankers.

Ardmore's core strategy is to develop a modern, high-quality fleet of product and chemical tankers through well-timed growth, build key long-term commercial relationships and maintain our cost advantage in assets, operations and overhead through hands-on management, while creating significant synergies and economies of scale as the Company grows. We provide our services to

customers through our in-house chartering and commercial team. We maintain a broad range of vessel employment strategies to maximize commercial flexibility and customer diversification, enjoying close working relationships with key commercial and technical management partners. Maintaining outstanding customer service is a cornerstone of our business and we seek customers who value our active approach to fuel efficiency and service delivery.





A photograph of a ship's deck at sunset. The sun is low on the horizon, creating a bright lens flare. A large blue and white logo with the letter 'A' and a wave is visible on the side of the ship. The deck is made of reddish-brown metal grating. A white structure with the text 'DMC SWL 4TX26-85M' is visible. A blue circular graphic is overlaid on the right side of the image, containing the title and strategy points.

# Ardmore Strategy

## **LONG-TERM VALUE CREATION**

- Disciplined Capital Allocation
- Conservative Balance Sheet
- High-Quality Fleet
- Transparent Corporate Structure

## **FOCUS**

- Mid-Size Product Tankers
- Fleet Performance and Service Excellence
- Voyage Optimization
- Fuel Efficiency and Emissions Reduction

## **LOW COST STRUCTURE**

- Assets Acquired at Cyclical Lows
- Operational Cost Advantage
- Low Corporate Overhead
- Disciplined Investment

# LETTER FROM THE CHAIRMAN



Fellow Shareholders,

On behalf of my board colleagues, I am pleased to report on the continued progress at Ardmore during the year. The past year was my first full year as Chairman of the board and it has been a privilege to work with my fellow directors and management as we continue towards building a great company at Ardmore.

First, I would like to take the opportunity to acknowledge the impending retirement of one of our board members, Dr. Peter Swift, who will retire from the board after our upcoming annual general meeting. Peter's career spans more than 50 years in the maritime industry, and he has served as a director of the Company since its initial public offering in July 2013. On behalf of the board I would like to express our sincere gratitude to Peter for his tremendous contribution to the Company. I would also like to welcome a new independent director Dr. Kirsi Tikka who joined us during the year. Dr. Tikka has extensive experience in shipping, especially as it pertains to regulatory developments and sustainability initiatives and will be of great benefit to our shareholders as we move forward.

In addition to strong corporate governance and transparency, Ardmore firmly believes that, as a leading product tanker company, it has a duty to society and the environment; we need to operate our business to the highest possible standards and also, importantly, play our part in sustainable development. We are very pleased with the many progressive initiatives undertaken by

the Company this year in this area, many of which are included in our environmental, social and governance section contained in this report. Notably, Ardmore was the first US listed shipping company to report carbon emissions for its fleet on a quarterly basis during 2019; we believe that a commitment to increased transparency by companies such as Ardmore will play an important role in encouraging positive and sensible legislative change toward reducing greenhouse gas ("GHG") emissions from the entire shipping industry.

Over the course of this year, the product tanker market witnessed significant improvement. As a result, Ardmore made very positive strides in its operational and financial performance during the year. Management remains resolutely focused on capital allocation and financial strength as key sources of long-term shareholder value. In 2019, the Company sold two of its older MR's improving the age profile and maintaining its commitment to a high quality modern fuel-efficient fleet. In December, the Company completed a refinancing of 12 vessels on improved terms with its relationship banks.

The Company remains very focused on performance improvement in all aspects of its business, particularly in voyage optimisation and reduced fuel consumption for increased profitability and reduced carbon emissions. We are pleased with the progress made during the year.

Our business continues to be cyclical and after a number of challenging years, the outlook for the product tanker market is positive; driven by continued oil demand growth, export refinery capacity growth, incremental demand associated with the IMO 2020 fuel switch and matched with historically low vessel supply and restrained



newbuilding activity. The new coronavirus pandemic has been a very troubling event this year. We are hopeful that the continued spread of the virus can be contained and the impact on people will be minimised. However, this situation is extremely dynamic, and the ultimate effects of the pandemic on oil demand during 2020 and its duration are uncertain at this time. Meanwhile, continued oil price volatility, as evidenced by the plunge in oil prices in March, has been supporting demand for product tankers and increased charter rates.

Once again, we appreciate the strong support we have received from our shareholders, financiers, customers and business partners; our success depends on the strength of these relationships. We look forward to working together as we strive to grow the Company in a disciplined and thoughtful manner, delivering strong returns for all of our stakeholders in the process.



Curtis Mc Williams  
Chairman  
Ardmore Shipping Corporation



# LETTER FROM THE CEO



Dear Shareholders,

It is my pleasure to report on the performance of Ardmore Shipping Corporation for the year ended December 31, 2019.

The charter market was much improved in 2019; rates were stable over the course of the year before rebounding in October, as preparations for the IMO 2020 fuel switch got underway, which resulted in Ardmore returning to profitability in the fourth quarter. We completed the sale of our two oldest MR's during the year, improving the age profile and maintaining a high quality, modern fuel-efficient fleet and concluded a refinancing of 12 ships in the fourth quarter on improved terms. Overall, we are pleased with the Company's performance in maintaining financial strength, cost efficiency and operational performance.

## Market Review

The product tanker market endured a challenging few years since mid-2016, characterized by high refined product inventory levels, low oil price volatility and persistent delivery of new vessels. Charter rates recovered well in 2019; the rebound in tanker rates was ignited by geopolitical events in the Middle East added to by preparations for IMO 2020 and more importantly, supported by increasingly strong underlying supply-demand fundamentals.

Oil consumption growth remained firm with growth of 0.9 million barrels per day ("mbd") in 2019<sup>(1)</sup>, while refined product inventories remained below the five-year average.<sup>(2)</sup> The introduction of IMO 2020 regulations has been long anticipated; in 2016 the IMO agreed to limit the sulfur content in all marine

fuels to 0.5%, effective from January 1, 2020. The new rules, which require a significant increase in the use of cleaner, low-sulfur marine fuels, boosted demand for refined products blending and consumption towards the year end. The global market for High Sulfur Fuel Oils ("HSFO") was 3.5 mbd in 2019 and this amount was expected to drop to 1.4 mbd for 2020, with the balance of 2.1 mbd made up of low-sulfur compliant fuels. Initial estimates were that IMO 2020 would increase demand for product tankers by 5-10% as the market transitions in late 2019 through 2020. Meanwhile, refinery capacity expansion continued in export-oriented locations, with new additions of 2.4 mbd coming on-line during 2019.<sup>(3)</sup>

On the supply side, product tanker supply growth was 3.3% in 2019; scrapping levels were slightly lower during the year, following elevated scrapping levels in 2018. Supply growth for the past three years has averaged 2.4% and is expected to decline further over the coming years.<sup>(4)</sup>

## Commercial and Operations

At Ardmore, we believe that superior operating performance is a key driver of long-term value in our business. During 2019, we carried 51 different cargo grades, calling at 175 different load ports and 219 different discharge ports. We continued to prioritize commercial and operating performance with a focus on voyage optimization and fuel efficiency to improve profitability and reduce carbon emissions. We continue to invest in our organisation and our fleet; we completed seven drydocks during the year and installed Ballast Water Treatment Systems on two of our vessels; the remaining 13 systems will be completed over the next four years.

Overall, we are very pleased with our commercial performance and the focus of our team. We continue to report TCE



performance at the top of our peer group, which is the result of the hard work and dedication of our entire organisation.<sup>(5)</sup>

### Financial Performance

For the year ended 2019, we reported adjusted EBITDA of \$53.3 million<sup>(5)</sup> and adjusted loss of \$9.2 million<sup>(5)</sup> for the year, which includes a profit for the fourth quarter of \$2.5 million<sup>(5)</sup>, reflecting a stronger charter market towards the end of the year.

We continue to maintain a strong balance sheet and liquidity position; our year end corporate leverage was 56.3%, and we had \$51.7 million of cash on hand, plus a further \$11 million available under our revolving credit facilities.

In December, we completed the refinancing of 12 ships for \$201.5 million in the aggregate on attractive terms with our close relationship banks, releasing \$15.9 million of cash in the aggregate. These financings extend the maturity on this debt to the end of 2024, reduces cost and incorporates a revolving credit facility, further enhancing our financial flexibility. Our ability to complete this financing is a testament to Ardmore's reputation and strong relationship with our banks. We thank all our financiers for their support and look forward to continue working together in the future.

During 2019, in order to be compliant with IMO 2020 regulations, we made the decision to opt to consume clean low-sulfur fuels (i.e. compliant fuels) on our ships rather than continue to burn HSFO and invest in scrubbers. Our decision was based on financial analysis, potential negative impact on trading flexibility, uncertainty on scrubber technology, long-term trends towards cleaner fuels in the shipping industry and concerns about environmental impact and regional acceptance of scrubbers. We are pleased with our decision and the

performance of our operations team in the successful transition to the compliant fuels at the end of the year.

As a company, our primary objective is building long-term shareholder value through operating performance, financial strength and effective capital allocation. We recently announced a formal capital allocation policy which sets out our priorities for capital among fleet maintenance, financial strength, accretive growth and returning capital to shareholders. The shipping industry is on the cusp of a fundamental change driven by Greenhouse Gas emission reduction targets and resultant new vessel technologies, and we plan to ensure that Ardmore is well-positioned to capitalize on opportunities as they arise.

### Market Outlook

The outlook for our market for the medium term is based on expected oil demand and export refinery capacity expansion, increased trading activity attributable to the IMO 2020 regulations, and limited fleet growth. In March 2020, the International Energy Agency ("IEA") estimated oil consumption growth of 1.1 mbd<sup>(6)</sup> in the second half of 2020 and 2.1 mbd<sup>(7)</sup> in 2021, on an expected return to normal market conditions following the new coronavirus outbreak; however, the full economic impact of the coronavirus has not yet been determined, and recent changes relating to the current pandemic and oil price war are not necessarily reflected in the IEA estimates, which could cause demand for this year to change.

In addition to oil demand growth, the IEA are forecasting refinery capacity growth with 1.1 mbd in 2020 and 1.9 mbd<sup>(3)</sup> in 2021. At the same time, the market is experiencing increased volumes of refined products as a result of IMO 2020 and we expect this to remain in place for one to two years until the market reaches equilibrium.

Overall, industry analysts as at March 2020 forecasted seaborne product tonne-mile demand growth of 3.8% for 2020, trending towards the long-term term CAGR of 4-5%<sup>(8)</sup>; however, given the ongoing economic disruption relating to the coronavirus pandemic and oil price war, we expect revisions to estimates of tonne-mile demand for this year as the market develops over the next few months.

One of the most favourable tanker supply outlooks in many years is also expected to support product tanker supply / demand tightness over the medium term. The orderbook for product tankers was 6.0% at the end of February, with deliveries stretching to 2022. We expect fleet growth, net of scrapping to average 1.6% for the next two years. Importantly, we believe that regulatory uncertainty around the industry's targets for GHG emissions reductions will lead to a significant reduction in newbuilding activity for the next few years, until regulations become clear and a consensus forms around the designs and propulsion systems of the next generation of vessels.

### Progress

As a company, we believe that performance and progress are integral and, as a leading public shipping company, we have an important role to play in sustainable development. We are proud to be the first US listed shipping company to report carbon emissions for our fleet on a quarterly basis during the year and we are pleased to include a more comprehensive analysis of our performance to date and initiatives underway on sustainable development.

### Closing Comments

I would like to take this opportunity to thank Dr. Peter Swift for his seven years of board service, which will end with his upcoming retirement. Peter's boundless energy and enthusiasm for the shipping industry and

the highest standards of operations is an inspiration to us all. On behalf of the management team, we thank you for your support and kind words of wisdom over the past few years and wish you good health and happiness in your retirement.

We are excited about the years ahead; Ardmore has an excellent organization with world-class shipping professionals and a modern fuel-efficient fleet of product tanker and we look forward to taking advantage of stronger charter markets in the years ahead. We would like to take this opportunity to thank our customers, financiers, service partners and shareholders for their consistent support throughout the year, and to recognize the efforts of our seafarers and shore staff, who work hard to meet and surpass the very highest standards of operational excellence, service delivery and building shareholder value.



Anthony Gurnee  
Chief Executive Officer  
Ardmore Shipping Corporation

#### Sources:

*All projections are based on information at hand at time of writing. However, given the dynamic nature of the coronavirus pandemic and its effects, future results will continue to be subject to greater uncertainty than in more stable times*

(1) IEA, Oil Market Report, February 2020

(2) Bloomberg, IEA Monthly Oil Report Data, as of December 2019

(3) Maritime Strategies International, October 2019

(4) Clarksons Shipping Intelligence Network and Management's estimates. Note forward looking numbers include slippage. Management's estimates based on 12.5% of full year scheduled deliveries slipping into 2021; scrapping levels estimated from current fleet age; 22 ships were scrapped in 2019

(5) This is a non-GAAP measure. A definition of this measure and a reconciliation of this measure to its nearest GAAP comparable measure are included within Ardmore's earnings release for December 31, 2019

(6) IEA, Oil Market Report, March 2020

(7) IEA, Oil 2020, Analysis and Forecast to 2025

(8) Clarksons Shipping Intelligence Network, Seaborne Trade Tables, February 2020







# DIRECTORS &

## SENIOR MANAGEMENT



**Mr. Curtis Mc Williams**  
Chairman of the Board, Chairman of the Nominating and Corporate Governance Committee, Chairman of the Compensation Committee, Member of the Audit Committee

Curtis Mc Williams was appointed as a director by the board of directors in January 2016 and as our Chairman effective January 1, 2019. Mr. Mc Williams is a real estate industry veteran with over 25 years of experience in finance and real estate. He currently serves as an Independent Director of Braemar Hotels & Resorts Inc. and as a member of the RW Holdings NNN REIT, Inc. Board of Directors. He retired from his position as President and Chief Executive Officer of CNL Real Estate Advisors, Inc. in 2010 after serving in the role since 2007. Mr. Mc Williams was also the President and Chief Executive Officer of Trustreet Properties Inc. from 1997 to 2007, and a director of the company from 2005 to 2007. He served on the Board of Directors and as the Audit Committee Chairman of CNL Bank from 1999 to 2004 and has over 13 years of investment banking experience at Merrill Lynch & Co. Mr. Mc Williams has a Master's degree in Business with a concentration in Finance from the University of Chicago Graduate School of Business and a Bachelor of Science in Engineering in Chemical Engineering from Princeton University.



**Mr. Brian Dunne**  
Director, Chairman of the Audit Committee, Member of the Nominating and Corporate Governance Committee

Brian Dunne has been a director of Ardmore since June 2010. He is also a director of ReAssure and Ark Life Assurance Company (subsidiaries of SwissRe in the UK and Ireland), Chorus Aviation Capital (Ireland), AASET 2018-2 and AASET 2019-2. He was previously a director of Aergen Aviation Finance, Chairman of Aviva's health insurance business in Ireland, a director of its Irish life and pensions business and a director of several other private companies. Mr. Dunne was the Chief Financial Officer of ACE Aviation Holdings Inc. ("ACE") from 2005 until 2012 and was the President of the company in 2011 and 2012. ACE was the parent holding company of the reorganized Air Canada and a number of other entities including Aeroplan LP (now AIMIA Inc.) and Air Canada

Jazz (now Chorus Aviation Inc.). Mr. Dunne was also a director of Air Canada from its initial public offering in 2006 until 2008. Prior to joining ACE, Mr. Dunne was Chief Financial Officer and a director of Aer Lingus Group plc. He started his career at Arthur Andersen in 1987 and became a partner in 1998. Mr. Dunne is a Fellow of the Institute of Chartered Accountants in Ireland and holds a Bachelor of Commerce degree and a post graduate diploma in Professional Accounting from the University College Dublin.



**Mr. Mats Berglund**  
Director, Member of the Compensation Committee

Mats Berglund has been a director of Ardmore since September 2018. Since June 2012 he has been the Chief Executive Officer and a Director of Pacific Basin, a Hong Kong-listed owner and operator of drybulk vessels controlling a fleet of over 200 ships. Mr. Berglund has more than 30 years of shipping experience in Europe, the United States and Asia, including as Chief Financial Officer and Chief Operating Officer of marine fuel trader Chemoil Energy and Head of Crude Transportation for Overseas Shipholding Group. Previously, he served in a variety of leadership roles across the Stena group of companies, culminating as President of Stena Rederi, Stena's parent company for all shipping activities. Mr. Berglund holds an Economist (Civilekonom) degree from the Gothenburg University Business School and is a graduate of the Advanced Management Program at Harvard. He is an Executive Committee Member of the Hong Kong Shipowners Association and serves on the North of England P&I Club Members Board.





**Ms. Helen Tveitan de Jong**  
Director, Member of the Audit Committee

Helen Tveitan de Jong has been a director of Ardmores since September 2018. She is Chairman and Chief Executive Officer of Carisbrooke Shipping Holdings Ltd., a specialist owner operator of mini-bulk and project cargo ships controlling a fleet of 32 ships. Previously, Ms. Tveitan de Jong held a variety of senior ship finance roles, including as a founding partner at shipping finance advisory firm THG Capital from 2001 to 2007, and has held several positions as interim Finance Director for shipping companies, most notably in the dry bulk sector, from 2003 to 2017. Ms. Tveitan de Jong graduated with a DRS in Economics from Rotterdam's Erasmus University.



**Dr. Kirsi Tikka**  
Director

Dr. Kirsi Tikka was appointed as a director of Ardmores in September 2019 and our board of directors intends to nominate her to stand for re-election at our 2020 annual meeting of shareholders. Tikka currently serves as a director on the board of Pacific Basin Shipping Limited and is a Foreign Member of the U.S. National Academy of Engineering. She is a Fellow of both the Society of Naval Architects and Marine Engineers and the Royal Institution of Naval Architects. Dr. Tikka has over 30 years of shipping experience having recently retired from the American Bureau of Shipping ("ABS") in July 2019 as Executive Vice President, Senior Maritime Advisor. Prior to her time at ABS, Dr. Tikka was a professor of Naval Architecture at the Webb Institute in New York and worked for Chevron Shipping in San Francisco and Wärtsilä Shipyards in Finland. Dr. Tikka holds a Doctorate in Naval Architecture and Offshore Engineering from the University of California, Berkeley, and a Master's degree in Mechanical Engineering and Naval Architecture from the University of Technology in Helsinki.



**Dr. Peter Swift\***  
Director, Member of the Compensation Committee

Peter Swift has served as a director of Ardmores since its IPO in August 2013. Dr Swift's career spans more than 50 years in the maritime industry, and he is presently serving in international International non-profit and charitable directorships, including as the Chairman of the Sailors' Society caring for seafarers around the world, including continuing the work of the Maritime Piracy Humanitarian Response Programme, where he was the former Chairman. He is a Member of the American Bureau of Shipping and the IMO Committee of the Royal Institution of Naval Architects and a Director of the Green Award Foundation and the Maritime Industry Foundation. Dr Swift was previously the Managing Director of INTERTANKO from 2000 to 2010 and a Director of Seascope Shipping Limited from 1999 to 2001. He was employed by Royal Dutch Shell from 1975 to 1999 in a range of senior, international, commercial and technical positions. Dr Swift holds a PhD in Transport Economics, an MS in Engineering degree from the University of Michigan, and a BSc in Naval Architecture from the University of Durham. He is a Chartered Engineer, a Fellow of the Royal Institution of Naval Architects and Member of the Society of Naval Architects and Marine Engineers.

*\*Dr. Swift is retiring and will not be standing for re-election at the Company's 2020 annual meeting of shareholders*

# DIRECTORS &

## SENIOR MANAGEMENT



**Mr. Anthony Gurnee**  
Chief Executive Officer,  
President and Director

Anthony Gurnee has been our President, Chief Executive Officer and a director of Ardmore since 2010. Between 2000 and 2008, he was the Chief Executive Officer of Industrial Shipping Enterprises, Inc., a containership and chemical tanker company, and Chief Operating Officer of MTM Group, an operator of chemical tankers. From 1992 to 1997, he was the Chief Financial Officer of Teekay Corporation, where he led the company's financial restructuring and initial public offering. Mr. Gurnee began his career as a financier with Citicorp, and he served for six years as a surface line officer in the U.S. Navy, including a tour with naval intelligence. He is a graduate of the U.S. Naval Academy and earned an MBA at Columbia Business School, is a CFA charter holder, and a fellow of the Institute of Chartered Shipbrokers. He is also a director of Simply Blue Energy engaged in the development of offshore floating wind waves energy and sustainable aqua culture projects.



**Mr. Mark Cameron**  
Executive Vice President  
and Chief Operating Officer

Mr. Cameron joined Ardmore as Executive Vice President and Chief Operating Officer and was appointed an alternate director in June 2010. In addition, Mr. Cameron is the past Chairman of the International Parcel Tankers Association (IPTA), is on the Board of the West of England P&I Club and is also an advisory Board Member to the NGO Carbon War Room. From 2008 to 2010, Mr. Cameron served as Vice President, Strategy and Planning for Teekay Marine Services, Teekay Corporation's internal ship management function. Mr. Cameron spent 11 years at sea rising to the rank of Chief Engineer with Safmarine and later AP Moller, including time served onboard bulk carriers, salvage tugs, tankers, general cargo, reefer and container ships. Mr. Cameron has held a number of senior management roles ashore specializing in integrating acquisitions covering all facets of ship management, as well as sale and purchase, newbuilding supervision, personnel management, procurement, fleet management and technical supervision.



**Mr. Paul Tivnan**  
Senior Vice President, Chief  
Financial Officer, Secretary  
and Treasurer

Paul Tivnan is Ardmore's Senior Vice President, Chief Financial Officer, Secretary and Treasurer. Mr. Tivnan joined Ardmore in June 2010 and was appointed Chief Financial Officer in December 2012. From 2002 to 2010, he was employed at Ernst & Young in the Financial Services Advisory department specializing in international tax and corporate structuring. He was a participant in Ernst & Young's Accelerated Leadership Program from 2008 to 2010. Mr. Tivnan holds a BA in Accounting and Finance and an MBS in Accounting each from Dublin City University. He is a graduate of Insead and London Business School Executive Leadership programs, a Fellow of the Institute of Chartered Accountants of Ireland, an Associate of the Irish Taxation Institute and a member of the Institute of Chartered Shipbrokers.



**Mr. Gernot Ruppelt**  
Senior Vice President  
and Chief Commercial Officer

Gernot Ruppelt is Ardmore's Chief Commercial Officer and Senior Vice President. Mr. Ruppelt has been in charge of Ardmore's commercial activities since joining as Chartering Director in 2013, and was promoted to his current position in December 2014. Mr. Ruppelt has extensive management and commercial experience in the maritime industry. Prior to Ardmore he had been a Projects Broker with Poten & Partners in New York for five years and, for seven years before that, Mr. Ruppelt worked for Maersk Broker and A.P. Moller — Maersk in Copenhagen, Singapore and Germany. Mr. Ruppelt is a director of Anglo Ardmore Ship Management Limited. He also represents Ardmore at the INTERTANKO Council and as Chairman of their Commercial & Markets Committee. Mr. Ruppelt completed the two-year 'Maersk International Shipping Education' program and graduated from Hamburg Shipping School. He is also a member of the Institute of Chartered Shipbrokers in London.







# OUR FLEET

Ardmore Shipping operates a fleet of high-quality, modern product and chemical tankers.

Built at top-tier yards in Japan and South Korea, Ardmore's fleet incorporates optimized "Eco" hull, engine, and propeller design modifications to improve fuel efficiency and reduce our carbon footprint. Ardmore currently has a combined fleet of 25 Eco-Design and Eco-Mod product and chemical tankers trading globally.



## **Eco-Design MRs: 15**



Medium Range product tankers are the workhorses of the world product tanker fleet, carrying a wide range of petroleum products, easy chemicals, and edible oils across a diverse set of seaborne trade routes. Our Eco-Design vessels were built in 2013 or later, with latest hull form, engine designs and energy saving devices to optimize fuel efficiency and reduce carbon emissions.

## **Eco-Mod MRs: 4**



Our Eco-Mod product tankers were built in 2006 - 2008, and have undergone modifications to engine and propeller design to optimize fuel efficiency and reduce carbon emissions.

## **Eco-Design Product/Chemical Tankers: 6**



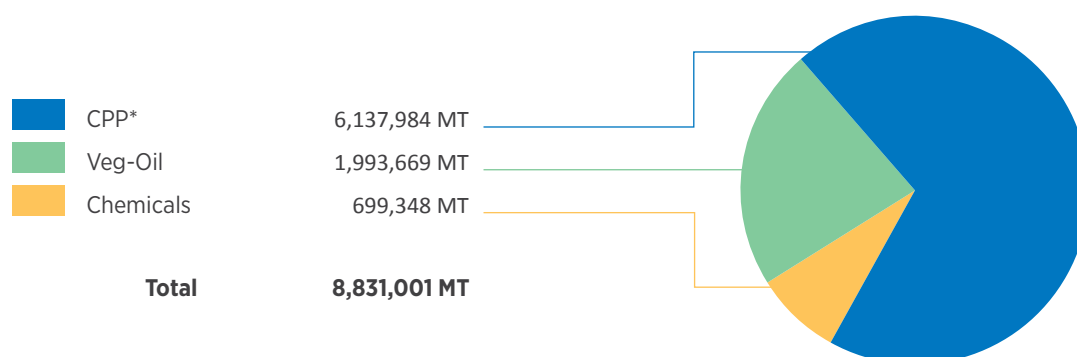
Our 37,000 dwt and 25,000 dwt chemical tankers have 14 tank segregations, full IMO 2 notation and average tank size of less than 3,000 cbm<sup>3</sup> allowing them to carry a wider range of smaller parcel chemicals, as well as to participate in petroleum product trades. Our Eco-Design chemical tankers trade globally in refined products, commodity chemicals and edible oils.



Vessel Name*	Type	Dwt	IMO	Constructed	Country	Flag	Specification
Ardmore Seavaliant	Product/Chemical	49,998	2/3	Feb-13	Korea	MI	Eco-Design
Ardmore Seaventure	Product/Chemical	49,998	2/3	Jun-13	Korea	MI	Eco-Design
Ardmore Seavantage	Product/Chemical	49,997	2/3	Jan-14	Korea	MI	Eco-Design
Ardmore Seavanguard	Product/Chemical	49,998	2/3	Feb-14	Korea	MI	Eco-Design
Ardmore Sealion	Product/Chemical	49,999	2/3	May-15	Korea	MI	Eco-Design
Ardmore Seafox	Product/Chemical	49,999	2/3	Jun-15	Korea	MI	Eco-Design
Ardmore Seawolf	Product/Chemical	49,999	2/3	Aug-15	Korea	MI	Eco-Design
Ardmore Seahawk	Product/Chemical	49,999	2/3	Nov-15	Korea	MI	Eco-Design
Ardmore Endeavour	Product/Chemical	49,997	2/3	Jul-13	Korea	MI	Eco-Design
Ardmore Enterprise	Product/Chemical	49,453	2/3	Sep-13	Korea	MI	Eco-Design
Ardmore Endurance	Product/Chemical	49,466	2/3	Dec-13	Korea	MI	Eco-Design
Ardmore Encounter	Product/Chemical	49,478	2/3	Jan-14	Korea	MI	Eco-Design
Ardmore Explorer	Product/Chemical	49,494	2/3	Jan-14	Korea	MI	Eco-Design
Ardmore Exporter	Product/Chemical	49,466	2/3	Feb-14	Korea	MI	Eco-Design
Ardmore Engineer	Product/Chemical	49,420	2/3	Mar-14	Korea	MI	Eco-Design
Ardmore Seamariner	Product/Chemical	45,726	3	Oct-06	Japan	MI	Eco-Mod
Ardmore Sealancer	Product	47,451	—	Jun-08	Japan	MI	Eco-Mod
Ardmore Sealeader	Product	47,463	—	Aug-08	Japan	MI	Eco-Mod
Ardmore Sealifter	Product	47,472	—	Jun-08	Japan	MI	Eco-Mod
Ardmore Dauntless	Product/Chemical	37,764	2	Feb-15	Japan	MI	Eco-Design
Ardmore Defender	Product/Chemical	37,791	2	Feb-15	Japan	MI	Eco-Design
Ardmore Cherokee	Product/Chemical	25,215	2	Jan-15	Japan	MI	Eco-Design
Ardmore Cheyenne	Product/Chemical	25,217	2	Mar-15	Japan	MI	Eco-Design
Ardmore Chinook	Product/Chemical	25,217	2	Jul-15	Japan	MI	Eco-Design
Ardmore Chippewa	Product/Chemical	25,217	2	Nov-15	Japan	MI	Eco-Design

\*Fleet list as at March 31, 2020

## CARGOES CARRIED IN 2019



\*Clean Petroleum Products

# ARDMORE'S ROLE

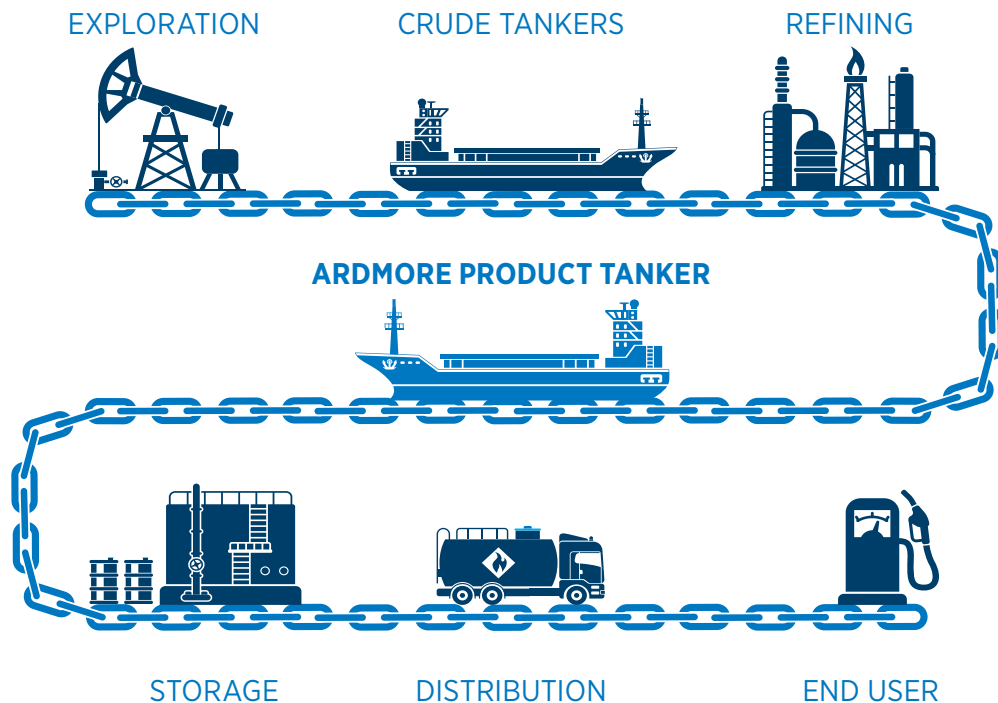
## IN THE OIL VALUE CHAIN

The global oil industry includes a range of activities which contribute to the transformation of petroleum resources into finished petroleum products for industrial and retail customers. The crude oil value chain begins with the exploration and production of petroleum reserves. After extraction, unrefined, or "crude" oil is transported from producing regions to refining centers by a combination of crude oil tankers, pipelines, trucking and rail. At refining centers crude oil is distilled, converted, and blended into finished

petroleum products for distribution. Ardmore is primarily involved in the transportation of refined, or "clean" petroleum products from refining centers to the end users.

In 2019, 69.5% of Ardmore's cargo by volume was generated from clean petroleum product transportation. Ardmore's integrated operating platform, with in-house technical and commercial management, enhances responsiveness to customers' demands and enables us to deliver a high-quality service offering.

# OIL VALUE CHAIN







**ARDMORE**

FPT/FU



# ENVIRONMENTAL, SOCIAL & GOVERNANCE (“ESG”)

The purpose of this section is to provide the readers with a structured analytical view on how Ardmore is doing in areas beyond pure economic returns, categorized into environmental, social and governance factors.

We have aligned these factors, where possible, with the 17 UN Sustainable Development Goals (SDGs), which were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.

An increasingly large group of investors and other stakeholders care about these matters very deeply and want to use their investment and business decisions to effect long-term positive change. At Ardmore, we believe that performance and progress are integral, and therefore these initiatives are vital for our business success as well as making our contribution toward global sustainability.





GENERAL	2017	2018	2019
Number of vessels in operation at year end	27	28	25
Number of vessel months	320.2	326.3	299.2
Distance travelled (million nautical miles)	1.48	1.60	1.47
Cargo volume carried (million metric tonnes)	9.74	9.65	8.48
Revenue (US\$ million)	195.94	210.18	230.04

Ardmore was the first US listed shipping company to report carbon emissions for its fleet on a quarterly basis during 2019; we believe that a commitment to increased transparency by companies such as Ardmore will play an important role in encouraging positive and sensible legislative change toward reducing greenhouse gas (“GHG”) emissions from the shipping industry.

CARBON EMISSIONS <sup>(1)</sup>	1Q19	2Q19	3Q19	4Q19	2019
<i>Number of vessels in operation (at period end)</i>	26	25	25	25	25
<i>Fleet average age</i>	6.00	5.90	6.20	6.40	6.40
<i>CO2 emissions generated in metric tonnes</i>	96,819	112,346	115,169	98,650	422,984
<i>Annual Efficiency Ratio (“AER”) (gCO2/dwt-nm) <sup>(2)</sup></i>					
Fleet	6.59	6.08	6.24	6.46	6.41
MR eco-design	6.81	5.71	5.72	6.20	6.11
MR eco-mod	6.08	6.18	6.90	6.05	6.30
Chemical	8.31	7.72	8.46	8.08	8.14
<i>Energy Efficiency Operational Indicator (“EEOI”) (g/ctm) <sup>(3)</sup></i>					
Fleet	13.79	12.10	12.57	12.92	12.84
MR eco-design	14.12	11.33	11.37	13.33	12.54
MR eco-mod	13.49	13.24	12.24	12.96	12.98
Chemical	12.34	14.00	16.48	11.84	13.66

(1) Ardmore’s emissions data is based on the reporting tools and information reasonably available to Ardmore and its applicable third-party technical managers. Management assesses such data and may adjust and restate the data to reflect latest information

(2) AER is a measure of carbon efficiency using the parameters of fuel consumption, distance travelled, and design deadweight tonnage (“DWT”). AER is reported in unit grams of CO2 per tonne-mile (gCO2/dwt-nm). It is calculated by dividing (i) mass of fuel consumed by fuel type converted to grams of CO2 by (ii) the product of DWT multiplied by distance travelled in nautical miles

(3) EEOI is a tool for measuring the CO2 gas emissions in a given time period per unit of transport work performed. It is calculated by dividing (i) mass of fuel consumed by fuel type converted to grams of CO2 by (ii) the product of cargo volume carried in tonnes multiplied by laden voyage distance in nautical miles. This calculation is performed as per IMO MEPC.1/Circ684

ENVIRONMENTAL	2017	2018	2019
<i>Bunkers purchased (metric tonnes) <sup>(4)</sup></i>			
HSFO	95,242	102,768	101,373
MGO	15,631	20,654	16,972
VLSFO	N/A	N/A	9,837
<i>Bunkers consumed (metric tonnes) <sup>(4)</sup></i>			
HSFO	95,961	109,085	123,591
MGO	16,506	22,286	18,229
<i>Waste (m3/month/ship)</i>			
Bilge Water disposal	21.59	19.27	14.78
Sludge disposal	1.60	1.63	1.37
Sludge incinerated	3.29	3.08	3.40
Garbage landed	2.54	2.62	2.84
<i>Fresh water (m3/day/ship) <sup>(5)</sup></i>			
Production	15.23	14.89	14.31
Consumption	7.26	6.99	6.76
<i>Marpol pollution incidents of fleet</i>			
	0	0	0
<i>Office Emissions <sup>(6)</sup></i>			
Office LEED rating <sup>(7)</sup>	Gold	Gold	Gold
Electricity used (kWh)	73,300	79,900	74,550
Generated CO2 emissions (metric tonnes)	24.92	27.17	25.35
Number of office employees <sup>(8)</sup>	33	35	38
CO2 emissions per office employee (metric tonnes)	0.76	0.78	0.67
<i>Flight emissions per shore-based employee (tonnes) <sup>(8)</sup></i>			
	N/A	N/A	5,196
Air travel	N/A	N/A	1,235,898
Number of flights	N/A	N/A	369
CO2 emissions (tonnes)	N/A	N/A	213,049

(4) Environmental fleet data is based on the vessels operating in the Ardmore MR pool. Ardmore had eight ships operating in a third-party pool in 2017 and 2018, which are not included in the numbers presented here. The first four were redelivered to Ardmore MR Pool in March 2018, while the final four were redelivered in August 2018

(5) Fresh water produced and consumed on board our vessels

(6) Data only for Head Office in Cork, Ireland

(7) "LEED" (Leadership in Energy & Environmental Design) is the US Green Building Council's building rating certification program that recognizes best-in-class Green building strategies and practices

(8) Ardmore Shipping employees for Head Office only









## Policies & Alliances

- Clear and obvious management commitment to efficiency improvements, which are strongly aligned to environmental improvements
- Ardmore has an energy efficiency management policy in place since 2012; includes initiatives on air conditioning, energy efficient appliances, weather routing, etc.
- Ardmore ensures that operating policies and procedures are in place with the primary objective of zero oil pollution incidents
- Sustainable and green technology projects being worked on with partners to create a pathway to carbon negative shipping
- Ardmore holds suppliers and service providers to environmental standards that support our initiatives
- Volatile Organic Compound control plan or Vapor Emission Control System in place for all vessels
- We support the IMO adopted 'Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships'
- Member of:
  - Getting to Zero Coalition; program established by Global Maritime Forum focused on accelerating maritime shipping's decarbonization
  - The Trident Alliance; focused on effective enforcement of marine sulfur regulations
  - International Chamber of Shipping; represents shipowners and operators, with a focus point on all technical, legal, employment affairs and policy issues that may affect international shipping
  - International Parcel Tankers Association; a focal point through which regulatory authorities, charterers and trade organisations may liaise with IMO classified and product tanker owners
  - INTERTANKO; a trade association that serves as a voice for independent tanker owners
  - Lloyd's Register Marine & Shipping Committee; a classification organization
  - American Bureau of Shipping Council; a classification organization



## Key Disclosures & Awards

- Environmental metrics tracked and monitored; metrics disclosed in this annual report and our website
- Reporting of carbon emissions for fleet on a quarterly basis
- Ardmore fleet received the Port of Long Beach Green Environmental Achievement Award in recognition of the fleet's excellent performance with the voluntary speed reduction program
- Participate in 'Right Whale Corporate Responsibility Programme' (as recognised by US Department of Commerce) where companies agree to speed restrictions when traversing the migration paths of whales



## Compliance

- All ships built 2013 onwards are compliant with IMO EEDI requirements and Ship Energy Efficiency Plan (SEEMP) requirements; enforce fuel efficiency and consequently emission reductions (both GHG and non-GHG)
- Compliant with the requirements of IMO 2020 (Marpol Annex VI)
- Compliant with mandatory reporting of CO2 emissions per EU MRV and IMO regulatory requirements (Marpol Annex VI DCS)
- Inventory of Hazardous Materials legislation will be implemented on each vessel by the enforcement date of December 31, 2020
- All vessels are compliant with the requirements of the IMO Ballast Water Management Convention
- Follow international guidelines for disposal of electronic waste







## Environmental Enhancement Programmes and Practices

- Modern, highly fuel-efficient fleet of MRs with an average age of 6.7 years<sup>(9)</sup>
- Demonstrate environmental awareness leadership both internally and externally (Ardmore seafarers conferences: moderator and participants at external forums on ESG)
- Deploy variable speed frequency controls on large engine room pumps to reduce energy output
- Implement various ship modifications, including energy saving devices (e.g. Mewis Duct, PBCF & Rudder Bulbs)
- Transition to LED lighting at shore and on sea to reduce energy consumption
- Proactive monitoring of hull and propeller condition allowing for cleaning regimes, which result in lower fuel consumption and emissions
- All Ardmore tank cleaning chemical providers are IMO approved
  - Chemicals are bio-degradable and non-toxic to human health and the marine environment
  - The tank cleaning equipment and chemicals in use are designed to minimize the use of freshwater
  - Effective tank cleaning chemicals reduce tank cleaning time, leading to reduced fuel consumption and emissions
- Five year anti-fouling hull coating as standard, reducing the energy requirement for re-coating every three years
- All paint suppliers are ISO approved
- Onboard water filtration system installed to discourage the use of single use plastic (e.g. mineral water bottles)
- Super slow steaming strategy in place, when appropriate; reduces fuel consumption and emission levels
- Emphasis on utilization of web conferencing; minimizes travel related emissions
- Separate waste collections for shore-based offices and ships; garbage management plan in place for segregation and disposal of waste
- Head Office has Gold “LEED” (Leadership in Energy & Environmental Design) certification; certification program that recognizes best-in-class “Green” building strategies and practices
- Voluntary speed reduction in local waters in line with South Korean initiative to improve air quality at its ports
- Utilization of performance management systems which allow for proactive controls and monitoring by ship staff of engine power, leading to reduced fuel consumption and emissions
- Implementation of trim optimisation on all vessels when applicable, which reduces fuel consumption and emissions
- Utilization of dedicated weather routing service, which allows for maximised route optimisation and safe passage of our vessels during heavy weather
- Our technical managers are ISO compliant with management, environmental and safety requirements



(9) Average age of fleet calculated as at March 31, 2020

SOCIAL	2017	2018	2019
<i>Shore-based staff</i> <sup>(10)</sup>	47	51	53
<i>Shore staff nationalities</i>	10	10	10
<i>Shore staff by nationality (%)</i> <sup>(10)</sup>			
Irish	38%	41%	53%
Singaporean	26%	22%	21%
American	11%	8%	6%
United Kingdom	6%	10%	6%
Indian	4%	4%	4%
Romanian	4%	4%	4%
German	2%	2%	2%
Spanish	4%	4%	2%
Other	4%	6%	4%
<i>Shore staff by geographical location (%)</i> <sup>(10)</sup>			
Europe	70%	75%	70%
America	4%	2%	4%
Asia	26%	24%	26%
<i>Shore staff retention (%)</i> <sup>(10)</sup>			
	83%	84%	92%
<i>Women in workforce (%)</i> <sup>(10)</sup>			
Europe	53%	53%	50%
America	100%	100%	50%
Asia	58%	58%	69%
<i>Number of seafarers</i> <sup>(11)</sup>			
	1,088	1,106	1,054
<i>Seafarers by nationality (%)</i>			
Indian	68.3%	70.6%	71.2%
Filipino	21.0%	20.6%	20.1%
European	7.0%	5.3%	5.2%
Chinese	2.9%	3.2%	3.1%
Other	0.7%	0.4%	0.3%
<i>Seafarers retention (%)</i> <sup>(12)</sup>			
Officers	98.6%	95.6%	96.3%
Overall	98.2%	95.7%	96.3%

(10) This relates to Ardmore Shipping worldwide shore staff (excludes employees of Anglo Ardmore joint venture). Regional view highlights female representation of each office.

(11) Our seafarer's are employed by our technical managers

(12) Retention rate relates to permanent full-time staff that are retained







## Diversity

- Founding member of the 'Maritime Diversity Study Group'; champions diversity and inclusion in all forms in shipping
- Completed company wide diversity study; results shared with Board for consideration
- Diversified board; cross industry experience with mix of genders
- 8% of our cadets are female. This is a dramatic and positive contrast to the industry norm where in 2019 just 1% of all seafarers were female <sup>(13)</sup>
- Participants at Singapore's 'First Women in Shipping' summit
- Speaker at IMO's 'Empowering Women in Maritime' conference
- Equal opportunities employer with multi-national employee base



## Health & Safety

- Ardmore quarterly safety champion award for seafarers who implement enhanced safety initiatives and practices
- Best practice standards in relation to seafarer safety and security
- Current high risk areas are monitored on a daily basis, to ensure safety of our employees remains a top priority at all times
- Near miss reporting to ensure that hazards are properly and proactively identified and controlled
- A culture of a safety mindset is promoted from all levels of organisation between all employees
- Medical assistance available to all staff, both at sea and on shore
- Ardmore complies with requirements of the IMO's Standards of Training, Certification and Watchkeeping for Seafarers (STCW), which includes sufficient hours of rest, training on safety, and other matters
- Our vessels are inspected regularly by members of the Oil Companies International Marine Forum, which focuses exclusively on promoting safety and preventing harm to people and the environment by promoting best practices in the design, construction and operation of tankers
- Through our chosen vessel flag (Marshall Islands), we are Qualship 21 recipients; US Coast Guard award for commitment to safety and quality
- Ardmore actively solicits input from our commercial and technical partners on the development, implementation, and improvement of our health, safety and quality programmes
- Ardmore holds every employee accountable for the safety of themselves and their fellow workers and for the quality of their own work
- Ardmore operates to a standard that meets or exceeds the most demanding criteria set by our customers and industry regulators
- Travel Insurance policy in place for all employees who are obliged to travel for work
- Group personal accident insurance policy in place for all employees
- For emergency situations, Ardmore has an emergency response protocol
- Our technical managers are ISO 18001 compliant; international standards that specify requirements for health and safety management system
- Compliant with Safety of Life at Sea (SOLAS)



(13) Reference BIMCO data for 2019



## Labour & Employee Programs

- Ardmore's technical managers operate under the Maritime Labour Convention (MLC), which sets out seafarers rights to appropriate conditions of employment
- Regular informative engagement with seafarers through seafarers conferences, Ardmore Standard (internal newspaper), social media, WhatsApp safety group, internal commercial bulletin
- Active mentorship programme available to shore-based employees and seafarers mentored in an informal basis by superiors
- Personal performance management initiatives for all seafarers and shore employees, including structured formal promotion process
- Formal rewards program for outstanding performance
- Proactive seafarer wellness campaigns including regular renewal of gym equipment and entertainment systems on board ships
- High seafarer wellness standards; individual bathrooms, fleet internet available, accommodating of family needs, on-time relief and management of contract term
- Continuity of senior officers through back-to-back rotations
- All seafarers have direct connectivity with their families (access to satellite data connection with free access to mobile phone for family emergencies and during 'World Mental Health Day'), including annual personal recognition of the families of senior crew
- 24/7 support line available to seafarers for employee well being
- Employee Assistance Policy; a counselling programme available to shore staff which assists in the identification and resolution of employee concerns using qualified external professionals
- Direct support and intervention during regional disasters affecting our seafarers or office employees globally
- Professional Development Programs in place for all shore-based staff
- Regular health checks and progressive employee support policies promoting a healthy mind and healthy body concept
- A philosophy and practice of 'Giving Back' in the communities in which we live, work and employ (e.g. Beach Clean, SVP Giving Tree, Right Whale Corporate Responsibility Program)
- Progressive maternity and paternity leave policy in place (approx. 50% of shore-based employees are women)
- Progressive remuneration package, geared towards total compensation policy
- Regular employee feedback via formal and informal anonymous surveys to facilitate Company improvements
- Ardmore endeavours to sustain an atmosphere that encourages active leadership, open communication, innovation, and continuous improvement among its sea and shore employees
- Ardmore places great emphasis on work/life balance, often facilitating work from home and flexible work hour arrangements
- Study leave policy in place for employees who are undertaking exams
- Ardmore facilitates internship programmes with colleges worldwide
- Informal and formal procedures are in place should an employee experience or observe any unwanted conduct
- Association of Chartered Certified Accountants ("ACCA") approved employer - Gold Certificate<sup>(14)</sup>
- Regionally appropriate pension scheme with a company contribution



(14) As an approved employer we have the option to allow our ACCA students exemption from completion of the nine Performance Objectives required for membership, which gives the student more time to concentrate on their work and helps them to achieve ACCA membership more quickly and easily



# GOVERNANCE

GOVERNANCE	2017	2018	2019
<i>Injury frequency (TRCF) (per million man hours) <sup>(15)</sup></i>	1.06	2.23	3.02
<i>Injury frequency (LTIF) (per million man hours) <sup>(15)</sup></i>	0.35	0.93	1.21
<i>Crew fatalities <sup>(16)</sup></i>			
Work related	0	0	0
Non-work related	0	2	0
Deficiencies per PSC inspection	0.15	0.39	0.19
Zero deficiency rate in PSC (%)	90%	84%	88%
Number of near miss reports <sup>(17)</sup>	2,393	2,334	947
Navigational accidents <sup>(18)</sup>	0	0	2
Seafarer/officer training seminars <sup>(19)</sup>	1	2	2
Ships per safety/training manager	9.75	9.5	8.5
Officer cadets per ship	1.15	0.96	1.08
Bunker suppliers	42	40	40
Bunker brokers	2	2	3
Proven cases of corruption	0	0	0

*(15) TRCF = Total Recordable Case Frequency; LTIF = Lost Time Injury Frequency*

*(16) Regrettably two crew members died from non-work related activities while on board our vessels in 2018*

*(17) Drop in number of near misses in 2019 is primarily due to a change in reporting procedures adopted by our technical managers, which is in line with recommendations of oil majors*

*(18) We had two navigational accidents in 2019. One of our vessels was grounded while transiting the Suez Canal and another made contact with a dolphin upon berthing at Davao, the Philippines. Neither incident resulted in any hull breach, injury or pollution*

*(19) Our seafarer's seminars are run in conjunction with our technical managers*





## Board Independence, Composition & Policies

- Independent board leader (i.e. separate Chair & CEO)
- Majority independent directors; CEO the only non-independent director
- Each board member is elected for a three-year term; there is no term limit
- Board members participate in executive sessions
- Board is currently made up of five males and two females<sup>(20)</sup>
- Board age varies from 52 - 75 years of age
- Directors on average hold seats on one public company board other than Ardmore
- Every common share has one vote
- In addition to the Board of Directors, there are a number of sub-committees in place: (i) Audit Committee, (ii) Compensation Committee, (iii) Nomination and Corporate Governance Committee. Compensation for senior management is reviewed and approved by the Compensation Committee
- Audit committee responsibilities include overseeing the hiring of the external auditor, overseeing the quality of financial reporting and disclosures, management's assessment of any significant matters, considering the potential impact on financial reporting and need for corrective action
- Ranked in top tier of US listed public shipping companies for corporate governance by Webber Research and Advisory LLC<sup>(21)</sup>
- Ardmore has no related party transactions; including no such commercial management or sale and purchase transactions; it does have a 50/50 joint venture in place with Anglo Eastern for technical ship management services



## Policies and Compliance

- Code of conduct in place; it emphasizes that every individual is responsible for maintaining an ethical environment and reporting any ethical breaches to the CEO, COO or CFO. In the event that a reportable incident involves the CEO, COO or CFO, or a confidential report, communication will be sent directly to the email address of the Chair of the Audit Committee
- Bullying and harassment policy is included in our employee handbook
- At a minimum, annual anti-corruption training courses are completed by all shore-based staff and all officers on board our ships
- Whistleblower policy communicated to all employees through the Employee Handbook; outlines that employees should report any incidents to the CEO, COO, CFO or Audit Committee Chairman
- Long-time member of Maritime Anti-Corruption Network (MACN)
- Ardmore maintains compliance with all applicable sanctions, embargo laws and regulations
- Ardmore has adopted and implemented an insider trading policy with respect to the trading of its securities, as well as the securities of publicly traded companies with whom we have a business relationship
- 'DA Desk' manages our port disbursements in compliance with industry best practises
- IT security infrastructure and protocols in place (e.g. SOX controls, cyber security, encryption.)
- Our technical managers are ISO 9001 compliant; international standards on quality management and quality assurance



<sup>(20)</sup> Male representation on the Board will reduce to four after the 2020 shareholders' meeting

<sup>(21)</sup> Ranked number one for both product tanker companies and foreign private issuers



# ARDMORE SHIPPING CORPORATION

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69 Pitts Bay Road,  
Ground Floor,  
Pembroke, HM08,  
Bermuda  
Tel: +1 441 405 7800  
info@ardmoreshipping.com  
www.ardmoreshipping.com

## Stock Listing

Ardmore Shipping Corporation's common stock is traded on the New York Stock Exchange under the ticker "ASC".

## Transfer Agent

Computershare Inc.  
P.O. Box 505000  
Louisville, KY 40233-5000  
USA  
Tel: +1 877 373 6374

## Auditors

Deloitte & Touche LLP  
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## Investor Relations

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A large cargo ship is shown from a high-angle perspective, moving from the bottom left towards the center of the frame. The ship's deck is visible, showing various structures and equipment. The sea is characterized by small, choppy waves, and the sky is overcast with grey clouds. The overall scene conveys a sense of maritime activity and resilience.

FORM

20-F

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 20-F**

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**  
OR

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended **December 31, 2019**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

OR

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
Date of event requiring this shell company report \_\_\_\_\_  
Commission file number: 001-36028

**ARDMORE SHIPPING CORPORATION**

(Exact name of Registrant as specified in its charter)

**Republic of the Marshall Islands**

(Jurisdiction of incorporation or organization)

**Belvedere Building, 69 Pitts Bay Road, Ground Floor, Pembroke, HM08, Bermuda**  
(Address of principal executive offices)

**Mr. Anthony Gurnee**

**Belvedere Building, 69 Pitts Bay Road, Ground Floor, Pembroke, HM08, Bermuda**  
**+ 1 441 405-7800**

**info@ardmoreshipping.com**

(Name, Telephone, E-mail and/or Facsimile, and address of Company Contact Person)

Securities registered or to be registered pursuant to section 12(b) of the Act.

Title of each class	Ticker Symbol	Name of each exchange on which registered
Common stock, par value \$0.01 per share	ASC	New York Stock Exchange

Securities registered or to be registered pursuant to section 12(g) of the Act.

**NONE**

(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

**NONE**

(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.  
**As of December 31, 2019, there were 33,097,831 shares of common stock outstanding, par value \$0.01 per share.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See the definitions of "large accelerated filer" and "accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Emerging Growth Company

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

- U.S. GAAP  
 International Financial Reporting Standards as issued by the international Accounting Standards Board  
 Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

- Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No



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## FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are including this cautionary statement in connection with such safe harbor legislation.

This Annual Report and any other written or oral statements made by us or on our behalf may include forward-looking statements which reflect our current views and assumptions with respect to future events and financial performance and are subject to risks and uncertainties. Forward-looking statements include statements concerning plans, objectives, goals, expectations, projections, strategies, beliefs about future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. In some cases, words such as “believe”, “anticipate”, “intends”, “estimate”, “forecast”, “project”, “plan”, “potential”, “will”, “may”, “should”, “expect” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements in this Annual Report include, among others, such matters as

- our future operating or financial results;
- global and regional economic and political conditions;
- the strength of national economies and currencies;
- general market conditions;
- our vessel acquisitions and upgrades, our business strategy and expected capital spending or operating expenses, including bunker prices, drydocking and insurance costs;
- competition in the tanker industry;
- shipping market trends and general market conditions, including fluctuations in charter rates and vessel values and changes in demand for and the supply of tanker vessel capacity;
- business disruptions due to natural disasters or other disasters or events outside of our control;
- the effect of the novel coronavirus pandemic on, among others: oil demand; our business; our financial condition and results of operations, including our cash flows and liquidity; our vessel values and any related impairments; and our ability to satisfy covenants in our credit facilities and financing lease obligations;
- charter counterparty performance;
- changes in governmental rules and regulations or actions taken by regulatory authorities;
- our financial condition and liquidity, including our ability to obtain financing in the future to fund capital expenditures, acquisitions, refinancing of existing indebtedness and other general corporate activities;
- our ability to comply with covenants in financing arrangements;
- our capital structure and how it supports our spot employment strategy and enhances financial and strategic flexibility to pursue vessel acquisition opportunities;
- our exposure to inflation;
- vessel breakdowns and instances of off hire;
- future dividends;
- our ability to enter into fixed-rate charters in the future and our ability to earn income in the spot market;
- our ability to comply with, and the effects of, regulatory requirements or maritime self-regulatory organizations' requirements and the cost of such compliance; and



- our expectations of the availability of vessels to purchase, the time it may take to construct new vessels, and vessels' useful lives.

Many of these statements are based on our assumptions about factors that are beyond our ability to control or predict and are subject to risks and uncertainties that are described more fully under the "Risk Factors" section of this Annual Report. Any of these factors or a combination of these factors could materially affect our business, results of operations and financial condition and the ultimate accuracy of the forward-looking statements. Factors that might cause future results to differ include, among others, the following:

- changes in demand for and the supply of tanker vessel capacity;
- fluctuations in oil prices;
- changes in the markets in which we operate;
- availability of financing and refinancing;
- changes in general domestic and international political and trade conditions, including tariffs;
- changes in governmental or maritime self-regulatory organizations' rules and regulations or actions taken by regulatory authorities;
- changes in economic and competitive conditions affecting our business, including market fluctuations in charter rates;
- potential disruption of shipping routes due to accidents, piracy or political events;
- potential liability from future litigation and potential costs due to environmental damage and vessel collisions;
- the length and number of off-hire periods and dependence on third-party managers; and
- other factors discussed under the "Risk Factors" section of this Annual Report.

You should not place undue reliance on forward-looking statements contained in this Annual Report, because they are statements about events that are not certain to occur as described or at all. All forward-looking statements in this Annual Report are qualified in their entirety by the cautionary statements contained in this Annual Report. These forward-looking statements are not guarantees of our future performance, and actual results and future developments may vary materially from those projected in the forward-looking statements.

Except to the extent required by applicable law or regulation, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date of this Annual Report or to reflect the occurrence of unanticipated events.

## PART I

### Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

### Item 2. Offer Statistics and Expected Timetable

Not applicable.

### Item 3. Key Information

*Unless the context otherwise requires, when used in this Annual Report, the terms “Ardmore”, “Ardmore Shipping”, the “Company”, “we”, “our”, and “us” refer to Ardmore Shipping Corporation and our consolidated subsidiaries, except that those terms, when used in this Annual Report in connection with our common shares, shall mean specifically Ardmore Shipping Corporation. The financial information included in this Annual Report represents our financial information and the operations of our vessel-owning subsidiaries and wholly owned management company. Unless otherwise indicated, all references to “dollars”, “U.S. dollars” and “\$” in this annual report are to the lawful currency of the United States. Our consolidated financial statements are prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”). We use the term deadweight tons, or dwt, expressed in metric tons, each of which is equivalent to 1,000 kilograms, in describing the size of tankers.*

#### A. Selected Financial Data

The following table sets forth our selected consolidated financial data and other operating data. The selected financial data as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 are derived from our audited consolidated financial statements, which are included elsewhere in this Annual Report. The selected consolidated financial data set forth below as at December 31, 2017, 2016 and 2015 and for the years ended December 31, 2016 and 2015 have been derived from our audited consolidated financial statements, which are not included in this Annual Report. The financial statements have been prepared in accordance with U.S. GAAP. The data set forth below should be read in conjunction with “Item 5. Operating and Financial Review and Prospects.”

#### STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME DATA

	For the years ended December 31				
	2019	2018	2017	2016	2015
Revenue, net . . . . .	\$230,042,240	210,179,181	195,935,392	164,403,938	157,882,259
Voyage expenses <sup>(1)</sup> . . . . .	(96,056,391)	(98,142,454)	(72,737,902)	(37,121,398)	(30,137,173)
Vessel operating expenses . . . . .	(62,546,606)	(67,017,632)	(62,890,401)	(56,399,979)	(46,416,510)
Depreciation . . . . .	(32,322,695)	(35,137,880)	(34,271,091)	(30,091,237)	(24,157,022)
Amortization of deferred drydock expenditures . . . . .	(4,803,069)	(3,637,276)	(2,924,031)	(2,715,109)	(2,120,974)
General and administrative expenses:					
Corporate . . . . .	(14,951,996)	(12,626,373)	(11,979,017)	(12,055,725)	(10,418,876)
Commercial and chartering <sup>(2)</sup> . . . . .	(3,194,218)	(3,233,888)	(2,619,748)	(2,021,487)	(329,746)
Loss on sale of vessels . . . . .	(13,162,192)	—	—	(2,601,148)	—
Loss on vessel held for sale . . . . .	—	(6,360,813)	—	—	—
Interest expense and finance costs . . . . .	(26,759,754)	(27,405,608)	(21,380,165)	(17,754,118)	(12,282,704)
Interest income . . . . .	952,190	606,665	436,195	164,629	15,571
<b>(Loss)/income before taxes . . . . .</b>	<b>(22,802,491)</b>	<b>(42,776,078)</b>	<b>(12,430,768)</b>	<b>3,808,366</b>	<b>32,034,825</b>
Income tax . . . . .	(58,766)	(162,923)	(59,567)	(60,434)	(79,860)
<b>Net (loss)/income and comprehensive (loss)/income</b>	<b>\$ (22,861,257)</b>	<b>(42,939,001)</b>	<b>(12,490,335)</b>	<b>3,747,932</b>	<b>31,954,965</b>
Net (loss)/earnings per share, basic and diluted . . . . .	\$ (0.69)	(1.31)	(0.37)	0.12	1.23
Weighted average number of common shares outstanding, basic and diluted . . . . .	33,097,831	32,837,866	33,441,879	30,141,891	26,059,122



BALANCE SHEET DATA	As at December 31				
	2019	2018	2017	2016	2015
Cash and cash equivalents . . . . .	\$ 51,723,107	56,903,038	39,457,407	55,952,873	40,109,382
Vessels and vessel equipment, net of accumulated depreciation . . . . .	\$660,823,330	721,492,473	751,816,840	785,461,415	658,628,933
Deferred drydock expenditures, net of accumulated amortization . . . . .	\$ 7,668,711	7,127,364	4,118,168	3,232,293	3,730,374
Ballast water treatment systems, installation in progress . . . . .	\$ 384,408	528,774	—	—	—
Total assets . . . . .	\$772,438,430	844,759,801	845,539,989	883,642,723	778,197,608
Debt obligations . . . . .	207,283,013	228,354,248	404,423,570	453,213,106	388,242,404
Finance lease obligations . . . . .	\$215,679,694	241,476,098	42,494,019	9,130,650	26,771,911
Total stockholders' equity . . . . .	\$326,055,768	346,583,934	380,973,760	404,269,799	347,611,278
Paid in capital <sup>(3)</sup> . . . . .	\$401,842,777	399,509,686	390,541,689	401,347,393	337,211,121
Accumulated (deficit)/surplus . . . . .	\$(75,787,009)	(52,925,752)	(9,567,929)	2,922,406	10,400,157

CASH FLOW DATA	For the years ended December 31				
	2019	2018	2017	2016	2015
Net cash provided by operating activities . . . . .	\$ 20,471,260	9,426,377	18,416,228	42,634,500	37,659,686
Net cash provided by/(used in) investing activities . . . . .	\$ 23,894,165	(17,556,879)	(2,282,251)	(122,311,231)	(232,849,734)
Net cash (used in)/provided by financing activities . . . . .	\$(49,545,356)	25,576,133	(32,629,443)	95,520,221	175,419,834

FLEET OPERATING DATA	For the years ended December 31				
	2019	2018	2017	2016	2015
<b>Time Charter Equivalent<sup>(4)</sup></b>					
MR Tankers "Eco-design" . . . . .	\$ 15,781	11,406	12,902	15,098	19,149
MR Tankers "Eco-mod" . . . . .	\$ 14,062	11,916	12,975	14,318	20,223
Chemical Tankers "Eco-design" . . . . .	\$ 12,420	11,406	11,949	15,395	17,507
Chemical Tankers "Eco-mod" . . . . .	\$ —	—	—	11,839	13,417
Fleet weighted average TCE <sup>(5)</sup> . . . . .	\$ 14,686	11,529	12,709	14,785	18,309
<b>Operating expenditure</b>					
Fleet operating expenses per day <sup>(6)</sup> . . . . .	\$ 6,112	6,042	5,914	6,017	5,976
Technical management fees per day <sup>(7)</sup> . . . . .	\$ 450	414	384	388	357
<b>Total fleet operating costs per day</b> . . . . .	<b>\$ 6,562</b>	<b>6,456</b>	<b>6,298</b>	<b>6,405</b>	<b>6,333</b>
<b>Expenditures for drydock<sup>(8)</sup></b> . . . . .	<b>\$5,387,875</b>	<b>6,599,085</b>	<b>3,809,906</b>	<b>3,099,805</b>	<b>3,314,568</b>
<b>On-hire utilization<sup>(9)</sup></b> . . . . .	<b>99.66%</b>	<b>99.30%</b>	<b>99.61%</b>	<b>99.52%</b>	<b>99.70%</b>

- (1) Voyage expenses are all expenses related to a particular voyage, which include, among other things, bunkers and port/canal costs.
- (2) Commercial and chartering general and administrative expenses are the expenses attributable to our chartering and commercial operations department in connection with our spot trading activities.
- (3) Paid in capital includes common stock, additional paid in capital and treasury stock.
- (4) Time Charter Equivalent ("TCE") daily rate, represents net revenue (revenue less voyage expenses) divided by revenue days. Revenue days are the total number of calendar days the vessels are in our possession less off-hire days generally associated with drydocking or repairs, and idle days associated with repositioning of vessels held for sale. Net revenue utilized to calculate TCE is determined on a discharge to discharge basis, which is different from how we record revenue under U.S. GAAP. Under discharge to discharge, revenue is recognized beginning from the discharge of cargo from the prior voyage to the anticipated discharge of cargo in the current voyage, and voyage expenses are recognized as incurred.

- (5) Fleet weighted average TCE represents net revenue for the fleet (revenue less voyage expenses) divided by the number of revenue days. Voyage expenses are all expenses related to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls and agency fees.
- (6) Fleet operating expenses per day are routine operating expenses and include crewing, repairs and maintenance, insurance, stores, lube oils and communication costs.
- (7) Technical management fees are paid to third-party technical managers as well as to our 50%-owned joint venture entity, Anglo Ardmores Ship Management Limited, which provides technical management services to some of our vessels.
- (8) Drydock expenditures include, among other things, costs for in-water surveys, represent direct costs that are incurred as part of vessel drydocking to meet regulatory requirements, expenditures during drydocking that add economic life to the vessel, and expenditures during drydocking that increase the vessel's earnings capacity or improve the vessel's operating efficiency.
- (9) On-hire utilization represents revenue days divided by net operating days (i.e. operating days less scheduled off-hire days).

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.



## D. Risk Factors

*Some of the following risks relate principally to the industry in which we operate and to our business in general. Other risks relate principally to the securities market and to ownership of our securities. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results and ability to pay dividends on our shares, or the trading price of our shares.*

### RISKS RELATED TO OUR INDUSTRY

**The tanker industry is cyclical and volatile in terms of charter rates and profitability, which may affect our results of operations.**

The tanker industry is both cyclical and volatile in terms of charter rates and profitability. A prolonged downturn in the tanker industry could adversely affect our ability to charter our vessels or to sell them on the expiration or termination of any charters we may enter into. In addition, the rates payable in respect of any of our vessels operating in a commercial pool, or any renewal or replacement charters that we enter into, may not be sufficient for us to operate our vessels profitably. Fluctuations in charter rates and tanker values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for oil, oil products and chemicals. The factors affecting the supply and demand for tankers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

Factors that influence demand for tanker capacity include:

- supply of and demand for oil, oil products and chemicals;
- regional availability of refining capacity;
- global and regional economic and political conditions;
- the distance oil, oil products and chemicals are to be moved by sea;
- changes in seaborne and other transportation patterns;
- environmental and other legal and regulatory developments;
- weather and natural disasters;
- competition from alternative sources of energy; and
- international sanctions, embargoes, import and export restrictions, nationalizations and wars.

Factors that influence the supply of tanker capacity include:

- the number of newbuilding deliveries;
- the scrapping rate of older vessels;
- conversion of tankers to other uses;
- the price of steel and other raw materials;
- the number of vessels that are out of service; and
- environmental concerns and regulations.

Historically, the tanker markets have been volatile as a result of a variety of conditions and factors that can affect the price, supply and demand for tanker capacity. Demand for transportation of oil products and chemicals over longer distances was significantly reduced during the last economic downturn. More recently, since 2015 high refined product inventory levels, continued supply of new vessels, and low oil price volatility and trading levels contributed to low charter rates in the tanker industry. As at March 15, 2020, none of our vessels were on time charter, and all of our vessels operated in the spot market directly. If charter rates decline, we may be unable to achieve a level of charter hire sufficient for us to operate our vessels profitably or we may have to operate our vessels at a loss.

**Any decrease in spot charter rates in the future or a return of weak spot charter markets may adversely affect our results of operations.**

As at March 15, 2020, all of our vessels operated directly in the spot market. The earnings of these vessels are based on the spot market charter rates of the particular voyage charters.

We may employ in the spot charter market additional vessels that we may acquire in the future. When we employ a vessel in the spot charter market, we generally intend to employ the vessel in the spot market directly. Although spot chartering is common in the tanker industry, the spot charter market may fluctuate significantly based upon tanker and oil product/chemical supply and demand, and there have been periods when spot rates have declined below the operating cost of vessels. The successful operation of our vessels in the competitive spot charter market, including within commercial pools, depends upon, among other things, spot-charter rates and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to pick up cargo. If spot charter rates decline, we may be unable to operate our vessels trading in the spot market profitably or meet our obligations, including payments on indebtedness and finance lease obligations. A decline in spot charter rates may also affect our ability to pay dividends. In addition, as charter rates for spot charters are fixed for a single voyage that may last up to several weeks, during periods in which spot charter rates are rising, we will generally experience delays in realizing the benefits from such increases.

Our ability to enter into any charters in the future on existing vessels or vessels we may acquire, the charter rates payable under any such charters and for employment of our vessels in the spot market and vessel values will depend upon, among other things, economic conditions in the sectors in which our vessels operate at that time, changes in the supply and demand for vessel capacity and changes in the supply and demand for the seaborne transportation of oil and chemical products.

**The novel coronavirus (COVID-19) pandemic is dynamic and currently expanding. The continuation of this outbreak is expected to have, and the emergence of other epidemic or pandemic crises could have, material adverse effects on our business, results of operations, or financial condition.**

The novel coronavirus pandemic is dynamic and expanding, and its ultimate scope, duration and effects are uncertain. We expect that this pandemic will, and that any future epidemic or pandemic crises could, result in direct and indirect adverse effects on the product and chemical tanker industry. Effects of the current pandemic include, or may include, among others:

- deterioration of worldwide, regional or national economic conditions and activity, which could further reduce or prolong the recent significant declines in oil prices, or adversely affect global demand for crude oil and petroleum products, demand for product and chemical tankers, and charter and spot rates;
- disruptions to operations of industry participants as a result of the potential health impact on workforces, including crew;
- business disruptions from, or additional costs related to, new regulations, directives or practices implemented in response to the pandemic, such as travel restrictions for individuals and vessels, hygiene measures (such as quarantining and social distancing) or implementation of remote working arrangements;
- potential delays in (a) the loading and discharging of cargo on or from our vessels, (b) vessel inspections and related certifications by class societies, oil majors or government agencies and (c) maintenance and any repairs or upgrades to, or drydocking of, vessels (or of the delivery of newbuilding vessels), due to quarantine, worker health, regulations or a shortage of required spares;
- reduced cash flow and financial condition, including potential liquidity constraints;
- reduced access to capital as a result of any credit tightening generally or due to continued declines in global financial markets;
- potential decreases in the market values of vessels and related impairment charges;
- potential noncompliance with covenants in our credit facilities and financing lease obligations; and



- potential deterioration in the financial condition and prospects of industry participants.

Although disruption and effects from the novel coronavirus pandemic may be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact on the product and chemical tanker industry and its participants cannot be reasonably estimated at this time, but likely will materially affect our business, results of operations and financial condition.

**Declines in oil prices may adversely affect our growth prospects and results of operations.**

Global crude oil prices fluctuate significantly over time and in response to various events. Crude oil prices have recently fallen as a result of production and pricing dispute between Saudi Arabia and Russia. Any meaningful decrease in oil prices may adversely affect our business, results of operations and financial condition and our ability to service our indebtedness and finance lease obligations and to pay dividends, as a result of, among other things:

- a possible reduction in exploration for or development of new oil fields or energy projects, or the delay or cancelation of existing projects as energy companies lower their capital expenditures budgets, which may reduce our growth opportunities;
- potential lower demand for tankers, which may reduce available charter rates and revenue to us upon chartering or rechartering of our vessels;
- customers failing to extend or renew contracts upon expiration;
- the inability or refusal of customers to make charter payments to us due to financial constraints or otherwise; or
- declines in vessel values, which may result in losses to us upon vessel sales or impairment charges against our earnings.

**Volatility in the markets in which our vessels trade may result in us having limited liquidity.**

As at December 31, 2019, we had total liquidity of \$51.7 million (plus \$11 million available and undrawn under our revolving credit facilities) in cash and cash equivalents. Our short-term liquidity requirements include the payment of operating expenses, drydocking expenditures, debt servicing costs, lease payments, any dividends on our shares of common stock, scheduled repayments of long-term debt and finance lease obligations, as well as funding our other working capital requirements. Our spot charters, including our participation in spot charter pooling arrangements, contribute to the volatility of our net operating cash flow, and thus our ability to generate sufficient cash flows to meet our short-term liquidity needs. We expect to manage our near-term liquidity needs from our working capital, together with expected cash flows from operations and availability under credit facilities. Our existing long-term debt facilities and certain of our finance leases require, among other things, that we maintain minimum cash and cash equivalents based on the greater of a set amount per number of vessels owned and 5% of outstanding debt. The required minimum cash balance as of December 31, 2019, was \$21.1 million. Should we not meet this financial covenant or other covenants in our debt facilities, whether due to market volatility that reduces our liquidity or other factors, the lenders may declare our obligations under the applicable agreements immediately due and payable, and terminate any further loan commitments, which would significantly affect our short-term liquidity requirements. A default under financing arrangements could also result in foreclosure on any of our vessels and other assets securing the related loans or a loss of our rights as a lessee under our finance leases.

**Declines in charter rates and other market deterioration could cause us to incur impairment charges.**

We evaluate the carrying amounts of our vessels to determine if events have occurred that would require an impairment of their carrying amounts. The recoverable amount of vessels is reviewed based on events and changes in circumstances that would indicate that the carrying amount of the assets might not be recovered. The review for potential impairment indicators and projection of future cash flows related to our vessels is complex and requires us to make various estimates, including future charter rates, operating expenses and drydock costs. Historically, each of these items has been volatile. An impairment charge is recognized if

the carrying value is in excess of the estimated future undiscounted net operating cash flows. The impairment loss is measured based on the excess of the carrying amount over the fair market value of the asset. An impairment loss could adversely affect our results of operations.

**The market values of our vessels may decrease, which could cause us to breach covenants in our credit facilities and lease arrangements or result in impairment charges, and we may incur a loss if we sell vessels following a decline in their market value.**

The market values of tankers have historically experienced high volatility. The market value of our vessels will fluctuate depending on general economic and market conditions affecting the shipping industry and prevailing charter hire rates, competition from other shipping companies and other modes of transportation, the types, sizes and ages of vessels, applicable governmental regulations and the cost of newbuildings. If the market value of our fleet declines, we may not be able to obtain other financing or to incur debt on terms that are acceptable to us or at all. A decrease in vessel values could also cause us to breach certain loan-to-value covenants that are contained in our financing arrangements that we may enter into from time to time. If we breach such covenants due to decreased vessel values and we are unable to remedy the relevant breach, our lenders could accelerate our debt and foreclose on vessels in our fleet, which would adversely affect our business, results of operations and financial condition.

In addition, if we sell one or more of our vessels at a time when vessel prices have fallen, the sale price may be less than the vessel's carrying value on our consolidated financial statements, resulting in a loss on sale or an impairment loss being recognized, leading to a reduction in earnings. Also, if vessel values fall significantly, this could indicate a decrease in the estimated future undiscounted net operating cash flows for the vessel, which may result in an impairment adjustment in our financial statements, which could adversely affect our results of operations and financial condition.

**An over-supply of tanker capacity may lead to reductions in charter rates, vessel values, and profitability.**

The market supply of tankers is affected by a number of factors, such as demand for energy resources, oil, petroleum and chemical products, as well as the level of global and regional economic growth. If the capacity of new ships delivered exceeds the capacity of tankers being scrapped and lost, tanker capacity will increase. The global newbuilding orderbook for product tankers equaled approximately 6% of the global product tanker fleet as of March 15, 2020. If the supply of product or chemical tanker capacity increases and if the demand for such respective tanker capacity does not increase correspondingly, charter rates and vessel values could materially decline. A reduction in charter rates and the value of our vessels may have a material adverse effect on our business, results of operations and financial condition.

In addition, product tankers currently used to transport crude oil and other "dirty" products may be "cleaned up" and reintroduced into the product tanker market, which would increase the available product tanker Tonnage, which may affect the supply and demand balance for product tankers. This could have an adverse effect on our business, results of operations and financial position.

**The state of global financial markets and economic conditions may adversely impact our ability to obtain additional financing or refinance our existing obligations on acceptable terms, if at all, and otherwise negatively impact our business.**

Global financial markets and economic conditions have been, and continue to be, volatile. In the last economic downturn, operating businesses in the global economy faced tightening credit, weakening demand for goods and services, deteriorating international liquidity conditions and declining markets. There was a general decline in the willingness of banks and other financial institutions to extend credit, particularly in the shipping industry due to the historically volatile asset values of vessels. As the shipping industry is highly dependent on the availability of credit to finance and expand operations, it was negatively affected by this decline.

Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of borrowing funds during the last economic downturn increased as many lenders increased interest rates, enacted tighter lending standards, refused to refinance existing debt on similar terms and, in some cases, ceased to provide funding to borrowers. Due to these factors, additional

financing may not be available if needed by us on acceptable terms or at all. If additional financing is not available when needed or is available only on unfavorable terms, we may be unable to meet our obligations as they come due or we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

**Changes in fuel, or bunkers, prices may adversely affect our results of operations.**

Fuel, or bunkers, is a significant expense for our vessels employed in the spot market and can have a significant impact on earnings. For any vessels which may be employed on time charters, the charterer is generally responsible for the cost and supply of fuel; however, such cost may affect the time charter rates we may be able to negotiate for such vessels. Changes in the price of fuel may adversely affect our profitability. The imposition of stringent vessel air emissions requirements, such as the International Maritime Organization's (the "IMO") requirement to reduce the amount of sulfur in fuel globally commencing January 1, 2020, may lead to marine fuel shortages and substantial increases in marine fuel prices. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the Organization of Petroleum Exporting Countries ("OPEC") and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. In addition, fuel price increases may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail.

**Changes in the oil, oil products and chemical markets could result in decreased demand for our vessels and services.**

Demand for our vessels and services in transporting oil, oil products and chemicals depends upon world and regional oil markets. Any decrease in shipments of oil, oil products and chemicals in those markets could have a material adverse effect on our business, financial condition and results of operations. Historically, those markets have been volatile as a result of the many conditions and events that affect the price, production and transport of oil, oil products and chemicals, including competition from alternative energy sources. Past slowdowns of world economies, including the U.S., have resulted in reduced consumption of oil and oil products and decreased demand for our vessels and services, which reduced vessel earnings. Additional slowdowns could have similar effects on our results of operations and may limit our ability to expand our fleet.

**We are subject to complex laws and regulations, including environmental laws and regulations, which can adversely affect our business, results of operations and financial condition.**

Our operations are subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. Compliance with such laws and regulations, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. For example, January 1, 2020 was the IMO's implementation date for vessels to comply with its low sulfur fuel requirement ("IMO 2020"). We comply with this requirement by using fuel with low sulfur content, which is more expensive than standard marine fuel, or we may upgrade our vessels to provide cleaner exhaust emissions. Cost of compliance with these regulatory changes may be significant. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including costs relating to, among other things: air emissions including greenhouse gases; the management of ballast and bilge waters; maintenance and inspection; elimination of tin-based paint; development and implementation of emergency procedures, Eco-Mod upgrades of secondhand vessels and insurance coverage or other financial assurance of our ability to address pollution incidents. Environmental or other incidents may result in additional regulatory initiatives or statutes or changes to existing laws that may affect our operations or require us to incur additional expenses to comply with such regulatory initiatives, statutes or laws. These costs could have a material adverse effect on our business, results of operations and financial condition.

A failure to comply with applicable laws and regulations may, among other things, result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. Environmental laws



often impose strict, joint and several liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under the U.S. Oil Pollution Act of 1990, for example, owners, operators and bareboat charterers are jointly, severally and strictly liable for the discharge of oil in U.S. waters, including the 200-nautical mile exclusive economic zone around the United States. An oil spill could also result in significant liability, including fines, penalties, criminal liability, remediation costs and natural resource damages under international and U.S. federal, state and local laws, as well as third-party damages, and could harm our reputation with current or potential charterers of our tankers. We are required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although we have arranged insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, results of operations and financial condition.

**If we fail to comply with international safety regulations, we may be subject to increased liability, which may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.**

The operation of our vessels is affected by the requirements set forth in the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention ("ISM Code"). The ISM Code requires ship owners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of safety and environmental protection policies setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. If we fail to comply with the ISM Code or similar regulations, we may be subject to increased liability or our existing insurance coverage may be invalidated or decreased for our affected vessels. Such failure may also result in a denial of access to, or detention of our vessels in, certain ports. The United States Coast Guard ("USCG") and European Union ("EU") authorities have indicated that vessels not in compliance with the ISM Code will be prohibited from trading in U.S. and EU ports, which could have an adverse effect on our business, results of operations and financial condition.

**If our vessels suffer damage due to the inherent operational risks of the shipping industry, we may experience unexpected drydocking costs and delays or total loss of our vessels, which may adversely affect our business and financial condition.**

The operation of an ocean-going vessel carries inherent risks. Our vessels and their cargoes will be at risk of being damaged or lost because of events, such as marine disasters, bad weather, business interruptions caused by mechanical failures, grounding, fire, explosions, collisions, human error, war, terrorism, piracy, cyber-attack, latent defects, acts of God, climate change and other circumstances or events. Changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. These hazards may result in death or injury to persons, loss of revenues or property, environmental damage, higher insurance rates, damage to our customer relationships, market disruptions, delays or rerouting. In addition, the operation of tankers has unique operational risks associated with the transportation of oil and chemical products. An oil or chemical spill may cause significant environmental damage and the associated costs could exceed the insurance coverage available to us. Compared to other types of vessels, tankers are exposed to a higher risk of damage and loss by fire, whether ignited by a terrorist attack, collision or other causes, due to the high flammability and high volume of the oil or chemicals transported in tankers.

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and may be substantial. We may have to pay drydocking costs if our insurance does not cover them in full. The loss of revenues while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business, results of operations and financial condition. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. We may be unable to find space at a suitable drydocking facility or our vessels may be forced to travel to a drydocking facility that is not conveniently located to our vessels' positions. The loss of earnings while such vessels wait for space or travel or are towed to more distant drydocking facilities may be significant. The total loss of any of our vessels could harm our reputation as a safe and reliable

vessel owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs or loss which could negatively impact our business, results of operations and financial condition.

**We operate our vessels worldwide and, as a result, our vessels are exposed to international risks which may reduce revenue or increase expenses.**

Changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. These sorts of events, as well as the emergence of epidemics or pandemics, such as the on-going novel coronavirus outbreak, could interfere with shipping routes and result in market disruptions, which may reduce our revenue and increase our expenses. Our worldwide operations also expose us to the risk that an increase in restrictions on global trade will harm our business. The rise of populist or nationalist political parties and leaders in the United States, Europe and elsewhere may lead to increased trade barriers, trade protectionism and restrictions on trade. The adoption of trade barriers and imposition of tariffs by governments may reduce global shipping demand and reduce our revenue.

In addition, international shipping is subject to various security and customs inspection and related procedures in countries of origin and destination and transshipment points. Inspection procedures can result in the seizure of the cargo or vessels, delays in the loading, offloading or delivery and the levying of customs duties, fines or other penalties against vessel owners. It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. In addition, changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, results of operations and financial condition.

**Acts of piracy on ocean-going vessels could adversely affect our business.**

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean and in the Gulf of Aden. Sea piracy incidents continue to occur, particularly in the South China Sea, the Strait of Malacca, the Indian Ocean, the Arabian Sea, off the coast of West Africa, the Red Sea, the Gulf of Aden, the Gulf of Guinea, Venezuela, and in certain areas of the Middle East, with tankers particularly vulnerable to such attacks. If piracy attacks result in the characterization of regions in which our vessels are deployed as “war risk” zones or Joint War Committee “war and strikes” listed areas by insurers, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including costs which may be incurred to the extent we employ onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention or hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, results of operations, cash flows and financial condition and may result in loss of revenues, increased costs and decreased cash flows to our customers, which could impair their ability to make payments to us under our charters.

**Political instability, terrorist or other attacks, war or international hostilities can affect the tanker industry, which may adversely affect our business.**

We conduct most of our operations outside of the United States, and our business, results of operations, cash flows, financial condition and available cash may be adversely affected by the effects of political instability, terrorist or other attacks, war or international hostilities. Continuing conflicts and recent developments in the Middle East, and the presence of the United States and other armed forces in regions of conflict, may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further world economic instability and uncertainty in global financial markets. As a result of these factors, insurers have increased premiums and reduced or restricted coverage for losses caused by terrorist acts generally. Future terrorist attacks could result in increased volatility of the financial markets and negatively impact the United States and global economy. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. In the past, political instability has also resulted in

attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the West of Africa, South China Sea, South-East Asia, the Gulf of Guinea and the Gulf of Aden, including off the coast of Somalia. There also has been an increase in risks associated with the Straits of Hormuz due to recent Iranian activity. Any of these occurrences could have a material adverse impact on our business, results of operations and financial condition.

**If our vessels call on ports located in countries that are subject to restrictions imposed by the U.S. government, our reputation and the market for our securities could be adversely affected.**

Although no vessels owned or operated by us have, during the effect of such sanctions or embargoes, called on ports located in countries subject to country-wide or territory-wide sanctions and embargoes imposed by the U.S. government (such as Iran, North Korea, Syria, the Crimea region, or Cuba, and other authorities or countries identified by the U.S. government or other authorities as state sponsors of terrorism, such as Iran, Syria and North Korea), in the future our vessels may call on ports in these countries from time to time on charters' instructions in violation of contractual provisions that prohibit them from doing so. Use of our vessels by charterers in a manner that violates U.S. sanctions may result in fines, penalties or other sanctions imposed against us. Sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time.

Although we believe that we have been in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines, penalties or other sanctions that could severely impact the market for our common shares, our ability to access U.S. capital markets and conduct our business and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us.

Our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels and those violations could in turn negatively affect our reputation or the ability of our charterers to meet their obligations to us or result in fines, penalties or sanctions.

**The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.**

We expect that our vessels will call on ports where smugglers may attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims which could have an adverse effect on our business, results of operations and financial condition.

**Maritime claimants could arrest our vessels, which would have a negative effect on our business and results of operations.**

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting or attaching a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our business or require us to pay significant amounts to have the arrest lifted.

In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel that is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert "sister ship" liability against one vessel in our fleet for claims relating to another of our vessels.

**Governments could requisition our vessels during a period of war or emergency, which may adversely affect our business and results of operations.**

A government could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. Also, a government could requisition our vessels for hire.



Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels could adversely affect our business, results of operations and financial condition.

**A number of third-party vessel owners have ordered exhaust gas scrubbers for their vessels to comply with IMO 2020 requirements to reduce the amount of sulfur in fuel globally. Increased demand for and supply of vessels fitted with scrubbers could reduce demand for our existing vessels and expose us to lower vessel utilization and decreased charter rates.**

As of January 2020, owners of approximately 20% of the worldwide fleet of tankers with capacity over 10,000 dwt had fitted or planned to fit scrubbers on their vessels. Fitting scrubbers allows a ship to consume high sulfur fuel oil, which is expected to be less expensive than the low sulfur fuel oil that ships without scrubbers must consume to comply with the IMO 2020 low sulfur emission requirements. Generally, owners of vessels with higher operating fuel requirements — generally larger ships — are more inclined to install scrubbers to comply with IMO 2020. Fuel expense reductions from operating scrubber-fitted ships could result in a substantial reduction of bunker cost for charterers compared to vessels in our fleet which do not have scrubbers. If (a) the supply of scrubber-fitted vessels increases, (b) the differential between the cost of high sulfur fuel oil and low sulfur fuel oil is high and (c) charterers prefer such vessels over our vessels, demand for our vessels may be reduced and our ability to re-charter our vessels at competitive rates may be impaired, which may have a material adverse effect on our business, operating results and financial condition.

**Technological innovation could reduce our charter hire income and the value of our vessels.**

The charter hire rates and the value and operational life of a vessel are determined by a number of factors, including the vessel's efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to load and discharge cargo quickly. Flexibility includes the ability to enter various harbors and ports, utilize related docking facilities and pass through canals and straits. The length of a vessel's physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. If new tankers are built that are more efficient or more flexible or have longer physical lives than our vessels, competition from these more technologically advanced vessels could adversely affect the amount of charter hire payments, if any, we receive for our vessels and the resale value of our vessels could significantly decrease. As a result, our business, results of operations and financial condition could be adversely affected.

**We rely on our information systems to conduct our business, and failure to protect these systems against security breaches could adversely affect our business and results of operations. Additionally, if these systems fail or become unavailable for any significant period of time, our business could be harmed.**

The efficient operation of our business, including processing, transmitting and storing electronic and financial information, is dependent on computer hardware and software systems. Information systems are vulnerable to security breaches by computer hackers and cyber terrorists. We rely on industry accepted security measures and technology to securely maintain confidential and proprietary information maintained on our information systems. However, these measures and technology may not adequately prevent security breaches. In addition, the unavailability of the information systems or the failure of these systems to perform as anticipated for any reason could disrupt our business and could result in decreased performance and increased operating costs, causing our business and results of operations to suffer. Any significant interruption or failure of our information systems or any significant breach of security could adversely affect our business, results of operations and financial condition.

**If labor or other interruptions are not resolved in a timely manner, they could have a material adverse effect on our business.**

We, indirectly through our technical managers, employ masters, officers and crews to operate our vessels, exposing us to the risk that industrial actions or other labor unrest may occur. A significant portion of the seafarers that crew our vessels are employed under collective bargaining agreements. We may suffer labor disruptions if relationships deteriorate with the seafarers or the unions that represent them. The collective

bargaining agreements may not prevent labor disruptions, particularly when the agreements are being renegotiated. If not resolved in a timely and cost-effective manner, industrial action or other labor unrest could prevent or hinder our operations from being carried out as we expect and could have a material adverse effect on our business, results of operations and financial condition.

## **RISKS RELATED TO OUR BUSINESS**

**We will be required to make substantial capital expenditures to expand the number of vessels in our fleet and to maintain all our vessels, which will depend on our ability to obtain additional financing.**

Our business strategy is based in part upon the expansion of our fleet through the purchase and ordering of additional vessels. We will be required to make substantial capital expenditures to expand the size of our fleet. We also have incurred significant capital expenditures in previous years to upgrade secondhand vessels we have acquired to Eco-Mod standards and may be required to make additional capital expenditures in order to comply with existing and future regulatory obligations.

In addition, we will incur significant maintenance and capital costs for our current fleet and any additional vessels we acquire. A newbuilding vessel must be drydocked within five years of its delivery from a shipyard and vessels are typically drydocked every 30 to 60 months thereafter depending on the vessel, not including any unexpected repairs. We estimate the cost to drydock a vessel is between \$0.75 million and \$1.5 million, depending on the size and condition of the vessel and the location of drydocking relative to the location of the vessel.

We may be required to incur additional debt or raise capital through the sale of equity securities to fund the purchasing of vessels or for drydocking costs from time to time. However, we may be unable to access the required financing if conditions change and we may be unsuccessful in obtaining financing for future fleet growth. Use of cash from operations will reduce available cash. Our ability to obtain bank financing or to access the capital markets for future offerings may be limited by our financial condition at the time of any such financing or offering as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. If we finance our expenditures by incurring additional debt, our financial leverage could increase. If we finance our expenditures by issuing equity securities, our shareholders' ownership interest in us could be diluted.

**We will not be able to take advantage of favorable opportunities in the spot market with respect to vessels employed on medium to long-term time charters, if any.**

As at March 15, 2020, none of our vessels were employed under fixed rate time charter agreements. However, in the future we may enter into fixed-rate, time-charter agreements with respect to our vessels. Vessels committed to medium and long-term time charters may not be available for spot charters during periods of increasing charter hire rates, when spot charters might be more profitable.

**If we do not identify suitable vessels or shipping companies for acquisition or successfully integrate any acquired vessels or shipping companies, we may not be able to grow or effectively manage our growth.**

One of our principal strategies is to continue expanding our operations and our fleet. Our future growth will depend upon a number of factors, some of which may not be within our control. These factors include our ability to:

- identify suitable tankers and/or shipping companies for acquisitions at attractive prices;
- identify businesses engaged in managing, operating or owning tankers for acquisitions or joint ventures;
- integrate any acquired tankers or businesses successfully with our existing operations;
- hire, train and retain qualified personnel and crew to manage and operate our growing business and fleet;
- identify additional new markets;
- improve or expand our operating, financial and accounting systems and controls; and

- obtain required financing for our existing and new vessels and operations.

Our failure to effectively identify, purchase, develop and integrate any tankers or businesses could adversely affect our business, financial condition and results of operations. The number of employees that perform services for us and our current operating and financial systems may not be adequate as we implement our plan to expand the size of our fleet and we may not be able to effectively hire more employees or adequately improve those systems. In addition, acquisitions may require additional equity issuances (which may dilute our shareholders' ownership interest in us) or the incurrence of additional debt (which may require additional amortization payments or impose more restrictive covenants). If we are unable to successfully accommodate any growth, our business, results of operations and financial condition may be adversely affected.

Growing any business by acquisition presents numerous risks such as undisclosed liabilities and obligations, difficulty in obtaining additional qualified personnel and managing relationships with customers and suppliers and integrating newly acquired vessels and operations into existing infrastructures. The expansion of our fleet may impose significant additional responsibilities on our management and staff, and the management and staff of our technical managers, and may necessitate that we, and they, increase the number of personnel to support such expansion. We may not be successful in executing our growth plans and we may incur significant expenses and losses in connection with such growth plans.

**Delays in deliveries of vessels we may purchase or order, our decision to cancel an order for purchase of a vessel or our inability to otherwise complete the acquisitions of additional vessels for our fleet, could harm our results of operations.**

Although we currently have no vessels on order, under construction or subject to purchase agreements, we expect to purchase and order additional vessels from time to time. The delivery of any such vessels could be delayed, not completed or cancelled, which would delay or eliminate our expected receipt of revenues from the employment of these vessels. The seller could fail to deliver these vessels to us as agreed, or we could cancel a purchase contract because the seller has not met its obligations. The delivery of any vessels we may propose to acquire could be delayed because of, among other things, hostilities or political disturbances, non-performance of the purchase agreement with respect to the vessels by the seller, our inability to obtain requisite permits, approvals or financings or damage to or destruction of vessels while being operated by the seller prior to the delivery date.

If the delivery of any vessel is materially delayed or cancelled, especially if we have committed the vessel to a charter under which we become responsible for substantial liquidated damages to the customer as a result of the delay or cancellation, our business, financial condition and results of operations could be adversely affected.

The delivery of vessels we may purchase or sell could be delayed because of, among other things, as applicable:

- work stoppages or other labor disturbances or other events that disrupt the operations of the shipyard building the vessels;
- quality or other engineering problems;
- changes in governmental regulations or maritime self-regulatory organization standards;
- lack of raw materials;
- bankruptcy or other financial crisis of the shipyard building the vessels;
- our inability to obtain requisite financing or make timely payments;
- a backlog of orders at the shipyard building the vessels;
- hostilities or political or economic disturbances in or affecting the countries where the vessels are being built, or the imposition of sanctions on such countries or applicable parties;
- weather interference or catastrophic event, such as a major earthquake or fire;
- our requests for changes to the original vessel specifications;



- shortages or delays in the receipt of necessary construction materials, such as steel;
- our inability to obtain requisite permits or approvals; or
- a dispute with the shipyard building the vessels.

**If we purchase and operate second-hand vessels, we will be exposed to increased operating costs that could adversely affect our earnings and, as our fleet ages, the risks associated with older vessels could adversely affect our ability to obtain profitable charters.**

Our current business strategy includes additional growth through the acquisition of new and second-hand vessels. While we typically inspect second-hand vessels prior to purchase, this does not provide us with the same knowledge about their condition that we would have had if these vessels had been built for and operated exclusively by us. Generally, we do not receive the benefit of warranties from the builders of the second-hand vessels that we acquire. These factors could increase the ultimate cost of any second-hand vessel acquisitions by us.

In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. Older vessels are typically less fuel-efficient than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers.

Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations or the addition of new equipment, to our vessels and may restrict the type of activities in which the vessels may engage. As our vessels age, market conditions may not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

**An increase in operating or voyage expenses would decrease our earnings and cash flows.**

As at March 15, 2020, none of our vessels were employed under fixed rate time charter agreements. In the future we may enter into fixed rate time charter agreements with respect to our vessels. For all vessels operating under time charters, the charterer is primarily responsible for voyage expenses and we are responsible for the vessel operating expenses. Under spot chartering arrangements, we will be responsible for all costs associated with operating the vessel, including operating expenses, voyage expenses, bunkers, port and canal costs.

Our vessel operating expenses, which includes the costs of crew, provisions, deck and engine stores, insurance and maintenance, repairs and spares, and our voyage expenses, which include, among other things, the costs of bunkers port and canal costs, depend on a variety of factors, many of which are beyond our control. If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydocking repairs are unpredictable and can be substantial. Increases in any of these expenses would decrease earnings and cash flow.

**We may be unsuccessful in competing in the highly competitive international tanker market, which would negatively affect our results of operations and financial condition and our ability to expand our business.**

The operation of tanker vessels and transportation of petroleum and chemical products is extremely competitive, and our industry is capital intensive and highly fragmented. Competition arises primarily from other tanker owners, including major oil companies as well as independent tanker companies, some of which have substantially greater resources than we do. Competition for the transportation of oil products and chemicals can be intense and depends on price, location, size, age, condition and the acceptability of the tanker and its operators to the charterers. We may be unable to compete effectively with other tanker owners, including major oil companies and independent tanker companies.

Our market share may decrease in the future. We may not be able to compete profitably to the extent we seek to expand our business into new geographic regions or provide new services. New markets may require different skills, knowledge or strategies than those we use in our current markets, and the competitors in those new markets may have greater financial strength and capital resources than we do.

**We derive a significant portion of our revenues from a limited number of customers, and the loss of any such customers could result in a significant loss of revenues and cash flow.**

We have derived, and we may continue to derive, a significant portion of our revenues and cash flow from a limited number of customers. No customer accounted for 10% or more of our consolidated revenue for the year ended December 31, 2019. Vitol Group accounted for more than 10% of our consolidated revenue for the years ended December 31, 2018 and 2017. No other customer accounted for 10% or more of our consolidated revenue during any of these periods. The identity of customers which may account for 10% or more of revenue may vary from time to time.

If we lose a key customer or if a customer exercises its right under some charters to terminate the charter, we may be unable to enter into an adequate replacement charter for the applicable vessel or vessels. The loss of any of our significant customers or a reduction in revenues from them could have a material adverse effect on our business, results of operations, cash flows and financial condition.

**Charterers may terminate or default on their charters, which could adversely affect our business, results of operations and cash flow.**

Any charters may terminate earlier than their scheduled expirations. The terms of any existing or future charters may vary as to which events or occurrences will cause a charter to terminate or give the charterer the option to terminate the charter, but these may include: a total or constructive loss of the relevant vessel; or the failure of the relevant vessel to meet specified performance criteria. In addition, the ability of each of our charterers to perform its obligations under a charter will depend on a number of factors that are beyond our control. These factors may include general economic conditions, the condition of the tanker industry, the charter rates received for specific types of vessels and various operating expenses. The costs and delays associated with the default by a charterer under a charter of a vessel may be considerable and may adversely affect our business, results of operations, cash flows and financial condition and our available cash.

To the extent we may enter into time charters in the future for our vessels, we cannot predict whether any charterers may, upon the expiration of their charters, re-charter our vessels on favorable terms or at all. If our charterers are unable or decide not to re-charter our vessels, we may not be able to re-charter them on terms similar to our current charters or at all. In addition, the ability and willingness of each of our counterparties to perform its obligations under a time charter agreement with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the tanker shipping industry and the overall financial condition of the counterparties. Charterers are sensitive to the commodity markets and may be impacted by market forces affecting commodities. In depressed market conditions, there have been reports of charterers renegotiating their charters or defaulting on their obligations under charters. Our customers may fail to pay charter hire or attempt to renegotiate charter rates. If a counterparty fails to honor its obligations under agreements with us, it may be difficult for us to secure substitute employment for such vessel, and any new charter arrangements we secure in the spot market or on time charters may be at lower rates. Any failure by our charterers to meet their obligations to us or any renegotiation of our charter agreements could have a material adverse effect on our business, financial condition and results of operations.

**Our ability to obtain additional debt financing may be dependent on the performance of any then-existing charters and the creditworthiness of our charterers.**

The actual or perceived credit quality of our charterers, and any defaults by them, may materially affect our ability to obtain the additional capital resources that we will require to purchase additional vessels or may significantly increase our costs of obtaining such capital. Our inability to obtain additional financing at all or at a higher than anticipated cost may materially affect our results of operations and our ability to implement our business strategy.

**Our debt levels and lease obligations may limit our flexibility in obtaining additional financing and in pursuing other business opportunities.**

As of December 31, 2019, we had \$423.0 million in aggregate principal amount of outstanding indebtedness and finance lease obligations. In addition, in the future we may enter into new debt arrangements, issue

debt securities or incur additional finance lease obligations. Our level of debt and lease obligations could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;
- we may need to use a substantial portion of our cash from operations to make principal and interest payments relating to our debt obligations, reducing the funds that would otherwise be available for operations and future business opportunities;
- we may be more vulnerable than our competitors with less debt to competitive pressures or a downturn in our business or the economy generally; and
- our flexibility in responding to changing business and economic conditions may be limited.

**Servicing our current or future indebtedness and lease obligations limits funds available for other purposes and if we cannot service our debt, we may lose our vessels.**

Borrowing under our existing credit facilities and obligations under our lease arrangements require us to dedicate a significant part of our cash flow from operations to paying principal and interest on our indebtedness under such facilities or obligations under our finance lease arrangements, and we intend to incur additional debt in the future. These payments limit funds available for working capital, capital expenditures and other purposes.

Amounts borrowed under our credit facilities bear interest at variable rates. Increases in prevailing rates could increase the amounts that we would have to pay to our lenders, even though the outstanding principal amount remains the same, and our net income and cash flows would decrease. Currently, we do not have any hedge arrangements in place to reduce our exposure to interest rate variability on variable rate debt and lease obligations.

Our ability to service our debt and lease obligations will depend upon, among other things, our financial and operating performance, which will be affected by prevailing economic and industry conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our results of operations and cash reserves are not sufficient to service our current or future indebtedness and lease obligations, we may be forced to:

- reduce any dividends;
- seek to raise additional capital;
- seek to refinance or restructure our debt;
- sell tankers;
- reduce or delay our business activities, capital expenditures, investments or acquisitions; or
- seek bankruptcy protection.

We may be unable to effect any of these remedies, if necessary, on satisfactory terms, and these remedies may not be sufficient to allow us to meet our debt or lease obligations. If we are unable to meet our debt or lease obligations or if some other default occurs under our credit facilities or lease arrangements, our lenders could elect to declare our debt, together with accrued interest and fees, to be immediately due and payable and proceed against the collateral vessels securing that debt or our lessors could terminate our rights under our finance leases.

**We are a holding company and depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations and to make dividend payments.**

We are a holding company and our subsidiaries, which are all directly and indirectly wholly owned by us, conduct our operations and own all of our operating assets. As a result, our ability to satisfy our financial obligations and to pay dividends to our shareholders depends on the ability of our subsidiaries to generate



profits available for distribution to us and, to the extent that they are unable to generate profits, we will be unable to pay our creditors or dividends to our shareholders.

**Our credit facilities and lease arrangements contain restrictive covenants, which among other things, limit the amount of cash we may use for other corporate activities, which could negatively affect our growth and cause our financial performance to suffer.**

Our credit facilities and lease arrangements impose operating and financial restrictions on us. These restrictions may limit our ability, or the ability of our subsidiaries to, among other things:

- pay dividends and make capital expenditures if we do not repay amounts drawn under our credit facilities or if there is another default under our credit facilities;
- incur additional indebtedness, including the issuance of guarantees;
- incur additional lease obligations;
- create liens on our assets;
- change the flag, class or management of our vessels or terminate or materially amend the management agreement relating to each vessel;
- sell our vessels;
- merge or consolidate with, or transfer all or substantially all our assets to, another person; or
- enter into a new line of business.

Certain of our credit facilities and lease obligations require us to maintain specified financial ratios and satisfy financial covenants. These financial ratios and covenants require us, among other things, to maintain minimum solvency, cash and cash equivalents, corporate net worth, working capital, loan-to-value levels and to avoid exceeding corporate leverage maximum.

As a result of these restrictions, we may need to seek consent from our lenders in order to engage in some corporate actions. Our lenders' interests may be different from ours and we may not be able to obtain consent when needed. This may limit our ability to finance our future operations or capital requirements, make acquisitions or pursue business opportunities. Our ability to comply with covenants and restrictions contained in debt instruments and lease arrangements may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, we may fail to comply with these covenants. If we breach any of the restrictions, covenants, ratios or tests in our financing agreements, our obligations may become immediately due and payable, we could be subject to increased rates or fees, and the lenders' commitment under our credit facilities, if any, to make further loans may terminate. A default under financing agreements or lease arrangements could also result in foreclosure on any of our vessels and other assets securing related loans or a loss of our rights as a lessee under our finance leases.

**If interest rates increase, it will affect the interest rates under our credit facilities and finance lease facilities, which could affect our results of operations.**

Amounts borrowed under our existing credit facilities bear interest at an annual rate ranging from 2.40% to 3.50% above LIBOR. Certain of our finance lease arrangements bear interest at an annual rate ranging from 3.00% to 4.50% above LIBOR. Interest rates have recently been at relatively low levels and any increase in interest rates would lead to an increase in LIBOR, which would affect the amount of interest payable on amounts that we borrow under our credit facilities and the amount of our obligations under certain of our finance leases, which in turn could have an adverse effect on our results of operations.

**There is uncertainty as to the continued use of LIBOR in the future, and the interest rates on our LIBOR-based obligations may increase in the future.**

LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. This guidance indicates that the continuation of LIBOR on the current basis cannot be guaranteed after 2021, and there is substantial risk that LIBOR will be discontinued or modified by 2021. Global

regulators are working with the financial sector to transition away from the use of LIBOR and towards the adoption of alternative reference rates. The consequences of these developments cannot be entirely predicted but could include an increase in the cost of our variable rate indebtedness and obligations, which could adversely affect our results of operations and ability to service our applicable indebtedness and financial lease obligations. As of December 31, 2019, we had \$423.0 million in aggregate principal amount of outstanding indebtedness and finance lease obligations with interest obligations based on LIBOR plus applicable margins.

**If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.**

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations. In addition, any testing we conduct in connection with Section 404 of the Sarbanes-Oxley Act of 2002, or any testing conducted by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, limit our ability to access capital markets or require us to incur additional costs to improve our internal control and disclosure control systems and procedures, which could harm our business and have a negative effect on the trading price of our securities.

In July 2019, following discussions with Ernst & Young, our independent external auditor at the time, we identified an error in the presented location of the net gains and losses on disposal of vessels in our consolidated statements of comprehensive income/(loss). While properly stated in every other respect, the net gains and losses on disposal of vessels were improperly presented in our consolidated statements of comprehensive income/(loss) for the years ended December 31, 2018, 2017 and 2016 and for the quarterly period ended March 31, 2019. This deficiency resulted in the restatement of our consolidated statements of comprehensive income/(loss), as described in Note 3 to the notes to our consolidated financial statements included in our Annual Report on Form 20-F/A filed with the SEC on August 2, 2019 (the “Amended 2018 Annual Report”). It was also determined that this deficiency constituted a material weakness in our internal control over financial reporting. Consequently, management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2018, as indicated in Item 15. Controls and Procedures of the Amended 2018 Annual Report. We fully remediated the deficiency during the fourth quarter of 2019. Commencing with our financial statements for the quarter ended June 30, 2019, we removed the subtotal for (loss)/profit from operations in our consolidated statements of comprehensive income/(loss), such that the revised presentation of the net gains and losses on disposal of vessels now complies with U.S. GAAP. In addition, we implemented a more rigorous process to identify transactions which may be subject to specific presentation requirements within U.S. GAAP, including the engagement of appropriately qualified third-party experts, as required. Although we have remediated the deficiency, there is no assurance that other deficiencies or material weaknesses may not exist or arise in the future.

**We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or otherwise adversely affect our results of operations.**

We have entered into spot charter contracts, commercial pool agreements, ship management agreements, credit facilities and finance lease arrangements and other commercial arrangements. Such agreements and arrangements subject us to counterparty risks. The ability and willingness of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the maritime and offshore industries, the overall financial condition of the counterparty, charter rates received for specific types of vessels, and various expenses. In addition, in depressed market conditions, our charterers and customers may no longer need a vessel that is currently under charter or contract or may be able to obtain a comparable vessel at lower rates. As a result, charterers and customers may seek to renegotiate the terms of their existing charter agreements or avoid their obligations under those contracts. Should a counterparty

fail to honor its obligations under agreements with us, we could sustain significant losses, which could have a material adverse effect on our business, financial condition and results of operations.

**Our business depends upon key members of our senior management team who may not necessarily continue to work for us.**

Our future success depends to a significant extent upon certain members of our senior management team. Our management team includes members who have substantial experience in the product tanker and chemical shipping industries and have worked with us since inception. Our management team is crucial to the execution of our business strategies and to the growth and development of our business. If the individuals were no longer affiliated with us, we may be unable to recruit other employees with equivalent talent and experience, and our business and financial condition may suffer as a result.

**Our insurance may not be adequate to cover our losses that may result from our operations due to the inherent risks of the tanker industry.**

We carry insurance to protect us against most of the accident-related risks involved in the conduct of our business, including marine hull and machinery insurance, protection and indemnity insurance, which includes pollution risks, crew insurance and war risk insurance. However, we may not be adequately insured to cover losses from our operational risks, which could have a material adverse effect on us. Additionally, our insurers may refuse to pay particular claims and our insurance may be voidable by the insurers if we take, or fail to take, certain action, such as failing to maintain certification of our vessels with applicable maritime regulatory organizations. Any significant uninsured or under-insured loss or liability could have a material adverse effect on our business, results of operations and financial condition. In addition, we may not be able to obtain adequate insurance coverage at reasonable rates in the future during adverse insurance market conditions. Changes in the insurance markets attributable to terrorist attacks may also make certain types of insurance more difficult for us to obtain due to increased premiums or reduced or restricted coverage for losses caused by terrorist acts generally.

**Because we obtain some of our insurance through protection and indemnity associations, we may be required to make additional premium payments.**

We receive insurance coverage for tort liability, including pollution-related liability, from protection and indemnity associations. We may be subject to increased premium payments, or calls, in amounts based on our claim records, the claim records of our managers, as well as the claim records of other members of the protection and indemnity associations. In addition, our protection and indemnity associations may not have enough resources to cover claims made against them. Our payment of these calls could result in significant expense to us, which could have a material adverse effect on our business, results of operations and financial condition.

**Exposure to currency exchange rate fluctuations could result in fluctuations in our operating results.**

We operate within the international shipping market, which utilizes the U.S. Dollar as its functional currency. As a consequence, the majority of our revenues and the majority of our expenses are in U.S. Dollars.

However, we incur certain general and operating expenses, including vessel operating expenses and general and administrative expenses, in foreign currencies, the most significant of which are the Euro, Singapore Dollar, and British Pound Sterling. This partial mismatch in revenues and expenses could lead to fluctuations in net income due to changes in the value of the U.S. Dollar relative to other currencies.

**Climate change and greenhouse gas restrictions may adversely affect our operating results.**

A number of countries have adopted, or are considering the adoption of, international, national or local regulatory frameworks to reduce greenhouse gas emissions due to the concern about climate change. These regulatory measures in various jurisdictions include the adoption of cap and trade regimes, carbon taxes, increased efficiency standards, and incentives or mandates for renewable energy. In November 2016, the Paris Agreement that deals with greenhouse gas emission reduction measures and targets to limit global



temperature increases came into force, which could result in additional regulation on the shipping industry, although it does not directly limit greenhouse gas emissions from ships at this time.

Compliance with changes in laws, regulations and obligations relating to climate change, including as a result of such international negotiations, could increase our costs related to operating and maintaining our vessels and require us to install new emission controls, acquire allowances or pay taxes related to our greenhouse gas emissions, or administer and manage a greenhouse gas emissions program. Revenue generation and strategic growth opportunities may also be adversely affected.

The effects upon the oil industry relating to climate change and the resulting regulations may also include declining demand for our services. We do not expect that demand for oil will lessen dramatically over the short-term, but in the long-term climate change may reduce the demand for oil or increased regulation of greenhouse gases may create greater incentives for use of alternative energy sources. Any long-term material adverse effect on the oil industry could adversely affect the financial and operational aspects of our business, which we cannot predict with certainty at this time.

**Regulations relating to ballast water discharge which came into effect during September 2019 may adversely affect our results of operation and financial condition.**

The IMO has imposed updated guidelines for ballast water management systems specifying the maximum amount of viable organisms allowed to be discharged from a vessel's ballast water. Depending on the date of the International Oil Pollution Prevention ("IOPP") renewal survey, existing vessels constructed before September 8, 2017 were required to comply with the updated D-2 standard on or after September 8, 2019. For most vessels, compliance with the D-2 standard involved installing on-board systems to treat ballast water and eliminate unwanted organisms. Ships constructed on or after September 8, 2017 are required to comply with the D-2 standards on or after September 8, 2017. All of our vessels currently comply with the updated guidelines of compliance. The cost of compliance with these regulations may be substantial and may adversely affect our results of operation and financial condition.

Furthermore, United States regulations are currently changing. Although the 2013 Vessel General Permit ("VGP") program and U.S. National Invasive Species Act ("NISA") are currently in effect to regulate ballast discharge, exchange and installation, the Vessel Incidental Discharge Act ("VIDA"), which was signed into law on December 4, 2018, requires that the U.S. Environmental Protection Agency develop national standards of performance for approximately 30 discharges, similar to those found in the VGP, within two years. By approximately 2022, the U.S. Coast Guard must develop corresponding implementation, compliance and enforcement regulations regarding ballast water. The new regulations could require the installation of new equipment, which may cause us to incur substantial costs.

**We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate case law or bankruptcy law and, as a result, shareholders may have fewer rights and protections under Marshall Islands law than under a typical jurisdiction in the United States.**

Our corporate affairs are governed by our articles of incorporation and bylaws and by the Business Corporations Act of the Republic of the Marshall Islands (the "BCA"). The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the laws of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain U.S. jurisdictions. Shareholder rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our shareholders may have more difficulty in protecting their interests in the face of actions by management, directors or controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction. In addition, the Republic of the Marshall Islands does not have a well-developed body of bankruptcy law. As such, in the case of a bankruptcy involving us, there may be a delay of bankruptcy proceedings and the ability of securityholders and creditors to receive recovery after a bankruptcy proceeding, and any such recovery may be less predictable.

**It may be difficult to serve process on or enforce a U.S. judgment against us, our officers and our directors.**

We are a Marshall Islands corporation and several of our executive offices are located outside of the United States. Most of our directors and officers reside outside the United States. In addition, a substantial portion of our assets and the assets of our directors, officers and experts are located outside of the United States. As a result, you may have difficulty serving legal process upon us or any of these persons within the United States. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in U.S. courts against us or any of these persons in any action, including actions based upon the civil liability provisions of U.S. federal or state securities laws. In addition, there is substantial doubt that the courts of the Republic of the Marshall Islands or of non-U.S. jurisdictions in which our offices are located would enter judgments in original actions brought in those courts predicated on U.S. federal or state securities laws.

**We recently changed our dividend policy as part of a new capital allocation policy. Our ability to pay any dividends in the future may be limited by the amount of cash we generate from operations and priorities ascribed by the board of directors for allocation of capital.**

We paid a cash dividend of \$0.05 per common share on February 28, 2020 relating to our results for the fourth quarter of 2019, consistent with our dividend policy. However, we previously had not paid dividends on our common stock since August 31, 2016, when we paid a cash dividend of \$0.11 per share for the quarter ended June 30, 2016, and we may not pay dividends in the future.

On March 9, 2020, we announced a new capital allocation policy which sets out our priorities among fleet maintenance, financial strength, accretive growth and returning capital to shareholders. Commencing with the quarter ending March 31, 2020, we will transition to the new policy and will provide updates to our capital allocation priorities on quarterly earnings calls.

The amount of any dividends we may pay in the future will depend in part upon the amount of cash we generate from our operations and priorities for capital determined by the board of directors. We may not, however, have sufficient cash available each quarter to pay dividends, as a result of insufficient levels of profit, restrictions on the payment of dividends contained in our financing arrangements or under applicable law and the decisions of our management and directors.

The amount of cash we have available for dividends may fluctuate upon, among other things:

- the rates we obtain from our charters, as well as the rates obtained following expiration of our existing charters;
- the level of our operating costs;
- the number of unscheduled off-hire days and the timing of, and number of days required for, scheduled drydocking of our vessels;
- vessel acquisitions and related financings, such as restrictions in our credit facilities, lease arrangements and in any future financing arrangements;
- prevailing global and regional economic and political conditions;
- the effect of governmental regulations and maritime self-regulatory organization standards, including with respect to environmental and safety matters, on the conduct of our business; and
- changes in the bases of taxation of our activities in various jurisdictions.

The actual amount of cash we will have available for dividends will also depend on many factors, including:

- changes in our operating cash flows, capital expenditure requirements, working capital requirements and other cash needs;
- our fleet expansion strategy and associated uses of our cash and our financing requirements;
- priorities established by our board of directors for capital allocation or modification or revocation of our capital allocation policy by our board of directors;
- the amount of any cash reserves established by our board of directors; and

- restrictions under our financing agreements and Marshall Islands law.

The amount of cash we generate from our operations may differ materially from our net income or loss for the period, which may be affected by non-cash items. We may incur other expenses or liabilities that could reduce or eliminate the cash available for distribution as dividends. Our credit facilities and obligations under certain of our finance lease arrangements also restrict our ability to declare and pay dividends if an event of default has occurred and is continuing or if the payment of the dividend would result in an event of default. In addition, Marshall Islands law generally prohibits the payment of dividends other than from surplus (retained earnings in excess of consideration received for the sale of stock above the par value of the stock), or while a company is insolvent or if it would be rendered insolvent by the payment of such a dividend, and any dividend may be discontinued at the discretion of our board of directors. As a result of these or other factors, we may pay dividends during periods when we record losses and may not pay dividends during periods when we record income.

**Future sales of our common shares could cause the market price of our common shares to decline.**

The market price for our common shares could decline as a result of sales by existing shareholders of large numbers of our common shares, or as a result of the perception that such sales may occur. Sales of our common shares by these shareholders also might make it more difficult for us to sell equity or equity-related securities in the future at a time and at the prices that we deem appropriate.

**Anti-takeover provisions in our articles of incorporation and bylaws documents could make it difficult for our shareholders to replace or remove our current board of directors or could have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our common shares.**

Several provisions of our articles of incorporation and bylaws could make it difficult for our shareholders to change the composition of our board of directors in any one year, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that shareholders may consider favorable. These provisions include:

- authorizing the board of directors to issue “blank check” preferred stock without shareholder approval;
- providing for a classified board of directors with staggered, three-year terms;
- prohibiting cumulative voting in the election of directors;
- authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of two-thirds of the outstanding shares of our common stock entitled to vote for the directors;
- limiting the persons who may call special meetings of shareholders; and
- establishing advance notice requirements for nominating candidates for election to our board of directors or for proposing matters that can be acted on by shareholders at shareholder meetings.

These anti-takeover provisions could substantially impede the ability of public shareholders to benefit from a change in control and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

## **Tax Risks**

**U.S. tax authorities could treat us as a “passive foreign investment company”, which could have adverse U.S. federal income tax consequences to U.S. holders.**

A foreign corporation will be treated as a passive foreign investment company (“PFIC”), for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of “passive income” or (2) at least 50% of the average value of the corporation’s assets produce or are held for the production of “passive income”. For purposes of these tests, “passive income” generally includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade



or business. For purposes of these tests, income derived from the performance of services generally does not constitute “passive income”. U.S. shareholders of a PFIC are subject to an adverse U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based upon our operations as described herein, we do not believe that our income from time charters should be treated as “passive income” for purposes of determining whether we are a PFIC, and, consequently, the assets that we own and operate in connection with the production of that income should not constitute passive assets. Accordingly, based on our current operations, we do not believe we will be treated as a PFIC with respect to any taxable year.

There is substantial legal authority supporting this position consisting of case law and U.S. Internal Revenue Service (“IRS”), pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes.

Accordingly, no assurance can be given that the IRS or a court of law will accept this position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if the nature and extent of our operations change.

If the IRS were successful in asserting that we are or have been a PFIC for any taxable year, U.S. shareholders would face adverse U.S. federal income tax consequences. Under the PFIC rules, unless a shareholder makes an election available under the U.S. Internal Revenue Code of 1986, as amended, (the “Code”), which election could itself have adverse consequences for such shareholders, as discussed below under Item 10.E (“Taxation of Holders — U.S. Federal Income Tax Considerations — U.S. Federal Income Taxation of United States Holders”), excess distributions and any gain from the disposition of such shareholder’s common shares would be allocated ratably over the shareholder’s holding period of the common shares and the amounts allocated to the taxable year of the excess distribution or sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed with respect to such tax. See Item 10.E (“Taxation of Holders — U.S. Federal Income Tax Considerations — U.S. Federal Income Taxation of United States Holders”) for a more comprehensive discussion of the U.S. federal income tax consequences to United States shareholders if we are treated as a PFIC.

**We may have to pay tax on U.S. source shipping income, which would reduce our earnings.**

Under the Code, 50% of the gross shipping income of a corporation that owns or charters vessels, as we and our subsidiaries do, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States will be subject to a 4% U.S. federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the applicable Treasury Regulations promulgated thereunder or that corporation is entitled to an exemption from such tax under an applicable U.S. income tax treaty.

We expect to take the position that we qualify for this statutory exemption for U.S. federal income tax return reporting purposes for our 2019 taxable year and we intend to so qualify for future taxable years. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption and thereby cause us to become subject to U.S. federal income tax on our U.S. source shipping income. For example, there is a risk that we could no longer qualify for exemption under Section 883 of the Code for a particular taxable year if “non-qualified” shareholders with a 5% or greater interest in our stock were, in combination with each other, to own 50% or more of the outstanding shares of our stock on more than half the days during the taxable year. Due to the factual nature of the issues involved, we can give no assurances on our tax-exempt status or that of any of our subsidiaries.

If we or our subsidiaries were not entitled to exemption under Section 883 of the Code for any taxable year, we or our subsidiaries would be subject for such year to a 4% U.S. federal income tax on 50% of the shipping income we or our subsidiaries derive during the year which is attributable to the transport of

cargoes to or from the United States. The imposition of this taxation would have a negative effect on our business and would decrease our earnings available for distribution to our shareholders. For a discussion of the U.S. federal income tax treatment of our operating income, please read “Additional Information — Taxation of Holders — U.S. Federal Income Tax Considerations — U.S. Federal Income Taxation of Operating Income: In General.”

**We may be subject to additional taxes, which could adversely impact our business and financial results.**

We and our subsidiaries are subject to tax in certain jurisdictions in which we or our subsidiaries are organized, own assets or have operations. In computing our tax obligations in these jurisdictions, we are required to take various tax accounting and reporting positions on matters that are not entirely free from doubt and for which we have not received rulings from the governing authorities. We cannot assure you that, upon review of these positions, the applicable authorities will agree with our positions. A successful challenge by a tax authority could result in additional tax imposed on us or our subsidiaries, which could adversely impact our business and financial results.

## **Item 4. Information on the Company**

### **A. History and Development of the Company**

We are Ardmore Shipping. We provide seaborne transportation of petroleum products and chemicals worldwide to oil majors, national oil companies, oil and chemical traders, and chemical companies, with our modern, fuel-efficient fleet of mid-size product and chemical tankers. As at March 15, 2020, our current fleet consists of 25 vessels, all of which are in operation.

Ardmore Shipping Corporation was incorporated under the laws of the Republic of the Marshall Islands on May 14, 2013. We commenced business operations through our predecessor company, Ardmore Shipping LLC, on April 15, 2010. On August 6, 2013, we completed our initial public offering (“IPO”) of 10,000,000 shares of our common stock.

We have 75 wholly owned subsidiaries and a 50%-owned joint venture entity, Anglo Ardmore Ship Management Limited (“AASML”), which provides technical management services to the majority of our fleet. A list of our subsidiaries is included as Exhibit 8.1 to this Annual Report.

We maintain our principal executive and management offices at Belvedere Building, 69 Pitts Bay Road, Ground Floor, Pembroke, HM08, Bermuda. Our telephone number at these offices is +1 441 405 7800. Ardmore Shipping (Bermuda) Limited (“ASBL”), a wholly owned subsidiary incorporated in Bermuda, carries out our management services and associated functions. Ardmore Shipping Services (Ireland) Limited (“ASSIL”), a wholly owned subsidiary incorporated in Ireland, provides our corporate, accounting, fleet administration and operations services. Ardmore Shipping (Asia) Pte. Limited (“ASA”), a wholly owned subsidiary incorporated in Singapore, and Ardmore Shipping (Americas) LLC (“ASUSA”), a wholly owned subsidiary incorporated in Delaware, each perform commercial management and chartering services for us.

The SEC’s website at [www.sec.gov](http://www.sec.gov) contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our website address is [www.ardmoreshipping.com](http://www.ardmoreshipping.com). The information contained on our website is not part of this annual report.

### **B. Business Overview**

We commenced business operations in April 2010 with the goal of building an enduring product and chemical tanker company that emphasizes disciplined capital allocation, service excellence, innovation, and operational efficiency through our focus on high quality, fuel-efficient vessels. We are led by a team of experienced senior managers who have previously held senior management positions with highly regarded public shipping companies and financial institutions.

We are strategically focused on modern, fuel-efficient, mid-size product and chemical tankers. We actively pursue opportunities to exploit the overlap we believe exists between the clean petroleum product (“CPP”) and chemical sectors in order to enhance earnings, and also seek to engage in more complex CPP trades, such as multi-grade and multi-port loading and discharging operations, where our knowledge of chemical operations is beneficial to our CPP customers.

Our fuel-efficient operations are designed to enhance our operating performance and provide value-added service to our customers. We believe we are at the forefront of fuel efficiency and emissions reduction trends and are well positioned to capitalize on these developments with our fleet of Eco-design and Eco-mod vessels. Our acquisition strategy is to continue to build our fleet with Eco-design newbuildings or Eco-design second-hand vessels and with modern second-hand vessels that can be upgraded to Eco-mod.

We are an integrated shipping company. The majority of our fleet is technically managed by a combination of ASSIL and our 50% owned joint venture AASML and we also retain a third-party technical manager for some of our vessels. We have a resolute focus on both high-quality service and efficient operations, and we believe that our corporate overhead and operating expenses are among the lowest of our peers.

We are commercially independent, as we have no blanket employment arrangements with third-party or related-party commercial managers. Through our in-house chartering and commercial team, we market our



services directly to a broad range of customers, including oil majors, national oil companies, oil and chemical traders, chemical companies, and pooling service providers. We monitor the tanker markets to understand how to best utilize our vessels and may change our chartering strategy to take advantage of changing market conditions.

Other than technical management services provided to us by our 50% joint venture AASML we have no related-party transactions concerning our vessel operations or vessel sale and purchase activities. Certain of our wholly owned subsidiaries carry out our management and administrative services, with ASBL providing us with corporate and executive management services and associated functions, ASSIL providing corporate and accounting administrative services, as well as technical operations services and fleet administration, and ASA and ASUSA providing our commercial management and chartering services.

We believe that the market for mid-size product and chemical tankers is recovering from cyclical lows, resulting from strong underlying demand growth driven by both cyclical and secular trends, as well as a reduction in the supply overhang due to reduced ordering activity and an extended period of fleet growth at a rate below that of demand growth. We believe that we are well positioned to benefit from a market recovery with a modern, fuel-efficient fleet, access to capital for growth, a diverse and high-quality customer base, an emphasis on service excellence in an increasingly demanding regulatory environment and a relative cost advantage in assets, operations and corporate overhead.

Please see Item 5 “Operating and Financial Review and Prospects — Recent Developments” for a description of certain of our recent transactions and developments.

## Fleet List

As at March 15, 2020, our current fleet consists of 25 vessels, including 21 Eco-design and four Eco-mod vessels, all of which are in operation. The average age of our vessels at March 15, 2020, was 6.6 years.

<u>Vessel Name</u>	<u>Type</u>	<u>Dwt Tonnes</u>	<u>IMO</u>	<u>Built</u>	<u>Country</u>	<u>Flag</u>	<u>Specification</u>
<i>Ardmore Seavalliant</i> . . . . .	Product/Chemical	49,998	2/3	Feb-13	Korea	MI	Eco-design
<i>Ardmore Seaventure</i> . . . . .	Product/Chemical	49,998	2/3	Jun-13	Korea	MI	Eco-design
<i>Ardmore Seavantage</i> . . . . .	Product/Chemical	49,997	2/3	Jan-14	Korea	MI	Eco-design
<i>Ardmore Seavanguard</i> . . . . .	Product/Chemical	49,998	2/3	Feb-14	Korea	MI	Eco-design
<i>Ardmore Sealion</i> . . . . .	Product/Chemical	49,999	2/3	May-15	Korea	MI	Eco-design
<i>Ardmore Seafox</i> . . . . .	Product/Chemical	49,999	2/3	Jun-15	Korea	MI	Eco-design
<i>Ardmore Seawolf</i> . . . . .	Product/Chemical	49,999	2/3	Aug-15	Korea	MI	Eco-design
<i>Ardmore Seahawk</i> . . . . .	Product/Chemical	49,999	2/3	Nov-15	Korea	MI	Eco-design
<i>Ardmore Endeavour</i> . . . . .	Product/Chemical	49,997	2/3	Jul-13	Korea	MI	Eco-design
<i>Ardmore Enterprise</i> . . . . .	Product/Chemical	49,453	2/3	Sep-13	Korea	MI	Eco-design
<i>Ardmore Endurance</i> . . . . .	Product/Chemical	49,466	2/3	Dec-13	Korea	MI	Eco-design
<i>Ardmore Encounter</i> . . . . .	Product/Chemical	49,478	2/3	Jan-14	Korea	MI	Eco-design
<i>Ardmore Explorer</i> . . . . .	Product/Chemical	49,494	2/3	Jan-14	Korea	MI	Eco-design
<i>Ardmore Exporter</i> . . . . .	Product/Chemical	49,466	2/3	Feb-14	Korea	MI	Eco-design
<i>Ardmore Engineer</i> . . . . .	Product/Chemical	49,420	2/3	Mar-14	Korea	MI	Eco-design
<i>Ardmore Seamariner</i> . . . . .	Product/Chemical	45,726	3	Oct-06	Japan	MI	Eco-mod
<i>Ardmore Sealancer</i> . . . . .	Product	47,451	—	Jun-08	Japan	MI	Eco-mod
<i>Ardmore Sealeader</i> . . . . .	Product	47,463	—	Aug-08	Japan	MI	Eco-mod
<i>Ardmore Sealifter</i> . . . . .	Product	47,472	—	Jun-08	Japan	MI	Eco-mod
<i>Ardmore Dauntless</i> . . . . .	Product/Chemical	37,764	2	Feb-15	Japan	MI	Eco-design
<i>Ardmore Defender</i> . . . . .	Product/Chemical	37,791	2	Feb-15	Japan	MI	Eco-design
<i>Ardmore Cherokee</i> . . . . .	Product/Chemical	25,215	2	Jan-15	Japan	MI	Eco-design
<i>Ardmore Cheyenne</i> . . . . .	Product/Chemical	25,217	2	Mar-15	Japan	MI	Eco-design
<i>Ardmore Chinook</i> . . . . .	Product/Chemical	25,217	2	Jul-15	Japan	MI	Eco-design
<i>Ardmore Chippewa</i> . . . . .	Product/Chemical	25,217	2	Nov-15	Japan	MI	Eco-design
<b>Total</b> . . . . .	<b>25</b>	<b>1,111,294</b>					

## Business Strategy

Our objective is to solidify our position as a market leader in modern, fuel-efficient, mid-size product and chemical tankers by engaging in well-timed growth and utilizing our operational expertise and quality-focused approach to provide value-added services to our customers. The key elements of our business strategy include:

- *Disciplined capital allocation and well-timed growth.* We have a diligent and patient approach to capital allocation and expanding our fleet and we are selective as to the quality of vessels we seek to acquire. We believe that our commitment and selectivity in growing our fleet has been instrumental in building our reputation for quality and service excellence. We also believe that financial flexibility and well-timed quality fleet growth is key to delivering superior returns.
- *Focus on modern high quality, mid-size product and chemical tankers.* We maintain a very modern fleet, with all vessels built in high-quality yards in South Korea or Japan. The average sizes of our product and chemical tankers are substantially similar to the median sizes of the global fleets for product tankers and chemical tankers. We have developed our strategic focus around mainstream tanker sizes that are readily employed and actively traded worldwide in broad and deep markets.

In addition, as a result of the overlap between the product and chemical sectors, we believe that our fleet composition enables us to take advantage of opportunities, both operationally and strategically, while also providing investment diversification.

- *Optimizing fuel efficiency.* The shipping industry is experiencing a steady increase in fuel efficiency, and we intend to remain at the forefront of this development. Our Eco-design vessels incorporate many of the latest technological improvements, such as electronically controlled engines, more efficient hull forms matched with energy efficient propellers, and decreased water resistance. Our Eco-mod vessels have improved propulsion efficiency and decreased water resistance. In addition, we achieve further improvements through engine diagnostics and operational performance monitoring.
- *Commercial independence, flexibility and customer service.* Through our in-house chartering and commercial team and our ship management joint venture arrangement, we have an integrated operating platform resulting in leading commercial and operational performance. We maintain a broad range of existing and potential spot customers, as well as pooling alternatives and potential time-charter customers, to maximize commercial flexibility and customer diversification. Maintaining outstanding customer service is a cornerstone of our business and we seek customers that value our active approach to fuel efficiency and service delivery.
- *Low cost structure.* We have established a solid foundation for growth while cost-effectively managing our operating expenses and corporate overhead. We intend to grow our staff as needed and to realize further economies of scale as our fleet expands. At the core of our business philosophy is the belief that well-run companies can deliver high quality service and achieve efficiency simultaneously, through hands-on management, effective communication with employees, and constant re-evaluation of budgets and operational performance.

### **Corporate Officers, Staff and Seafarers**

Biographical information with respect to each of our directors and executive officers is set forth in Item 6 (“Directors, Senior Management and Employees”) of this Annual Report.

As at December 31, 2019, we employed 48 full-time staff and three part-time staff onshore. Through AASML, our 50%-owned joint venture ship manager, and Thome Ship Management, our third-party technical manager, we currently employ approximately 1,054 seafarers, including 536 officers and cadets and 518 crew.

Commercial management is provided directly by our in-house chartering and commercial team, and by third-party commercial pool managers, in the case of vessels participating in pooling arrangements. Commercial pools can provide many benefits for vessels operating in the spot market, including the ability to generate higher returns due to the economies of scale derived by operating a larger fleet.

### **Customers**

Our customers include national, regional, and international companies and our fleet is employed directly on the tanker spot market through our in-house chartering and commercial team. We may in the future seek to deploy our vessels on time charter arrangements or on the tanker spot market via third party commercial pool employment. We believe that developing strong relationships with the end users of our services allows us to better satisfy their needs with appropriate and capable vessels.

A prospective charterer’s financial condition, creditworthiness, and reliability track record are important factors in negotiating our vessels’ employment.

### **Competition**

We operate in markets that are highly competitive and based primarily on supply and demand. We compete for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as our reputation. Ownership of tanker vessels is highly fragmented and is divided among publicly listed companies, state-controlled owners and private ship-owners.

## The International Product and Chemical Tanker Industry

*The information and data contained in this section relating to the international product and chemical tanker shipping industry have been provided by Drewry Maritime Research (“Drewry”) and is taken from Drewry’s database and other sources. Drewry has advised that: (i) some information in their database is derived from estimates or subjective judgments; and (ii) the information in the databases of other maritime data collection agencies may differ from the information in their database. We believe all third-party data provided in this section, “The International Product and Chemical Tanker Industry,” is reliable.*

The world tanker fleet is generally divided into four main categories of vessels based on the main type of cargoes carried. These categories are crude oil, refined petroleum products (both clean and dirty products) — hereinafter referred to as products, chemicals (including vegetable oils and fats) and specialist products such as bitumen. There is some overlap between the main tanker types and the cargoes carried, which is explained in the table below.

### Principal Tanker Types and Main Cargoes Carried

Vessel Type	Ship Size – Dwt	Tank Type	IMO Status	Principal Cargo	Other Cargoes
<b>ULCC/VLCC</b> . . . . .	200,000+	Uncoated	Non IMO	Crude Oil	
<b>Suezmax</b> . . . . .	120,000 – 199,999	Uncoated	Non IMO	Crude Oil	
<b>Aframax</b> . . . . .	80,000 – 119,999	Uncoated	Non IMO	Crude Oil	Refined Products – Dirty
<b>Panamax</b> . . . . .	60,000 – 79,999	Uncoated	Non IMO	Crude Oil	Refined Products – Dirty
<b>Large Range 3 (LR3)</b> . . . . .	120,000 – 199,999	Coated	Non IMO	Refined Products	Crude
<b>Large Range 2 (LR2)</b> . . . . .	80,000 – 119,999	Coated	Non IMO	Refined Products	Crude
<b>Large Range 1 (LR1)</b> . . . . .	60,000 – 79,999	Coated	Non IMO	Refined Products	Crude
<b>Medium Range (MR)</b> . . . . .	25,000 – 59,999	Coated	IMO 2	Refined Products	Chemicals/Veg Oils
	25,000 – 59,999	Coated	IMO 3	Refined Products	Chemicals/Veg Oils
	25,000 – 59,999	Coated	Non IMO	Refined Products	
	25,000 – 59,999	Uncoated	Non IMO	Refined Products	
<b>Small Range (SR)</b> . . . . .	10,000 – 24,999	Coated	Non-IMO	Refined Products	
	10,000 – 24,999	Coated	IMO 2	Refined Products	Chemicals/Veg Oils
<b>Stainless Steel Tankers</b> . . . . .	10,000 +	Stainless	IMO 2	Chemicals/Veg Oils	Refined Products
<b>Specialist Tankers</b> . . . . .	10,000+	Uncoated/Coated	Non IMO	Various e.g. Bitumen	

*Source: Drewry*

In the product and chemical sectors, there are a number of vessels that possess the ability to carry both products and some chemicals. Therefore, these vessels represent a ‘swing’ element in supply in both of these markets. However, in practice, many vessels will tend to trade in either refined products or chemicals/vegetable oils and fats.

Between 2014 and 2019, seaborne trade grew by an annual rate of 2.0% for crude oil, 2.7% for oil products, and 3.3% for chemicals. From 2014 to 2019, the seaborne trade in refined products and chemicals were two of the fastest growing sectors of international tanker shipping. Changes in the volumes of world seaborne tanker trade (excludes voyage distances i.e. tonne miles) from 2009 to 2019 are shown in the table below.



## World Seaborne Tanker Trade Volumes

Year	Crude Oil		Oil Products		Chemicals		Total		Global GDP (IMF)
	Million tons	% y-o-y	Million tons	% y-o-y	Million tons	% y-o-y	Million tons	% y-o-y	% y-o-y
2009	1,928	-4.2%	777	1.6%	202	12.9%	2,907	-1.7%	-0.1%
2010	1,997	3.6%	810	4.3%	217	7.4%	3,024	4.0%	5.4%
2011	1,941	-2.8%	860	6.3%	228	5.1%	3,029	0.2%	4.3%
2012	1,988	2.4%	859	-0.2%	240	5.3%	3,087	1.9%	3.5%
2013	1,920	-3.4%	904	5.3%	252	5.1%	3,077	-0.3%	3.5%
2014	1,904	-0.9%	914	1.1%	252	-0.1%	3,070	-0.2%	3.6%
2015	1,974	3.7%	963	5.3%	266	5.4%	3,202	4.3%	3.5%
2016	2,060	4.4%	999	3.8%	267	0.6%	3,327	3.9%	3.4%
2017	2,121	2.9%	1,043	4.3%	283	5.8%	3,447	3.6%	3.8%
2018	2,116	-0.2%	1,055	1.1%	293	3.4%	3,463	0.5%	3.6%
2019*	2,102	-0.7%	1,046	-0.8%	296	1.2%	3,444	-0.5%	3.0%
CAGR (2014 – 2019)	2.0%		2.7%		3.3%		2.3%		
CAGR (2009 – 2019)	0.9%		3.0%		3.9%		1.7%		

\* Provisional estimates

Note: Historical trade numbers have been revised based on changes in the number of reported countries; and change in trade estimates for some of the reported countries.

Source: Drewry, IMF

### The Product Tanker Industry

While crude oil tankers transport crude oil from points of production to points of consumption (typically oil refineries in consuming countries), product tankers can carry both refined and unrefined petroleum products, including some crude oil, as well as fuel oil and vacuum gas oil (often referred to as ‘dirty products’) and gas oil, gasoline, jet fuel, kerosene and naphtha (often referred to as ‘clean products’). Tankers with no IMO certification, but with coated cargo tanks are designed to carry products, while tankers with IMO certification (normally IMO 2 or IMO 3) and coated cargo tanks are capable to carry both products and chemicals/vegetable oils and fats. Given the facts mentioned above, a tanker with IMO 2 certification and with an average tank size in excess of 3,000 cubic meters is normally classified as a product tanker, while a tanker with IMO 2 certification and an average tank size of less than 3,000 cubic meters is normally categorized as a chemical tanker.

In essence, products can be carried in coated non-IMO tankers and IMO rated coated tankers. By this definition, the product capable tanker fleet consists of nearly 45% of the total tanker fleet (above 10,000 dwt) in numerical terms, and therefore plays a key part in the global tanker market.

The demand for product tankers is determined by world oil demand and trade, which is influenced by various factors, including economic activity, geographic changes in oil production, consumption and refinery capacity, oil prices, the availability of transport alternatives (such as pipelines) and inventory policies of nations and oil trading companies. Tanker demand is a product of: (i) the volume of cargo transported in tankers, multiplied by (ii) the distance that cargo is transported.

Growth in oil demand and the changing location of oil supply have altered the structure of the tanker market in recent years. Between 2003 and 2008, more than half of new crude oil production was located in the Middle East and Africa. These two regions still produce around one third of global supply. However, in recent years, the U.S. and Canadian crude oil production have increased as a result of the development of shale oil deposits in these countries. This has reduced the demand of U.S. seaborne crude oil imports but is

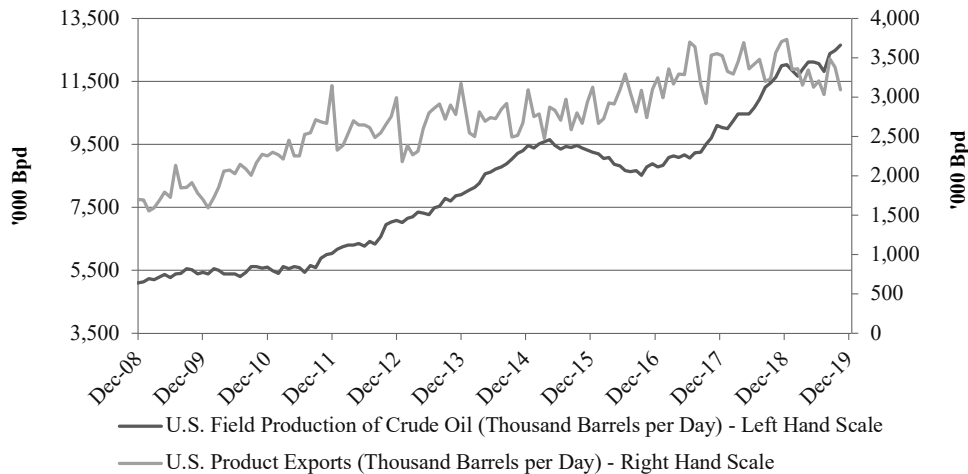
resulting in greater oil product volumes becoming available for export from the U.S. Gulf as refiners have access to plentiful supplies of competitively priced feedstock.

New technologies, such as horizontal drilling and hydraulic fracturing, triggered a shale oil revolution in the U.S. In 2013, for the first time in the last two decades, the U.S. produced more oil than it imported. In view of the rising surplus in oil production, the U.S. Congress lifted a 40-year-old ban on crude oil exports in 2015, which was put in place after the Arab oil embargo in 1973 allowing U.S. oil producers access to international markets.

The first shipments of the U.S. produced crude oil were sent to Europe immediately after the lifting of the ban, and since then, other destinations have followed. The U.S. exported nearly 0.5 million barrels per day (“mbpd”) of crude oil in 2015 and 2016. However, 2017 marked a very important development for U.S. crude oil producers as the country exported crude oil to every major importer, including China, India, South Korea and several European countries. Consequently, U.S. crude oil exports averaged 1.2 mbpd and 2.0 mbpd in 2017 and 2018 respectively, with increasing production resulting in greater loadings in the Gulf of Mexico. Based on the data ended October 2019, U.S. crude oil exports averaged 2.9 mbpd in 2019, with June, September and October recording exports of 3.2 mbpd, 3.1 mbpd and 3.4 mbpd respectively, well above the psychological 3.0 mbpd mark.

In addition, in 2014, the Energy Information Administration (“EIA”) in the U.S. began classifying exports of U.S. treated condensate as ‘kerosene and light gas oils’ in its Petroleum Supply Monthly report. This followed from a decision by the U.S. Bureau of Industry and Security (“BIS”) to allow the export of distilled condensate as a refined product. Field condensate, which can be fed into a refinery or used as a chemical plant feedstock, had been considered as an upstream product until 2014, and therefore, was restricted for export under U.S. law. However, the BIS ruling that field stabilization processing changes condensate enough that it becomes a new product opened up further export opportunities. In short, changes in the U.S. oil market have had a very positive impact on the demand of product tankers because U.S. product exports have risen sharply since 2009, as indicated by the chart below.

**U.S. Crude Oil Production and U.S. Product Exports**



\*Source: JODI

Much of the increase in U.S. exports has helped fulfill the growing demand in South America and Africa for oil products, while other U.S. exports have been moving Transatlantic into Europe, where local refinery shutdowns have supported the rise in the import of products.

In terms of tonne-mile demand, a notable development in the patterns of world refining over the last five years has been the shift towards crude oil-producing regions developing their own refinery capacity, while at the same time, poor refinery margins have led to the closure of refineries in the developed world, most notably in Europe and in the U.S. East Coast. In this context, it is already apparent that the closure of refining capacity in the developed world is prompting long-haul imports to cater to product demand, on routes such as West Coast India to the U.S. eastern seaboard and Europe. Refinery shutdowns close to

consuming regions elsewhere in the world will also help support the demand for product imports. For example, in Australia, the trade from Singapore has become increasingly important to compensate for the conversion of local producing refineries into storage depots. This is part of a general increase in the intra-Asian trade, which is already boosting the demand for product tankers.

The shift in the location of global oil production is also being accompanied by a shift in the location of global refinery capacity and throughput. In short, capacity and throughput are moving from the developed to the developing world. Between 2009 and 2019, refinery throughput in the OECD Americas and OECD Asia Oceania moved up 9.3% and 3.8% to 19.1 mbpd and 6.8 mbpd respectively, whereas refining throughput in OECD Europe declined from 12.2 mbpd to 11.0 mbpd in the same period. Cumulatively, this has resulted in OECD's refining throughput of 38.1 mbpd in 2019, totaling 46.4% of global refinery throughput.

### Refinery Throughput<sup>(1)</sup> 2009 – 2019

( '000 Barrels Per Day )

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
OECD Americas . . .	17,480	17,931	17,898	18,190	18,492	18,934	18,850	18,960	19,290	19,400	19,100
OECD Europe . . . .	12,377	12,265	11,935	11,942	11,304	11,232	11,900	11,920	12,300	12,100	12,200
OECD Asia											
Oceania . . . . .	6,549	6,697	6,586	6,609	6,720	6,652	6,700	6,890	7,200	7,000	6,800
FSU . . . . .	6,170	6,401	6,592	6,683	6,831	7,069	6,850	6,880	6,880	7,000	6,800
Non-OECD											
Europe . . . . .	641	658	627	587	559	557	500	500	570	600	600
China . . . . .	7,762	8,630	9,041	9,749	10,427	10,864	10,400	10,790	11,830	12,000	12,900
Other Asia . . . . .	8,224	8,598	8,637	8,792	8,588	8,541	10,000	10,380	10,440	10,600	10,600
Latin America . . . .	4,729	4,678	4,873	4,470	4,589	4,545	4,550	4,200	3,830	3,500	3,200
Middle East . . . . .	6,069	6,164	6,324	6,257	6,202	6,501	6,450	6,810	7,520	8,000	7,900
Africa . . . . .	2,292	2,451	2,168	2,202	2,182	2,255	2,250	2,090	1,920	2,100	2,000
<b>Total . . . . .</b>	<b>72,293</b>	<b>74,471</b>	<b>74,682</b>	<b>75,482</b>	<b>75,894</b>	<b>77,149</b>	<b>78,450</b>	<b>79,420</b>	<b>81,780</b>	<b>82,300</b>	<b>82,100</b>

(1) The difference between oil consumption and refinery throughput is accounted for by condensates, output gains, direct burning of crude oil and other non-gas liquids.

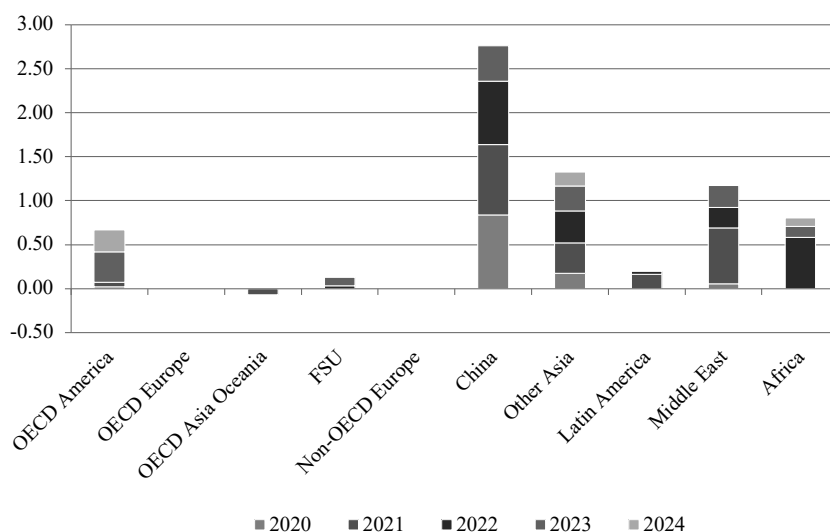
Source: IEA

Asia and the Middle East have steadily increased their export-oriented refinery capacity in the last few years. As a result of these developments, countries such as India and Saudi Arabia have consolidated their positions as major exporters of products. Export-oriented refineries in India and the Middle East, coupled with the closure of refining capacity in the developed world, have promoted greater long-haul shipments to cater to product demand.

New refining capacity of 2.4 mbpd was scheduled to come online in 2019 and additional new refinery capacity is currently scheduled for both the Middle East and Asia from 2019 to 2023. From 2020 to 2024, the anticipated additions to refinery capacity on a regional basis (illustrated in the chart below) amount to 7.0 mbpd, or 7.0% of existing refinery capacity.

### Planned Additions to Global Refining Capacity<sup>(1)</sup>

(Million Barrels Per Day)



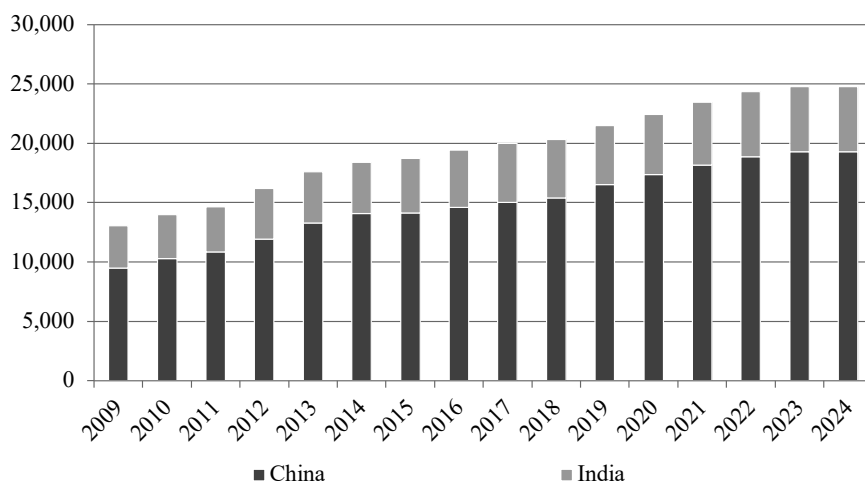
(1) Assumes all announced plans go ahead as scheduled

Source: IEA

In developed economies, such as Europe, refinery capacity is on the decline — a trend that is likely to continue as refinery development plans are concentrated in areas such as Asia and the Middle East or close to oil-producing centers and where the new capacity coming on stream is export-orientated. These new refineries are more competitive as they can process sour crude oil and are technically more advanced as well as more environment-friendly compared with existing European refineries. Few new refineries or expansions are planned for Europe. By contrast, Chinese and Indian refinery capacity has grown at faster rates than any other global region in the last decade on the back of strong domestic oil consumption and the construction of export-orientated refineries. From 2009 to 2019, Chinese refining capacity increased 74.3%, while the growth for India was 38.8% (see chart below).

### China and India — Refining Capacity<sup>(1)</sup>

('000 Barrels Per Day)

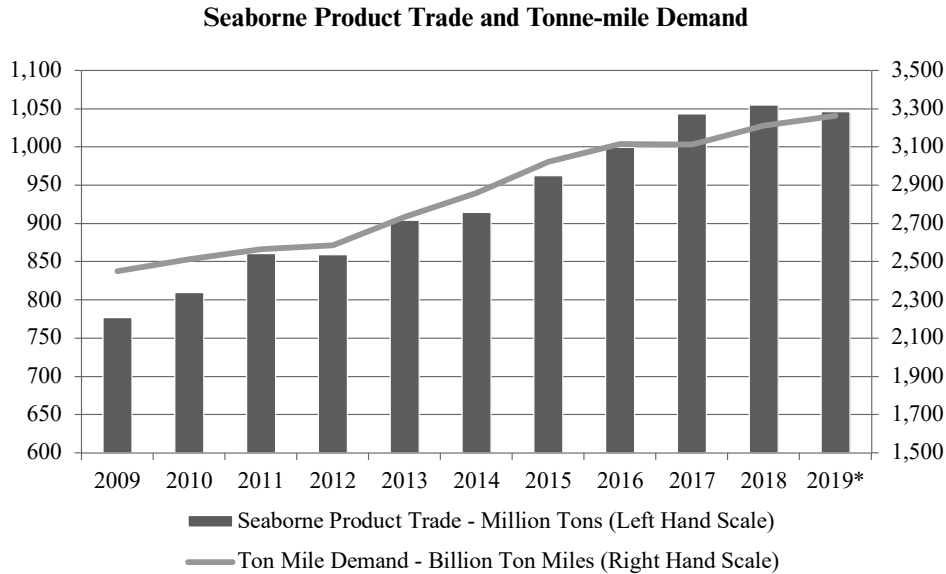


Capacity for 2020 to 2023 assumes all announced plans go ahead as scheduled

Source: BP, IEA



As a result of the growth in trade and the changes in the location of refinery capacity, the demand for product tankers expressed in terms of tonne-miles, grew at a CAGR of 2.9% between 2009 and 2019. Generally, the growth in products trade and product tanker demand is more consistent and less volatile than in crude oil trade.



\* *Provisional estimates*

*Source: Drewry*

### Product Tanker Supply

The global product tanker fleet is classified as any non-stainless steel/specialized tanker between 10,000 dwt and 60,000 dwt, as well as coated and other ‘product-capable’ vessels over 60,000 dwt. As of December 31, 2019, the world tanker fleet consisted of 6,876 vessels with a combined capacity of 617.5 million dwt. Within the total tanker fleet, Medium Range (“MR”) vessels account for 32.2% of total ship numbers with a total capacity of 99.5 million dwt. MR vessels are considered the ‘workhorses’ of the fleet.

As of December 31, 2019, the MR product tanker orderbook was 134 vessels totaling 6.4 million dwt. The MR orderbook as a percentage of the existing MR fleet, in terms of dwt, was 6.5% compared with close to 50% at the last peak in 2008. Based on scheduled deliveries, 3.8 million dwt of MR product tankers are due for delivery in 2020 and a further 2.3 million dwt in 2021. Approximately 60% of the vessels on order in the MR category are scheduled to be delivered in 2020, which would increase the MR fleet by 4.0%, assuming no vessel is scrapped. Current estimates suggest that there is approximately 57% of vessel capacity across the entire tanker orderbook which is scheduled for delivery in 2020, adding 25.0 million dwt to the total fleet.

The other factor that will affect future supply is demolition activity. The volume of scrapping is a function primarily of the age profile of the fleet, scrap prices in relation to the current and prospective charter market conditions as well as operating, repair and survey costs. In 2016, a total of 32 tankers of a combined capacity of 2.3 million dwt were sold for scrap, of which 17 tankers of approximately 0.7 million dwt were in the MR size range. In comparison, 84 tankers with a combined capacity of 10.4 million dwt of tonnage were scrapped in 2017, of which 19 tankers with a total capacity of 0.8 million dwt were in the MR size range. In 2018, 156 tankers of a combined capacity of 20.7 million dwt were sold to scrapyards, of which 34 tankers with an aggregate capacity of 1.4 million dwt were MR tankers. Provisional data for 2019 suggests that 44 tankers with 2.9 million dwt were demolished, of which 22 tankers with 0.9 million dwt were of the MR category. MR fleet growth in 2019 based on provisional estimates of deliveries and scrapping was 2.1%.

## World Tanker Fleet and Orderbook: December 31, 2019

Vessel Type/Class	Fleet		Size dwt	Orderbook			Orderbook Delivery Schedule (M Dwt)			
	Number	M Dwt		Number	M Dwt	% Fleet Dwt	2020	2021	2022	2023+
ULCC/VLCC	801	246.8	200,000+	59	18.0	7.3%	11.6	5.5	0.9	0.0
Suezmax	569	88.8	120,000 – 199,999	59	9.1	10.2%	5.1	3.1	0.8	0.0
Aframax (Uncoated)	667	72.8	80,000 – 119,999	38	4.3	5.9%	1.1	3.2	0.0	0.0
Panamax (Uncoated)	74	5.2	60,000 – 79,999	4	0.3	5.2%	0.3	0.0	0.0	0.0
<b>Crude Tankers</b>	<b>2,111</b>	<b>413.5</b>		<b>160</b>	<b>31.7</b>	<b>7.7%</b>	<b>18.1</b>	<b>11.8</b>	<b>1.7</b>	<b>0.0</b>
Large Range 3 (LR3)	21	3.3	120,000 – 199,999	0	0.0	0.0%	0.0	0.0	0.0	0.0
Large Range 2 (LR2)	380	41.6	80,000 – 119,999	35	3.9	9.4%	1.6	2.0	0.2	0.0
Large Range 1 (LR1)	376	27.7	60,000 – 79,999	4	0.3	1.1%	0.3	0.0	0.0	0.0
<b>LR Product Tankers</b>	<b>777</b>	<b>72.5</b>		<b>39</b>	<b>4.2</b>	<b>5.8%</b>	<b>1.9</b>	<b>2.0</b>	<b>0.2</b>	<b>0.0</b>
Coated IMO 2	1,045	47.6	25,000 – 59,999	65	2.9	6.2%	1.9	1.0	0.0	0.0
Coated IMO 3 & Non IMO Coated/ Uncoated	1,153	51.1	25,000 – 59,999	69	3.4	6.7%	1.9	1.3	0.3	0.0
<b>Total MR</b>	<b>2,198</b>	<b>98.7</b>		<b>134</b>	<b>6.4</b>	<b>6.5%</b>	<b>3.8</b>	<b>2.3</b>	<b>0.3</b>	<b>0.0</b>
Small Range	995	14.7	10,000 – 24,999	43	0.8	5.4%	0.5	0.3	0.0	0.0
Stainless Steel Tankers	766	17.0	10,000+	38	0.9	5.1%	0.6	0.1	0.2	0.0
<b>Total All Tankers</b>	<b>6,847</b>	<b>616.5</b>		<b>414</b>	<b>43.9</b>	<b>7.1%</b>	<b>25.0</b>	<b>16.5</b>	<b>2.4</b>	<b>0.0</b>

*Source: Drewry*

There are two other important regulations enforced in 2019 that may also play an important role in determining the product tanker supply in the year ahead. The first is the requirement to retrofit ballast water management systems (“BWMS”) to existing vessels, which became effective in early September 2019. In February 2004, the IMO adopted the International Convention for the Control and Management of Ships’ Ballast Water and Sediments. The IMO’s ballast water management (“BWM”) Convention contains an environmentally protective numeric standard for the treatment of a ship’s ballast water before it is discharged. This standard, detailed in Regulation ‘D-2’ of the BWM Convention, sets out the numbers of organisms allowed in specific volumes of treated discharge water. The IMO’s ‘D-2’ standard is also the standard that has been adopted by the U.S. Coast Guard’s ballast water regulations and the U.S. EPA’s Vessel General Permit. The BWM Convention also contains an implementation schedule for the installation of IMO member state type approved treatment systems in existing ships and in new vessels, requirements for the development of vessel ballast water management plans, requirements for the safe removal of sediments from ballast tanks, and guidelines for the testing and type approval of ballast water treatment technologies. In July 2017, the IMO extended the regulatory requirement of compliance to the BWM Convention from September 8, 2017, to September 8, 2019. Vessels trading internationally will have to comply with the BWM Convention upon their next special survey after that date (September 8, 2019), and for an MR2 tanker, the retrofit cost could be as much as \$1.0 million per vessel, including labor. Expenditure of this kind will now be another factor impacting the decision to scrap older vessels after the BWM Convention came into force. This has led to an important debate, where a few of the industry participants are of the view that instead of placing the BWM system on ships, the ports should be responsible for the management of ballast water and should charge a fee instead.

The second regulation, which became effective on January 1, 2020, and will impact future vessel supply, is the drive to introduce low sulfur fuels. For many years, heavy sulfur fuel oil (“HSFO”) has been the main fuel of the shipping industry. It is relatively inexpensive and widely available, but it is ‘dirty’ from an environmental point of view. The sulfur content of HSFO is extremely high and is the reason that maritime shipping accounts for 8% of global emissions of sulfur dioxide (SO<sub>2</sub>), an important source for acid rain as well as respiratory diseases.

The IMO, the governing body of international shipping, has made a decisive effort to diversify the industry away from HSFO into cleaner fuels with less harmful effects on the environment and human health. Effective in 2015, ships operating within the Emission Control Areas (“ECAs”) covering the Economic Exclusive Zone of North America, the Baltic Sea, the North Sea, and the English Channel, have been required to use marine gas oil with allowable sulfur content up to 1,000 parts per million (ppm). In the lead-up to 2020, when the shipping industry started to prepare for a new low sulfur norm, two factors were closely watched: 1) the spread between (expensive) very low sulfur fuel and (cheaper) high sulfur fuel and, 2) scrubber retrofit activity.

Starting in 2020, high and low-sulfur fuel demand (originating from the shipping industry) reported significant variation. The fuel price spread largely oscillated between \$300 and \$350 per metric ton during the first few weeks of January 2020. During February 2020, it hovered around US\$190-200 per tonne and this has reduced to US\$100 per tonne in March 2020 as the market has settled in and the overall price of oil has collapsed. Despite the initial speculation, the shipping industry did not see any systemic shortage of the new low sulfur fuel, which came as a relief. On the scrubber side of the story, the industry saw major traction in the fourth quarter of 2019, and by the end of 2019, only 3% of the global fleet capacity (in terms of numbers of vessels) was equipped with scrubbers. Vessels on which scrubbers were installed were generally those with higher operating fuel requirement (i.e. larger ships). For example, in the ULCC/VLCC category, 34% of the global fleet capacity had scrubbers installed or to be installed, compared with 10.7% of the global MR tanker fleet. As we move ahead in 2020, we expect that the shipping industry will become more settled with the new norms set by the changed regulations.

### **The Product Tanker Freight Market**

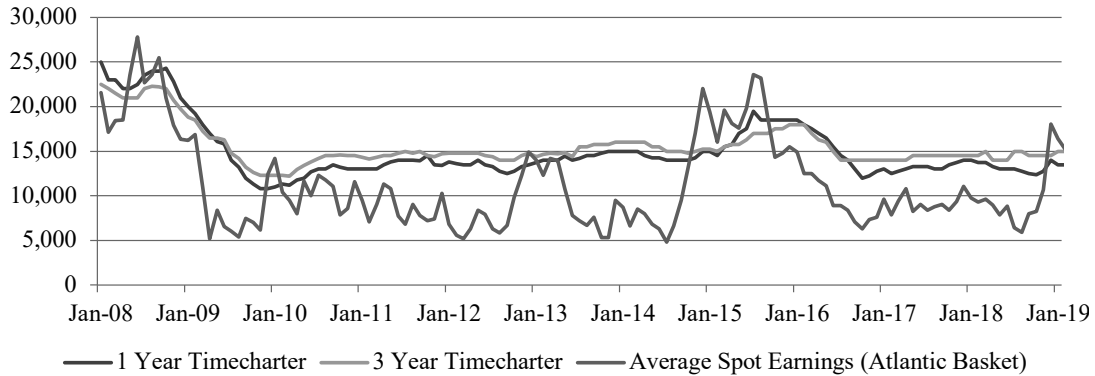
Between 2003 and early 2008, the differential between demand and supply for tankers remained narrow and rates were generally very firm. Following the global financial crisis in 2009, tanker demand nosedived, coinciding with substantial tonnage entering the fleet, driving earnings down until the market started to recover in 2014. Product tanker fleet growth in 2015 was approximately 5.0% in capacity terms and with demand growing by approximately 6.0% improved utilization rates in the sector have led to much stronger freight rates. The specific factors which have led to improved market conditions include:

- increased trade due to higher stocking activity and improved demand for oil products
- longer voyage distances because of refining capacity additions in Asia
- product tankers are also carrying crude oil encouraged by firm freight rates for dirty tankers
- lower bunker prices have also been a factor contributing to higher net earnings

For example, the average TCE of the spot rate for a MR product tanker in 2015 was \$18,375/day, compared with an average of \$9,833/day in 2014. On a one-year time charter rate basis, average MR rates rose from \$14,438/day in 2014 to \$17,271/day in 2015.

However, the surge in newbuild deliveries in 2016 had a negative impact on vessel earnings, with average freight rates in the spot and one-year time charter markets falling to \$9,767/day and \$15,125/day respectively. Another round of newbuilding deliveries in 2017 had an adverse effect on supply-demand dynamics and freight rates, as product tanker declined further. In 2017, the average one-year time charter rate for MR tankers was \$13,188/day, while on a TCE basis, the average rate during 2017 was \$9,158/day. The product tanker market remained weak in the first half of 2018 and started to recover in the second half of 2018, resulting in a small increase in TCE rates and one-year time charter rates, which averaged \$9,299/day and \$13,175/day respectively. In 2019, freight rates remained strong, with the average spot TCE rate and one-year time charter rate increasing to \$14,592 and \$14,667, respectively. The trend in MR spot and time charter rates from January 2008 to January 2019 is shown in the chart below.

**MR Product Tanker Freight Rates**  
(U.S.\$ Per Day)



*Source: Drewry*

It should be noted that these rates are based on standard five-year old MR vessels, and there is some evidence that modern fuel-efficient vessels with 'Eco' specifications are commanding an additional premium up to 10% over freight rate realised by these vessels.

**Asset Values**

Product tanker asset values have also fluctuated over time, and there is a relationship between changes in asset values and the charter market. Newbuilding prices increased significantly between 2003 and early 2008, primarily as a result of increased tanker demand and rising freight rates. Current newbuilding prices are significantly below the peaks reported at the height of the market in 2008. In December 2019, the newbuilding price for an MR product tanker was estimated at \$36.0 million.



The second-hand sale and purchase market has traditionally been relatively liquid, with tankers changing hands between owners on a regular basis. Second-hand prices peaked over the summer of 2008 and have since followed a similar path to both freight rates and newbuilding prices. In December 2019, a five-year old MR product tanker was estimated to have a value of \$30.0 million. The trend in newbuilding prices, second-hand values and freight rates for an MR tanker from 2009 to 2019 are summarized in the table below.

**MR Product Tankers: Freight Rate and Asset Value Summary**

Period Averages	Spot TCE (US\$/day)	Time charter (US\$/day)		Asset Prices (US\$ million)	
		1 Year	3 Year	Newbuild	5 Year Old
2009	9,043	14,850	15,267	40.3	30.2
2010	10,568	12,388	13,646	35.9	26.4
2011	8,658	13,633	14,575	36.1	28.3
2012	8,000	13,325	14,500	33.2	25.2
2013	9,550	14,346	15,161	33.8	26.2
2014	9,833	14,438	15,417	36.9	27.1
2015	18,375	17,271	16,458	36.1	25.8
2016	9,767	15,125	15,354	33.1	24.8
2017	9,158	13,188	14,333	32.7	23.4
2018	9,299	13,175	14,500	35.3	26.5
2019	14,592	14,667	15,500	36.0	28.8
Dec-19	24,227	16,000	16,000	36.0	30.0
<b>2015 – 2019</b>					
5 Year Avg	12,238	14,685	15,229	34.6	25.9
5 Year Low	5,900	12,000	14,000	32.0	22.0
5 Year High	24,227	19,500	18,000	36.5	30.0
<b>2010 – 2019</b>					
10 Year Avg	10,780	14,155	14,944	34.9	26.2
10 Year Low	4,800	11,000	12,200	32.0	22.0
10 Year High	24,227	19,500	18,000	37.0	30.0

Source: Drewry

**The Chemical Tanker Industry**

**Introduction**

The world chemical industry is one of the largest and most diversified industries in the world, with more than 1,000 large and medium-sized companies manufacturing over 70,000 different product lines. Although most specialist chemicals are used locally, world trade is becoming an increasingly prominent part of the global chemical industry for a number of reasons ranging from local stock imbalances to a lack of local production of particular chemicals in various parts of the world. In broad terms, the growth of seaborne trade in bulk liquid chemicals has tracked trends in economic activity and globalization.

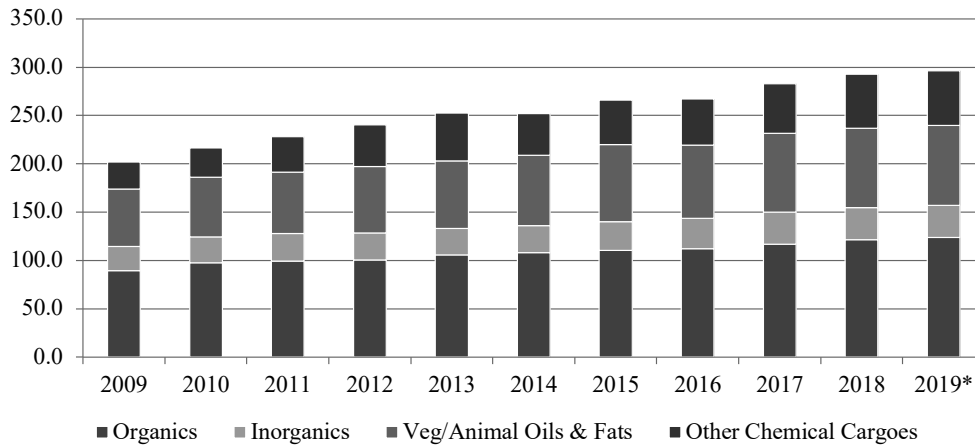
The seaborne transportation of chemicals is technically and logistically complex compared with the transportation of crude oil and oil products, with cargoes ranging from hazardous and noxious chemicals to products such as edible oils and fats. Consequently, the chemical tanker sector comprises a wide array of specially constructed small and medium sized tankers designed to carry chemical products in various stages of production.

**Chemical Tanker Demand**

The demand for chemicals is affected by, among other things, general economic conditions (including increases and decreases in industrial production and transportation), chemical prices, feedstock costs and

chemical production capacity. Given their industrial usage, chemical demand, and as a result the demand for seaborne transport of such chemicals, is well-correlated with global GDP. Seaborne trade in chemicals is characterized by a wide range of individual cargoes and a relatively regionalized structure compared with crude and products. Given the geographical complexity and the diversity of cargoes involved and the way in which some cargoes are transported, estimating the total seaborne trade in chemicals is difficult. Essentially, there are four main types of chemicals transported by sea: (i) organic chemicals, (ii) inorganic chemicals, (iii) vegetable oils, and (iv) fats and other commodities such as molasses.

**Seaborne Chemical Trades**  
(Million Tons)



\* *Provisional estimates*

*Source: Drewry*

The U.S. is the largest exporter of organic chemicals, accounting for approximately one-quarter of all exports, while China accounts for about one-third of total organic chemical imports. The four organic chemicals most frequently traded by sea are methanol, styrene, benzene and paraxylene. Inorganic chemical trade accounts for around 10-15% of total seaborne movements. Inorganic chemicals are not traded as widely geographically as organic chemicals and also present several transport problems; not only are they very dense, they are also highly corrosive. Palm oil accounts for about half of this trade, with the next top two commodities in this sector traded by sea being soybean oil and sunflower seed oil.

From a regional perspective, activity is focused on three main geographical areas. Europe is a mature, established producing region, contributing over one-quarter of total chemical production. Much of Europe's production serves domestic requirements. This manifests itself in increased demand for short-sea services rather than deep-sea trades. North American (predominantly the U.S.) manufacturers produce about one-fifth of the major chemical products in the world. Although most U.S. production is for domestic use, particularly where gasoline additives are involved, the country also produces above domestic requirements, which results in significant export volumes.

In the U.S., the chemicals industry is affected by the development of shale gas. Increased supplies of natural gas in the U.S. reduce domestic gas prices, and the fall in natural gas prices has had a beneficial impact on feedstock costs for the petrochemical industry. In particular, the cost of ethane has fallen significantly since 2011, thereby increasing the competitiveness of the U.S. petrochemical industry within a global perspective. Accordingly, U.S. ethylene production costs have fallen to levels where the U.S. can now compete with Middle Eastern suppliers, which has opened new opportunities to expand U.S. ethylene cracking capacity, and subsequently, petrochemical capacity. Ethylene cracker utilization in the U.S. correlates with the price of oil, and before the fall in oil prices in late 2014, plans had been announced for a number of new petrochemical plants. Ethylene is a precursor for many organic chemicals shipped by sea (e.g. ethylene dichloride, ethylene

glycol), so increased production had led to increased availability of downstream chemical products for export from the U.S. Although the Middle East will continue to be the largest supplier of organic chemicals, the U.S. is expected to be a major exporter of methanol and ethylene derivatives to the Far East market.

### **Chemical Tanker Supply**

Chemical tankers are characterized mainly by cargo containment systems, which are technically more sophisticated than those found in conventional oil and product tankers. Since chemical tankers are often required to carry many products, which are typically hazardous and easily contaminated, cargo segregation and containment is an essential feature of these tankers.

Chemicals can only be carried in a tanker which has a current IMO Certificate of Fitness (“CoF”). The IMO regulates the carriage of chemicals by sea under the auspices of the International Bulk Chemical Code (“IBC”), which classifies potentially dangerous cargoes into three categories, typically referred to as ‘IMO 1’, ‘IMO 2’ and ‘IMO 3’. Specific IMO conventions govern the requirements for particular tanks to be classified as each grading, with the pertinent features of each tank being the internal volume and its proximity to the sides and bottom of the vessel’s hull.

The carriage of 18 cargoes is restricted to IMO Type 1 classified vessels, while most cargoes require IMO 2 vessels, including vegetable oils and palm oils. One concession to the IBC Code regulations is an allowance that IMO 3 tankers might carry other edible oils — an exemption introduced due to the tendency for such cargoes to be shipped in large bulk parcels. These cargoes often require ships of up to MR size. Despite this exemption, these vessels are not ‘true’ chemical tankers in the general sense of the word as they are not able to carry IMO 2 cargoes.

As well as defining the chemical tanker fleet in terms of IMO type, it is also possible to further define the fleet according to the degree of tank segregation, tank size and tank coating as detailed below.

- *Chemical parcel tankers:* Over 75% of the tanks are segregated with an average tank size less than 3,000 cubic meters (“cbm”), all of which are stainless steel. A typical chemical parcel tanker might be IMO 2 with a capacity of 20,000 dwt and have 20 fully segregated tanks which are of stainless steel.
- *Chemical bulk tankers:* Vessels with a lower level of tank segregations (below 75%), with an average tank size below 3,000 cbm, and with coated tanks. A typical chemical bulk tanker might be 17,000 dwt with 16 coated tanks but might be IMO 2 with 8 segregations.

Given the above, a broad definition of a chemical tanker is any vessel with a current IMO CoF with coated and/or stainless steel tanks and an average tank size of less than 3,000 cbm.

Overall, within the product and chemical tanker fleets, it is important to recognise that there are a group of ‘swing’ ships which can trade in either products or in chemicals, vegetable oils and fats. For example, a product tanker with IMO 2 certification might trade from time to time in easy chemicals such as caustic soda. In addition, an IMO 2 chemical tanker can, in theory, carry products. The sector in which these ‘swing’ ships trade will depend on a number of factors, with the main influences being the exact technical specifications of the ship, the last cargo carried, the state of the freight market in each sector and the operating policy of the ship owner/operator.

As of December 31, 2019, the global IMO 2 coated and stainless steel tanker fleet consisted of 1,711 vessels with a combined capacity of 37.0 million dwt. The orderbook consisted of 72 vessels with an aggregate capacity of 1.8 million dwt, or 4.9% of the existing fleet. In 2019, provisional data suggests that only 10 MR chemical tankers totaling 0.2 million dwt were sent for demolition. In addition, chemical tankers are relatively complex vessel types to build, which increases the barriers to entry for shipyards, and the pool of yards that shipowners are willing to consider is small.

## World Coated IMO 2 and Stainless Steel Tanker Fleet and Orderbook: December 31, 2019

Ship Type	Size (DWT)	Fleet		Orderbook			Orderbook Delivery Schedule (M Dwt)			
		Number	M Dwt	Number	M Dwt	% Fleet	2020	2021	2022	2023+
Coated IMO 2 . . . . .	10,000+	945	20.0	34	0.9	5%	0.5	0.4	0.0	0.0
Stainless Steel . . . . .	10,000+	766	17.0	38	0.9	5%	0.6	0.1	0.2	0.0
<b>Total . . . . .</b>		<b>1,711</b>	<b>37.0</b>	<b>72</b>	<b>1.8</b>	<b>4.9%</b>	<b>1.1</b>	<b>0.5</b>	<b>0.2</b>	<b>0.0</b>

*Source: Drewry*

### The Chemical Tanker Freight Market

Nearly 40% to 60% of all chemical movements are covered by contracts of affreightment (“COAs”) (whereby the shipowner or operators carries a customer’s cargoes for an agreed period of time), while the spot market covers 35% to 40% of the movements. The remainder is made up by other charter arrangements and cargoes moved in the vessels controlled by exporters or importers. However, the COA-spot ratio varies depending on the vessel sizes, shipowners’/operators’ chartering strategy and other factors. In the chemical tanker freight market, the level of reporting of fixture information is far less widespread than for the oil tanker market. Furthermore, it is not always possible to establish a monthly series of rates for an individual cargo, on a given route, because fixing is often sporadic, or more often than not covered by contract business. For these reasons, the assessment of spot freight rate trends in the freight market is made by using a small number of routes where there is sufficient fixture volume to produce meaningful measurements.

Following the global financial crisis in 2008-09, chemical tanker freight rates declined between 2008 and 2012. However, freight rates on most routes strengthened in 2013. Freight rates continued to record small gains on the back of increased vessel demand in 2014 and 2015 due to improved seaborne chemical trade. However, freight rates on average declined 4.5% in 2016 as a result of a slowdown in demand growth. Freight rates on key routes dropped further in 2017 on account of supply side pressure due to an increased number of newbuilding deliveries and subdued demolitions in an already weak market. In 2018, freight rates recovered 3.2%, following the strengthening of world seaborne trade. Provisional data for 2019 suggests that global seaborne chemical trade expanded 1.2% and time charter rates on key routes registered an average gain of 6.3%.

### Chemical Tanker Asset Values

As in other shipping sectors, chemical tanker sale and purchase values show a relationship to the charter market and newbuilding prices. Newbuilding prices are influenced by shipyard capacity and increased steel prices; second-hand vessel values may vary because of the country of construction and the level of outfitting of such vessels. Although there has been a relatively high level of activity in recent years, chemical vessels can be difficult to market to buyers due to the complexity of operations in the chemical market and they may not always achieve their initial newbuilding premium. Newbuilding price trends in the chemical tanker sector are more difficult to track than product tankers due to the lower volume of ordering and increased variation in specification. At the end of 2019, prices were generally 24% to 29% lower than the market peak in early 2008, whereas in the second-hand market, asset values in some cases dropped nearly 58% since 2008.



### Chemical Tankers: Freight Rate and Asset Value Summary

Year	Dwt	TC Rate US\$/Day		Newbuilding Price (US\$ million)		Secondhand Price <sup>(1)</sup> (US\$ million)	
		22 – 24,000	35 – 37,000	22 – 24,000	35 – 37,000	22 – 24,000	35 – 37,000
2008		16,763	22,438	35.4	46.3	23.5	33.6
2009		11,913	14,625	29.0	35.5	17.3	20.8
2010		11,180	12,630	27.3	33.3	15.6	18.0
2011		10,300	13,390	27.0	32.0	14.3	15.6
2012		9,930	13,330	27.9	32.9	14.3	14.8
2013		10,570	14,140	28.6	33.6	14.5	14.1
2014		11,200	14,260	29.2	34.2	14.5	15.7
2015		11,860	16,100	27.8	32.8	13.8	17.0
2016		12,090	14,330	26.9	31.9	14.6	16.5
2017		11,010	11,810	26.0	31.0	13.4	14.6
2018		11,270	12,290	26.4	31.7	12.6	13.6
2019*		11,450	13,630	27.0	33.1	12.8	14.0

\* *Provisional estimates*

(1) For a 10-year old vessel

*Source: Drewry*

### Potential Impact of Novel Coronavirus Pandemic

The novel coronavirus pandemic (COVID-19) is dynamic and expanding, and its ultimate scope, duration and effects are uncertain. We expect that this pandemic will result, and that any future epidemic or pandemic crises, could result in direct and indirect adverse effects on the product and chemical tanker industry. Effects of the current pandemic include, or may include, among others:

- deterioration of worldwide, regional or national economic conditions and activity, which could further reduce or prolong the recent significant declines in oil prices, or adversely affect global demand for crude oil and petroleum products, demand for product and chemical tankers, and charter and spot rates;
- disruptions to operations of industry participants as a result of the potential health impact on workforces, including crew;
- business disruptions from, or additional costs related to, new regulations, directives or practices implemented in response to the pandemic, such as travel restrictions for individuals or vessels, hygiene measures (such as quarantining and social distancing) or implementation of remote working arrangements;
- potential delays in (a) the loading and discharging of cargo on or from our vessels, (b) vessel inspections and related certifications by class societies, oil majors or government agencies and (c) maintenance and any repairs or upgrades to, or drydocking of, vessels (or of the delivery of newbuilding vessels), due to quarantine, worker health, regulations or a shortage of required spares;
- potential liquidity constraints and reduced access to capital as a result of any credit tightening generally or due to continued declines in global financial markets;
- potential decreases in the market values of vessels; and
- potential deterioration in the financial condition and prospects of industry participants.

Although disruption and effects from the novel coronavirus pandemic may be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact on the

product and chemical tanker industry and its participants cannot be reasonably estimated at this time, but likely will have a material adverse effect.

### **Environmental and Other Regulations in the Shipping Industry**

Government regulation and laws significantly affect the ownership and operation of our fleet. We are subject to international conventions and treaties, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered relating to safety and health and environmental protection including the storage, handling, emission, transportation and discharge of hazardous and non-hazardous materials, and the remediation of contamination and liability for damage to natural resources. Compliance with such laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of government and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (applicable national authorities such as the United States Coast Guard (“USCG”), harbor master or equivalent), classification societies, flag state administrations (countries of registry) and charterers, particularly terminal operators. Certain of these entities require us to obtain permits, licenses, certificates and other authorizations for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or result in the temporary suspension of the operation of one or more of our vessels.

Increasing environmental concerns have created a demand for vessels that conform to stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with United States and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations frequently change and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident that causes significant adverse environmental impact could result in additional legislation or regulation that could negatively affect our profitability.

### **International Maritime Organization**

The International Maritime Organization, the United Nations agency for maritime safety and the prevention of pollution by vessels (the “IMO”), has adopted the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, collectively referred to as MARPOL 73/78 and herein as “MARPOL,” the International Convention for the Safety of Life at Sea of 1974 (“SOLAS Convention”), and the International Convention on Load Lines of 1966 (the “LL Convention”). MARPOL establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms. MARPOL is applicable to drybulk, tanker and LNG carriers, among other vessels, and is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried in bulk in liquid or in packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997, new emissions standards, titled IMO-2020, took effect on January 1, 2020.

In 2012, the IMO’s Marine Environmental Protection Committee, or the “MEPC,” adopted a resolution amending the International Code for the Construction and Equipment of Ships Carrying Dangerous Chemicals in Bulk, or the “IBC Code.” The provisions of the IBC Code are mandatory under MARPOL and the SOLAS Convention. These amendments, which entered into force in June 2014, pertain to revised international certificates of fitness for the carriage of dangerous chemicals in bulk and identifying new products that fall under the IBC Code.

In 2013, the IMO’s Marine Environmental Protection Committee, or the “MEPC” adopted a resolution amending MARPOL Annex I Condition Assessment Scheme, or “CAS.” These amendments became effective

on October 1, 2014 and require compliance with the 2011 International Code on the Enhanced Programme of Inspections during Surveys of Bulk Carriers and Oil Tankers, or “ESP Code,” which provides for enhanced inspection programs.

We may need to make certain financial expenditures to continue to comply with these amendments. We believe that all our vessels are currently compliant in all material respects with these regulations.

### *Air Emissions*

In September of 1997, the IMO adopted Annex VI to MARPOL to address air pollution from vessels. Effective May 2005, Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from all commercial vessel exhausts and prohibits “deliberate emissions” of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile compounds from cargo tanks, and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions, as explained below. Emissions of “volatile organic compounds” from certain vessels, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls, or PCBs) are also prohibited. We believe that all our vessels are currently compliant in all material respects with these regulations.

The Marine Environment Protection Committee, or “MEPC” adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone depleting substances, which entered into force on July 1, 2010. The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. On October 27, 2016, at its 70<sup>th</sup> session, the MEPC agreed to implement a global 0.5% m/m sulfur oxide emissions limit (reduced from 3.50%) starting from January 1, 2020. This limitation can be met by using low-sulfur compliant fuel oil, alternative fuel, or certain exhaust gas cleaning systems. Once the cap becomes effective, ships will be required to obtain bunker delivery notes and International Air Pollution Prevention (“IAPP”) Certificates from their flag states that specify sulfur content. Additionally, at MEPC 73, amendments to Annex VI to prohibit the carriage of bunkers above 0.5% sulfur on ships were adopted and will take effect March 1, 2020. These regulations subject ocean-going vessels to stringent emissions controls and may cause us to incur substantial costs.

Sulfur content standards are even stricter within certain “Emission Control Areas,” or (“ECAs”). As of January 1, 2015, ships operating within an ECA were not permitted to use fuel with sulfur content in excess of 0.1% m/m. Amended Annex VI establishes procedures for designating new ECAs. Currently, the IMO has designated four ECAs, including specified portions of the Baltic Sea area, North Sea area, North American area and United States Caribbean area. Ocean-going vessels in these areas will be subject to stringent emission controls and may cause us to incur additional costs. Other areas in China are subject to local regulations that impose stricter emission controls. If other ECAs are approved by the IMO, or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the U.S. Environmental Protection Agency (“EPA”) or the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for marine diesel engines, depending on their date of installation. At the MEPC meeting held from March to April 2014, amendments to Annex VI were adopted which address the date on which Tier III Nitrogen Oxide (NOx) standards in ECAs will go into effect. Under the amendments, Tier III NOx standards apply to ships that operate in the North American and U.S. Caribbean Sea ECAs designed for the control of NOx produced by vessels with a marine diesel engine installed and constructed on or after January 1, 2016. Tier III requirements could apply to areas that will be designated for Tier III NOx in the future. At MEPC 70 and MEPC 71, the MEPC approved the North Sea and Baltic Sea as ECAs for nitrogen oxide for ships built on or after January 1, 2021. The EPA promulgated equivalent (and in some senses stricter) emissions standards in 2010. As a result of these designations or similar future designations, we may be required to incur additional operating or other costs.

As determined at the MEPC 70, the new Regulation 22A of MARPOL Annex VI became effective as of March 1, 2018 and requires ships above 5,000 gross tonnage to collect and report annual data on fuel oil

consumption to an IMO database, with the first year of data collection commencing on January 1, 2019. The IMO intends to use such data as the first step in its roadmap (through 2023) for developing its strategy to reduce greenhouse gas emissions from ships, as discussed further below.

As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for ships. All ships are now required to develop and implement Ship Energy Efficiency Management Plans (“SEEMPS”), and new ships must be designed in compliance with minimum energy efficiency levels per capacity mile as defined by the Energy Efficiency Design Index (“EEDI”). Under these measures, by 2025, all new ships built will be 30% more energy efficient than those built in 2014.

We may incur costs to comply with these revised standards. Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems and could adversely affect our business, results of operations, cash flows and financial condition.

### **Safety Management System Requirements**

The SOLAS Convention was amended to address the safe manning of vessels and emergency training drills. The Convention of Limitation of Liability for Maritime Claims (the “LLMC”) sets limitations of liability for a loss of life or personal injury claim or a property claim against ship owners. We believe that our vessels are in full compliance with SOLAS and LLMC standards.

Under Chapter IX of the SOLAS Convention, or the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (the “ISM Code”), our operations are also subject to environmental standards and requirements. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that we and our technical management team have developed for compliance with the ISM Code. The failure of a vessel owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel’s management with the ISM Code requirements for a safety management system. No vessel can obtain a safety management certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. We have obtained applicable documents of compliance for our offices and safety management certificates for all of our vessels for which the certificates are required by the IMO. The document of compliance and safety management certificates are renewed as required.

Regulation II-1/3-10 of the SOLAS Convention governs ship construction and stipulates that ships over 150 meters in length must have adequate strength, integrity and stability to minimize risk of loss or pollution. Goal-based standards amendments in SOLAS regulation II-1/3-10 entered into force in 2012, with July 1, 2016 set for application to new oil tankers and bulk carriers. The SOLAS Convention regulation II-1/3-10 on goal-based ship construction standards for bulk carriers and oil tankers, which entered into force on January 1, 2012, requires that all oil tankers and bulk carriers of 150 meters in length and above, for which the building contract is placed on or after July 1, 2016, satisfy applicable structural requirements conforming to the functional requirements of the International Goal-based Ship Construction Standards for Bulk Carriers and Oil Tankers (“GBS Standards”).

Amendments to the SOLAS Convention Chapter VII apply to vessels transporting dangerous goods and require those vessels be in compliance with the International Maritime Dangerous Goods Code (“IMDG Code”). Effective January 1, 2018, the IMDG Code includes (1) updates to the provisions for radioactive material, reflecting the latest provisions from the International Atomic Energy Agency, (2) new marking, packing and classification requirements for dangerous goods and (3) new mandatory training requirements. Amendments which took effect on January 1, 2020 also reflect the latest material from the UN Recommendations on the Transport of Dangerous Goods, including (1) new provisions regarding IMO



type 9 tanks, (2) new abbreviations for segregation groups, and (3) special provisions for carriage of lithium batteries and of vehicles powered by flammable liquid or gas.

The IMO has also adopted the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (“STCW”). As of February 2017, all seafarers are required to meet the STCW standards and be in possession of a valid STCW certificate. Flag states that have ratified SOLAS and STCW generally employ the classification societies, which have incorporated SOLAS and STCW requirements into their class rules, to undertake surveys to confirm compliance.

Furthermore, recent action by the IMO’s Maritime Safety Committee and United States agencies indicates that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity threats. For example, cyber-risk management systems must be incorporated by ship-owners and managers by 2021. This might cause companies to create additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. The impact of such regulations is hard to predict at this time.

### **Pollution Control and Liability Requirements**

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatories to such conventions. For example, the IMO adopted an International Convention for the Control and Management of Ships’ Ballast Water and Sediments (the “BWM Convention”) in 2004. The BWM Convention entered into force on September 8, 2017. The BWM Convention requires ships to manage their ballast water to remove, render harmless or avoid the uptake or discharge of new or invasive aquatic organisms and pathogens within ballast water and sediments. The BWM Convention’s implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits, and require all ships to carry a ballast water record book and an international ballast water management certificate.

On December 4, 2013, the IMO Assembly passed a resolution revising the application dates of BWM Convention so that the dates are triggered by the entry into force date and not the dates originally in the BWM Convention. This, in effect, makes all vessels delivered before the entry into force date “existing vessels” and allows for the installation of ballast water management systems on such vessels at the first International Oil Pollution Prevention (“IOPP”) renewal survey following entry into force of the convention. The MEPC adopted updated guidelines for approval of ballast water management systems (G8) at MEPC 70. At MEPC 71, the schedule regarding the BWM Convention’s implementation dates was also discussed and amendments were introduced to extend the date existing vessels are subject to certain ballast water standards. Those changes were adopted at MEPC 72. Ships over 400 gross tons generally must comply with a “D-1 standard,” requiring the exchange of ballast water only in open seas and away from coastal waters. The “D-2 standard” specifies the maximum amount of viable organisms allowed to be discharged, and compliance dates vary depending on the IOPP renewal dates. Depending on the date of the IOPP renewal survey, existing vessels must comply with the D-2 standard on or after September 8, 2019. For most ships, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Ballast water management systems, which include systems that make use of chemical, biocides, organisms or biological mechanisms, or which alter the chemical or physical characteristics of the ballast water, must be approved in accordance with IMO Guidelines (Regulation D-3). As of October 13, 2019, MEPC 72’s amendments to the BWM Convention took effect making the Code for Approval of Ballast Water Management Systems, which governs assessment of ballast water management systems, mandatory rather than permissive, and formalized an implementation schedule for the D-2 standard. Under these amendments, all ships must meet the D-2 standard by September 9, 2024. Costs of compliance with these regulations may be substantial.

Once mid-ocean ballast water treatment requirements become mandatory under the BWM Convention, the cost of compliance could increase for ocean carriers and may have a material effect on our operations. However, many countries already regulate the discharge of ballast water carried by vessels from country to country to prevent the introduction of invasive and harmful species via such discharges. The U.S., for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternate measure, and to comply with certain reporting requirements.

The IMO adopted the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended by different Protocols in 1976, 1984 and 1992, and amended in 2000 (“the CLC”). Under the CLC and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel’s registered owner may be strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain exceptions. The 1992 Protocol changed certain limits on liability expressed using the International Monetary Fund currency unit, the Special Drawing Rights. The limits on liability have since been amended so that the compensation limits on liability were raised. The right to limit liability is forfeited under the CLC where the spill is caused by the shipowner’s actual fault and under the 1992 Protocol where the spill is caused by the shipowner’s intentional or reckless act or omission where the shipowner knew pollution damage would probably result. The CLC requires ships over 2,000 tons covered by it to maintain insurance covering the liability of the owner in a sum equivalent to an owner’s liability for a single incident. We have protection and indemnity insurance for environmental incidents. P&I Clubs in the International Group issue the required Bunkers Convention “Blue Cards” to enable signatory states to issue certificates. All of our vessels are in possession of a CLC State issued certificate attesting that the required insurance coverage is in force.

The IMO also adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage (the “Bunker Convention”) to impose strict liability on ship owners (including the registered owner, bareboat charterer, manager or operator) for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the LLMC). With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in ship’s bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

Ships are required to maintain a certificate attesting that they maintain adequate insurance to cover an incident. In jurisdictions, such as the United States where the CLC or the Bunker Convention has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or on a strict-liability basis.

### ***Anti-Fouling Requirements***

In 2001, the IMO adopted the International Convention on the Control of Harmful Anti-fouling Systems on Ships, or the “Anti-fouling Convention.” The Anti-fouling Convention, which entered into force on September 17, 2008, prohibits the use of organotin compound coatings to prevent the attachment of mollusks and other sea life to the hulls of vessels. Vessels of over 400 gross tons engaged in international voyages will also be required to undergo an initial survey before the vessel is put into service or before an International Anti-fouling System Certificate is issued for the first time; and subsequent surveys when the anti-fouling systems are altered or replaced. We have obtained Anti-fouling System Certificates for all of our vessels that are subject to the Anti-fouling Convention.

### ***Compliance Enforcement***

Noncompliance with the ISM Code or other IMO regulations may subject the ship owner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. The USCG and European Union authorities have indicated that vessels not in compliance with the ISM Code by applicable deadlines will be prohibited from trading in U.S. and European Union ports, respectively. As of the date of this Annual Report, each of our vessels is ISM Code certified. However, there can be no assurance that such certificates will be maintained in the future. The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

### **The U.S. Oil Pollution Act of 1990 and the Comprehensive Environmental Response, Compensation and Liability Act**

The U.S. Oil Pollution Act of 1990 (“OPA”) established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all “owners and operators” whose

vessels trade or operate within the U.S., its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S.'s territorial sea and its 200 nautical mile exclusive economic zone around the U.S. The U.S. has also enacted the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), which applies to the discharge of hazardous substances other than oil, except in limited circumstances, whether on land or at sea. OPA and CERCLA both define "owner and operator" in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Both OPA and CERCLA impact our operations.

Under OPA, vessel owners and operators are "responsible parties" and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels, including bunkers (fuel). OPA defines these other damages broadly to include:

- (i) injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;
- (ii) injury to, or economic losses resulting from, the destruction of real and personal property;
- (iii) loss of subsistence use of natural resources that are injured, destroyed or lost;
- (iv) net loss of taxes, royalties, rents, fees or net profit revenues resulting from injury, destruction or loss of real or personal property, or natural resources;
- (v) lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and
- (vi) net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective November 21, 2019, the USCG adjusted the limits of OPA liability for a tank vessel, other than a single-hull tank vessel, over 3,000 gross tons liability to the greater of \$2,300 per gross ton or \$19,943,400 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship) or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident as required by law where the responsible party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

CERCLA contains a similar liability regime whereby owners and operators of vessels are liable for cleanup, removal and remedial costs, as well as damages for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing the same, and health assessments or health effects studies. There is no liability if the discharge of a hazardous substance results solely from the act or omission of a third party, an act of God or an act of war. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$5.0 million for vessels carrying a hazardous substance as cargo and the greater of \$300 per gross ton or \$500,000 for any other vessel. These limits do not apply (rendering the responsible person liable for the total cost of response and damages) if the release or threat of release of a hazardous substance resulted from willful misconduct or negligence, or the primary cause of the release was a violation of applicable safety, construction or operating standards or regulations. The limitation on liability also does not apply if the responsible person fails or refused to provide all reasonable cooperation and assistance as requested in connection with response activities where the vessel is subject to OPA.

OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law. OPA and CERCLA both require owners and operators of vessels to establish and maintain with the USCG evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or

a guarantee. We comply and plan to comply going forward with the USCG's financial responsibility regulations by providing applicable certificates of financial responsibility.

The 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico resulted in additional regulatory initiatives or statutes, including higher liability caps under OPA, new regulations regarding offshore oil and gas drilling and a pilot inspection program for offshore facilities. However, several of these initiatives and regulations have been or may be revised. For example, the U.S. Bureau of Safety and Environmental Enforcement's ("BSEE") revised Production Safety Systems Rule ("PSSR"), effective December 27, 2018, modified and relaxed certain environmental and safety protections under the 2016 PSSR. Additionally, the BSEE amended the Well Control Rule, effective July 15, 2019 which rolled back certain reforms regarding the safety of drilling operations, and the U.S. President has proposed leasing new sections of U.S. waters to oil and gas companies for offshore drilling. The effects of these proposals and changes are currently unknown. Compliance with any new requirements of OPA and future legislation or regulations applicable to the operation of our vessels could impact the cost of our operations and adversely affect our business.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA and some states have enacted legislation providing for unlimited liability for oil spills. Many U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law. Moreover, some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters, although in some cases, states which have enacted this type of legislation have not yet issued implementing regulations defining vessel owners' responsibilities under these laws. We intend to comply with all applicable state regulations in the ports where our vessels call.

We currently maintain pollution liability coverage insurance in the amount of \$1 billion per incident for each of our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage, it could have an adverse effect on our business and results of operation.

#### **Other United States Environmental Initiatives**

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990) ("CAA") requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas. The CAA also requires states to draft State Implementation Plans, or SIPs, designed to attain national health-based air quality standards in each state. Although state-specific, SIPs may include regulations concerning emissions resulting from vessel loading and unloading operations by requiring the installation of vapor control equipment. Our vessels operating in such regulated port areas with restricted cargoes are equipped with vapor recovery systems that satisfy these existing requirements.

The U.S. Clean Water Act ("CWA") prohibits the discharge of oil, hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly issued permit or exemption and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. In 2015, the EPA expanded the definition of "waters of the United States" ("WOTUS"), thereby expanding federal authority under the CWA. Following litigation on the revised WOTUS rule, in December 2018, the EPA and Department of the Army proposed a revised, limited definition of "waters of the United States." The proposed rule was published in the Federal Register on February 14, 2019 and was subject to public comment. On October 22, 2019, the agencies published a final rule repealing the 2015 Rule defining "waters of the United States" and recodified the regulatory text that existed prior to 2015 Rule. The final rule became effective on December 23, 2019. On January 23, 2020, the EPA published the "Navigable Waters Protection Rule" which replaces the rule published on October 22, 2019 and redefines "waters of the United States". The effect of this rule is currently unknown.

The EPA and the USCG have also enacted rules relating to ballast water discharge, compliance with which requires the installation of equipment on our vessels to treat ballast water before it is discharged or the



implementation of other port facility disposal arrangements or procedures at potentially substantial costs, and/or otherwise restrict our vessels from entering U.S. Waters. The EPA will regulate these ballast water discharges and other discharges incidental to the normal operation of certain vessels within United States waters pursuant to the Vessel Incidental Discharge Act (“VIDA”), which was signed into law on December 4, 2018 and replaces the 2013 Vessel General Permit (“VGP”) program (which authorizes discharges incidental to operations of commercial vessels and contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters, stringent requirements for exhaust gas scrubbers, and requirements for the use of environmentally acceptable lubricants) and current Coast Guard ballast water management regulations adopted under the U.S. National Invasive Species Act (“NISA”), such as mid-ocean ballast exchange programs and installation of approved USCG technology for all vessels equipped with ballast water tanks bound for U.S. ports or entering U.S. waters. VIDA establishes a new framework for the regulation of vessel incidental discharges under the U.S. Clean Water Act (“CWA”), requires the EPA to develop performance standards for those discharges within two years of enactment, and requires the U.S. Coast Guard to develop implementation, compliance and enforcement regulations within two years of EPA’s promulgation of standards. Under VIDA, all provisions of the 2013 VGP and USCG regulations regarding ballast water treatment remain in force and effect until the EPA and U.S. Coast Guard regulations are finalized. Non-military, non-recreational vessels greater than 79 feet in length must continue to comply with the requirements of the VGP, including submission of a Notice of Intent (“NOI”) or retention of a PARI form and submission of annual reports. We have submitted NOIs for our vessels where required. Compliance with the EPA, U.S. Coast Guard and state regulations could require the installation of ballast water treatment equipment on our vessels or the implementation of other port facility disposal procedures at potentially substantial cost or may otherwise restrict our vessels from entering U.S. waters.

### **European Union Regulations**

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. Regulation (EU) 2015/757 of the European Parliament and of the Council of 29 April 2015 (amending EU Directive 2009/16/EC) governs the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, and, subject to some exclusions, requires companies with ships over 5,000 gross tonnage to monitor and report carbon dioxide emissions annually, which may cause us to incur additional expenses.

The European Union has adopted several regulations and directives requiring, among other things, more frequent inspections of high-risk ships, as determined by type, age and flag as well as the number of times the ship has been detained. The European Union also adopted and extended a ban on substandard ships and enacted a minimum ban period and a definitive ban for repeated offenses. The regulation also provided the European Union with greater authority and control over classification societies, by imposing more requirements on classification societies and providing for fines or penalty payments for organizations that failed to comply. Furthermore, the EU has implemented regulations requiring vessels to use reduced sulfur content fuel for their main and auxiliary engines. The EU Directive 2005/33/EC (amending Directive 1999/32/EC) introduced requirements parallel to those in Annex VI relating to the sulfur content of marine fuels. In addition, the EU imposed a 0.1% maximum sulfur requirement for fuel used by ships at berth in the Baltic, the North Sea and the English Channel (the so called “SOx-Emission Control Area”). As of January 2020, EU member states must also ensure that ships in all EU waters, except the SOx-Emission Control Area, use fuels with a 0.5% maximum sulfur content.

### ***International Labor Organization***

The International Labor Organization (the “ILO”) is a specialized agency of the UN that has adopted the Maritime Labor Convention 2006 (“MLC 2006”). A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance is required to ensure compliance with the MLC 2006 for all ships that are 500 gross tonnage or over and are either engaged in international voyages or flying the flag of a Member

and operating from a port, or between ports, in another country. We believe that all our vessels are in substantial compliance with and are certified to meet MLC 2006.

### **Greenhouse Gas Regulation**

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions with targets extended through 2020. International negotiations are continuing with respect to a successor to the Kyoto Protocol, and restrictions on shipping emissions may be included in any new treaty. In December 2009, more than 27 nations, including the U.S. and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The 2015 United Nations Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016 and does not directly limit greenhouse gas emissions from ships. The U.S. initially entered into the agreement but on June 1, 2017, the U.S. President announced that the United States intends to withdraw from the Paris Agreement which provides for a four-year exit process, meaning that the earliest possible effective withdrawal date cannot be before November 4, 2020. The timing and effect of such action has yet to be determined.

At MEPC 70 and MEPC 71, a draft outline of the structure of the initial strategy for developing a comprehensive IMO strategy on reduction of greenhouse gas emissions from ships was approved. In accordance with this roadmap, in April 2018, nations at the MEPC 72 adopted an initial strategy to reduce greenhouse gas emissions from ships. The initial strategy identifies “levels of ambition” to reducing greenhouse gas emissions, including (1) decreasing the carbon intensity from ships through implementation of further phases of the EEDI for new ships; (2) reducing carbon dioxide emissions per transport work, as an average across international shipping, by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008 emission levels; and (3) reducing the total annual greenhouse emissions by at least 50% by 2050 compared to 2008 while pursuing efforts towards phasing them out entirely. The initial strategy notes that technological innovation, alternative fuels and/or energy sources for international shipping will be integral to achieve the overall ambition. These regulations could cause us to incur additional substantial expenses.

The EU made a unilateral commitment to reduce overall greenhouse gas emissions from its member states from 20% of 1990 levels by 2020. The EU also committed to reduce its emissions by 20% under the Kyoto Protocol’s second period from 2013 to 2020. Starting in January 2018, large ships over 5,000 gross tonnage calling at EU ports are required to collect and publish data on carbon dioxide emissions and other information.

In the United States, the EPA issued a finding that greenhouse gases endanger the public health and safety, adopted regulations to limit greenhouse gas emissions from certain mobile sources and proposed regulations to limit greenhouse gas emissions from large stationary sources. However, in March 2017, the U.S. President signed an executive order to review and possibly eliminate the EPA’s plan to cut greenhouse gas emissions, and in August 2019 the Administration announced plans to weaken regulations for methane emissions. The EPA or individual U.S. states could enact environmental regulations that would affect our operations.

Any passage of climate control legislation or other regulatory initiatives by the IMO, the EU, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol or Paris Agreement, that restricts emissions of greenhouse gases could require us to make significant financial expenditures which we cannot predict with certainty at this time. Even in the absence of climate control legislation, our business may be indirectly affected to the extent that climate change may result in sea level changes or certain weather events.

### **Vessel Security Regulations**

Since the terrorist attacks of September 11, 2001 in the United States, there have been a variety of initiatives intended to enhance vessel security such as the U.S. Maritime Transportation Security Act of 2002 (“MTSA”). To implement certain portions of the MTSA, the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States and at certain ports and facilities, some of which are regulated by the EPA.

Similarly, Chapter XI-2 of the SOLAS Convention imposes detailed security obligations on vessels and port authorities and mandates compliance with the International Ship and Port Facilities Security Code (“the ISPS Code”). The ISPS Code is designed to enhance the security of ports and ships against terrorism. To trade internationally, a vessel must attain an International Ship Security Certificate (“ISSC”) from a recognized security organization approved by the vessel’s flag state. Ships operating without a valid certificate may be detained, expelled from, or refused entry at port until they obtain an ISSC. The various requirements, some of which are found in the SOLAS Convention, include, for example, on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship’s identity, position, course, speed and navigational status; on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore; the development of vessel security plans; ship identification number to be permanently marked on a vessel’s hull; a continuous synopsis record kept onboard showing a vessel’s history including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship’s identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and compliance with flag state security certification requirements.

The USCG regulations, intended to align with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid ISSC that attests to the vessel’s compliance with the SOLAS Convention security requirements and the ISPS Code. Future security measures could have a significant financial impact on us. We intend to comply with the various security measures addressed by MTSA, the SOLAS Convention and the ISPS Code.

### **Inspection by Classification Societies**

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and SOLAS. Most insurance underwriters make it a condition for insurance coverage and lending that a vessel be certified “in class” by a classification society which is a member of the International Association of Classification Societies, the IACS. The IACS has adopted harmonized Common Structural Rules, or the Rules, which apply to oil tankers and bulk carriers contracted for construction on or after July 1, 2015. The Rules attempt to create a level of consistency between IACS Societies. All of our vessels are certified as being “in class” by all the applicable Classification Societies (e.g., American Bureau of Shipping, Lloyd’s Register of Shipping, and DNV-GI).

A vessel must undergo annual surveys, intermediate surveys, drydockings and special surveys. In lieu of a special survey, a vessel’s machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Every vessel is also required to be drydocked every 30 to 36 months for inspection of the underwater parts of the vessel. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, drydocking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our loan agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

### **Risk of Loss and Liability Insurance**

#### **General**

The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, piracy incidents, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes virtually unlimited liability upon shipowners, operators and bareboat charterers of any vessel trading in the exclusive economic zone of the United States for certain oil pollution accidents in the United States, has made liability insurance more expensive for shipowners and operators trading in the United States market. We carry insurance coverage as

customary in the shipping industry. However, not all risks can be insured, specific claims may be rejected, and we might not be always able to obtain adequate insurance coverage at reasonable rates.

### **Hull and Machinery Insurance**

We procure hull and machinery insurance, protection and indemnity insurance, which includes environmental damage and pollution insurance and war risk insurance and freight, demurrage and defense insurance for our fleet. We generally do not maintain insurance against loss of hire (except for certain charters for which we consider it appropriate), which covers business interruptions that result in the loss of use of a vessel.

### **Protection and Indemnity Insurance**

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or “P&I Associations”, and covers our third-party liabilities in connection with our shipping activities. This includes third-party liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or “clubs.”

Our current protection and indemnity insurance coverage for pollution is \$1 billion per vessel per incident. The 13 P&I Associations that comprise the International Group insure approximately 90% of the world’s commercial tonnage and have entered into a pooling agreement to reinsure each association’s liabilities. The International Group’s website states that the pool provides a mechanism for sharing all claims in excess of \$10 million up to, currently, approximately \$8.2 billion. As a member of a P&I Association, which is a member of the International Group, we are subject to calls payable to the associations based on our claim records as well as the claim records of all other members of the individual associations and members of the shipping pool of P&I Associations comprising the International Group.

### **Exchange Controls**

Under Marshall Islands law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our common shares.

### **C. Organizational Structure**

Please see Item 4.A (“Information on the Company — History and Development of the Company”) in this Annual Report for information about our organizational structure. We have 75 wholly owned subsidiaries and one 50%-owned joint venture entity. A list of our subsidiaries is included as Exhibit 8.1 to this Annual Report.

### **D. Property, Plant and Equipment**

Other than our vessels, a description of which is included in Item 4.B “Business Overview — Fleet List” of this Annual Report and is incorporated herein by reference, we own no material property. We have entered into a lease with a third party for our office space in Cork, Ireland. The lease commenced in March 2016 and is for a period of 15 years, with an option to terminate the lease after ten years. We have exercised our option on our lease with a third party for office space at Pembroke, Bermuda for an additional two-year term that commenced in May 2018. We have entered into leases for our offices in Singapore and Houston, Texas with third parties that commenced in March 2018 and April 2016, respectively. These leases are for periods of two years and one year respectively, with an option for a one-year further term in Singapore, and automatically for successive one-year terms in Houston until terminated. Average aggregate payments under these leases are approximately \$0.5 million per annum.

As at March 15, 2020, all of our 25 vessels are subject to mortgages relating to our credit facilities or are subject to finance leases under which we are the lessee.

#### Item 4.A. Unresolved Staff Comments

None.

#### Item 5. Operating and Financial Review and Prospects

*The following discussion and analysis should be read in conjunction with our consolidated financial statements, accompanying notes thereto and other financial information, appearing elsewhere in this Annual Report. The consolidated financial statements as at and for the years ended December 31, 2019, 2018 and 2017 have been prepared in accordance with U.S. GAAP. The consolidated financial statements are presented in U.S. dollars unless otherwise indicated.*

*Please see Item 5 (“Operating and Financial Review and Prospects”) in our Annual Report on Form 20-F/A for the year ended December 31, 2018 for a discussion of our results of operations for the year ended December 31, 2017.*

#### General

We are Ardmore Shipping Corporation, a company incorporated in the Republic of the Marshall Islands. We provide seaborne transportation of petroleum products and chemicals worldwide to oil majors, national oil companies, oil and chemical traders, and chemical companies, with our modern, fuel-efficient fleet of mid-size product and chemical tankers.

We are commercially independent as we have no blanket employment arrangements with third-party or related-party commercial managers. We market our services directly to our broad range of customers and commercial pool operators.

#### Our Charters

We generate revenue by charging customers for the transportation of their petroleum or chemical products using our vessels. Historically, these services generally have been provided under the following basic types of contractual arrangements:

- *Commercial Pooling Arrangements.* Our vessels are pooled together with a group of other similar vessels for economies of scale and the earnings are pooled and distributed to the vessel owners according to a prearranged agreement.
- *Spot Charter.* We arrange spot employment for our vessels in-house. We are responsible for all costs associated with operating the vessel, including vessel operating expenses and voyage expenses.
- *Time Charter.* Vessels we operate, and for which we are responsible for crewing and for paying other vessel operating expenses (such as repairs and maintenance, insurance, stores, lube oils, communication expenses) and technical management fees, are chartered to customers for a fixed period of time at rates that are generally fixed, but may contain a variable component based on inflation, interest rates, or current market rates. As at March 15, 2020, none of our vessels were on time charter.

The table below illustrates the primary distinctions among these types of charters and contracts.

	<u>Time Charter</u>	<u>Commercial Pool</u>	<u>Spot Charter</u>
Typical contract length . . . . .	1 – 5 years	Indefinite	Single voyage
Hire rate basis <sup>(1)</sup> . . . . .	Daily	Varies (daily rate reported)	Varies
Voyage expenses <sup>(2)</sup> . . . . .	Charterer pays	Pool pays	We pay
Vessel operating expenses <sup>(3)</sup> . . . . .	We pay	We pay	We pay
Off-hire <sup>(4)</sup> . . . . .	We pay	We pay	We pay

(1) “Hire rate” refers to the basic payment from the charterer for the use of the vessel.



- (2) “Voyage expenses” are all expenses related to a particular voyage, which include, among other things, bunkers and port/canal costs.
- (3) “Vessel operating expenses” are costs of operating a vessel that are incurred during a charter, including costs of crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses, and technical management fees.
- (4) “Off-hire” refers to the time a vessel is not available for service, due primarily to scheduled and unscheduled repairs or drydocking.

## **Recent Developments**

### ***Vessel Refinancings***

On December 11, 2019, we completed two previously announced new credit facilities for \$201.5 million in the aggregate. We subsequently borrowed available amounts under the facilities and used the proceeds to refinance 12 vessels. The first facility, with Nordea Bank AB (publ) and Skandinaviska Enskilda Banken AB (publ), includes a \$100 million term loan and a \$40 million revolving component. We used the proceeds from this facility to refinance eight ships. The second facility, with ABN AMRO Bank N.V. and Credit Agricole Corporate and Investment Bank, is a \$61.5 million term loan and we used the proceeds to refinance four ships. These refinancings released to us a total of \$15.9 million of cash after prepayment of debt and fees, extended debt maturity dates to the end of 2024, lowered our cost of debt, and increased our financial flexibility. The covenants and other conditions of the facilities are consistent with those of our other existing debt facilities.

### ***Dividend Relating to Fourth Quarter of 2019 and Change in our Capital Allocation Policy***

On February 11, 2020, we announced that our Board of Directors declared a cash dividend of \$0.05 per share for the quarter ended December 31, 2019. The cash dividend of \$1.7 million was paid on February 28, 2020 to all shareholders of record on February 21, 2020. This dividend was determined in accordance with our then-existing dividend policy, under which we generally expected to pay out as dividends on a quarterly basis 60% of Earnings from Continuing Operations (which represented our earnings per share reported under U.S. GAAP as adjusted for unrealized and realized gains and losses and extraordinary items). We have changed our dividend policy. On March 9, 2020, we announced a new capital allocation policy which sets out our priorities among fleet maintenance, financial strength, accretive growth and returning capital to shareholders. Commencing with the quarter ending March 31, 2020, we will transition to the new policy and will provide updates to our capital allocation priorities on quarterly earnings calls.

### ***Coronavirus Pandemic***

The novel coronavirus (COVID-19) pandemic is dynamic and expanding, and its ultimate scope, duration and effects are uncertain. We expect that this pandemic will result in direct and indirect material adverse effects on our industry and on our business.

COVID-19 is anticipated to result in a significant decline in global demand for refined oil products. As our business is the transportation of refined oil products on behalf of oil majors, oil traders and other customers, any significant decrease in demand for the cargo we transport could adversely affect demand for our vessels and services. Crude oil prices have recently plunged, in significant part due to the recent production and pricing dispute between Saudi Arabia and Russia. As of the date of this Annual Report, the impact of COVID-19 on our business has been mitigated by this oil price decline, which price decline has resulted in significant increases in oil trading activity, demand for our vessels and freight rates. Much of this increased demand relates to the stockpiling of low-cost oil, which may result in lower future oil trading activity and demand for our vessels. At this stage, it is extremely difficult to determine the full impact of COVID-19 on our business.

Effects of the current pandemic may include, among others: deterioration of worldwide, regional or national economic conditions and activity and of demand for crude oil and petroleum products; operational disruptions to us, our customers or business partners due to worker health risks and the effects of new regulations, directives or practices implemented in response to the pandemic (such as travel restrictions for

individuals and vessels and quarantining and social distancing); potential delays in (a) the loading and discharging of cargo on or from our vessels, (b) vessel inspections and related certifications by class societies, oil majors or government agencies and (c) maintenance and any repairs or upgrades to, or drydocking of, our existing vessels due to worker health, quarantining or regulations; reduced cash flow and financial condition, including potential liquidity constraints; potential reduced access to capital as a result of any credit tightening generally or due to continued declines in global financial markets; potential decreases in the market values of our vessels and any related impairment charges; potential noncompliance with covenants in our credit facilities and financing leases obligations; and potential deterioration in the financial condition and prospects of our customers or business partners. Although disruption and effects from the novel coronavirus pandemic may be temporary, given the dynamic nature of these circumstances the duration of business disruption and the magnitude of the financial and other impact on our business cannot be reasonably estimated at this time.

## **A. Operating Results**

### **Important Financial and Operational Terms and Concepts**

We use a variety of financial and operational terms and concepts. These include the following:

**Revenue.** Revenue is generated from spot charter arrangements, time charter arrangements and pool arrangements. Revenue is affected by hire rates and the number of days a vessel operates.

Revenue is also affected by the mix of business among spot charter arrangements, time charter arrangements and pool arrangements. Revenue from vessels in pool arrangements or employed in the spot market are more volatile, as they are typically tied to prevailing market rates.

**Voyage Expenses.** Voyage expenses are all expenses related to a particular voyage, which include, among other things, bunkers and port/canal costs. These expenses are subtracted from revenue to calculate TCE rates (as defined below).

**Vessel Operating Expenses.** We are responsible for vessel operating expenses, which include crew, repairs and maintenance and insurance costs, and fees paid to technical managers of its vessels. The largest components of our vessel operating expenses are generally crews and repairs and maintenance. Expenses for repairs and maintenance tend to fluctuate from period to period because most repairs and maintenance typically occur during periodic drydockings. We expect these expenses to increase as our fleet matures and to the extent that it expands.

**Drydocking.** We must periodically drydock each of our vessels for inspection, and any modifications to comply with industry certification or governmental requirements. Generally, each vessel is drydocked every 30 to 60 months. The deferred expenditures of drydockings for a given vessel are amortized on a straight-line basis to the next scheduled drydocking of the vessel.

**Depreciation.** Depreciation expense typically consists of charges related to the depreciation of the historical cost of our fleet (less an estimated residual value) over the estimated useful lives of the vessels and charges relating to the depreciation of upgrades to vessels, which are depreciated over the shorter of the vessel's remaining useful life or the life of the renewal or upgrade. We depreciate our vessels over an estimated useful life of 25 years from the vessel's initial delivery from the shipyard, on a straight-line basis to their residual scrap value. The rate we use to calculate the residual scrap value is \$300 per lightweight ton.

**Amortization of Deferred Drydock Expenditures.** Amortization of deferred drydock expenditures relates to the amortization of drydocking expenditures over the estimated number of years to the next scheduled drydocking.

**Time Charter Equivalent ("TCE") Rate.** TCE rate, a non-GAAP measure, represents net revenue (revenue less voyage expenses) divided by revenue days. We principally use net revenue, a non-GAAP financial measure, because it provides more meaningful information to us about the deployment of our vessels and their performance than revenue, the most directly comparable financial measure under U.S. GAAP. Net revenue utilized to calculate TCE is determined on a discharge to discharge basis, which is different from how we record revenue under U.S. GAAP. Under discharge to discharge, revenue is recognized beginning from

the discharge of cargo from the prior voyage to the anticipated discharge of cargo in the current voyage, and voyage expenses are recognized as incurred.

**Revenue Days.** Revenue days are the total number of calendar days our vessels were in our possession during a period, less the total number of off-hire days during the period generally associated with repairs or drydockings and idle days associated with repositioning of vessels held for sale.

**Operating Days.** Operating days are the number of days our vessels are in operation during the year. Where a vessel is under our ownership for a full year, operating days will generally equal calendar days. Days when a vessel is in drydock are included in the calculation of operating days, as we incur operating expenses while in drydock.

**Pooling Arrangements.** To increase vessel utilization and thereby revenue, we may participate in commercial pools with other ship owners of similar modern, well-maintained vessels. By operating a large number of vessels as an integrated transportation system, commercial pools offer customers greater flexibility while achieving scheduling efficiencies. Pools typically employ experienced commercial charterers and operators who have close working relationships with customers and brokers, while technical management is performed by each ship owner. Pools negotiate charters with customers primarily in the spot market. The size and scope of these pools enhance utilization rates for pool vessels by securing backhaul voyages and contracts of affreightment, which may generate higher effective TCE revenue than otherwise might be obtainable in the spot market, while providing a higher level of service offerings to customers.

### **Factors You Should Consider When Evaluating Our Results**

We face a number of risks associated with our business and industry and must overcome a variety of challenges to utilize our strengths and implement our business strategy. These risks include, among others: the highly cyclical tanker industry; partial dependence on spot charters; fluctuating charter values; changing economic, political and governmental conditions affecting our industry and business, including changes in energy prices; material changes in applicable laws and regulations; level of performance by counterparties, particularly charterers; acquisitions and dispositions; increased operating expenses; increased capital expenditures; taxes; maintaining customer relationships; maintaining sufficient liquidity; financing availability and terms; and management turnover.

Ship-owners base economic decisions regarding the deployment of their vessels upon actual and anticipated TCE rates, and industry analysts typically measure rates in terms of TCE rates. This is because under time charters the customer typically pays the voyage expenses, while under voyage charters, also known as spot market charters, the shipowner usually pays the voyage expenses. Accordingly, the discussion of revenue below focuses on TCE rates where applicable.

### **Fleet Growth**

As at March 15, 2020, our fleet consists of 25 double-hulled product and chemical tankers all of which are in operation. We acquired 13 of our vessels as second-hand vessels, of which seven of our vessels were upgraded to increase efficiency and improve performance; we sold a total of three of such Eco-mod vessels during 2019. In 2015, 2016, 2017, 2018 and 2019 we paid \$232.5 million, \$174.0 million, \$0.4 million and \$16.8 million (\$1.6 million of which was paid as a deposit in 2017) and \$2.6 million, respectively, for vessel acquisitions, vessel equipment and newbuilding orders.

As of December 31, 2010, our operating fleet consisted of four vessels. From 2011 to 2015, our fleet grew on a net basis by 20 vessels, respectively. In 2016 we acquired (on a net basis) three vessels and in January 2018 we took delivery of one vessel. During 2018, the Eco-mod *Ardmore Seatrader* was classified as held for sale; the vessel was delivered to the buyer in January 2019. In February and May 2019, we sold the Eco-mod vessels *Ardmore Seamaster* and *Ardmore Seafarer*, respectively.

### **Operating Results**

The table below presents our operating results for the years ended December 31, 2019 and 2018 and includes related disclosure about year-to-year changes.

**Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2019 and December 31, 2018**

	Year Ended December 31		Variance	Variance (%)
	2019	2018		
Revenue, net . . . . .	\$230,042,240	210,179,181	19,863,059	9%
Voyage expenses . . . . .	(96,056,391)	(98,142,454)	2,086,063	2%
Vessel operating expenses . . . . .	(62,546,606)	(67,017,632)	4,471,026	7%
Depreciation . . . . .	(32,322,695)	(35,137,880)	2,815,185	8%
Amortization of deferred drydock expenditures . . . . .	(4,803,069)	(3,637,276)	(1,165,793)	(32)%
General and administrative expenses				
Corporate . . . . .	(14,951,996)	(12,626,373)	(2,325,623)	(18)%
Commercial and chartering . . . . .	(3,194,218)	(3,233,888)	39,670	(1)%
Loss on vessel held for sale . . . . .	—	(6,360,813)	6,360,813	100%
Loss on sale of vessels . . . . .	(13,162,192)	—	(13,162,192)	(100)%
Interest expense and finance costs . . . . .	(26,759,754)	(27,405,608)	645,854	2%
Interest income . . . . .	952,190	606,665	345,525	57%
<b>Loss before taxes . . . . .</b>	<b>(22,802,491)</b>	<b>(42,776,078)</b>	<b>19,973,587</b>	<b>47%</b>
Income tax . . . . .	(58,766)	(162,923)	104,157	64%
<b>Net loss and comprehensive loss . . . . .</b>	<b>\$ (22,861,257)</b>	<b>(42,939,001)</b>	<b>20,077,744</b>	<b>47%</b>

**Revenue, net.** Revenue, net for the year ended December 31, 2019 was \$230.0 million, an increase of \$19.8 million from \$210.2 million for the year ended December 31, 2018.

The average number of owned vessels decreased to 25.0 for the year ended December 31, 2019, from 28.0 for the year ended December 31, 2018, resulting in revenue days of 9,100 for the year ended December 31, 2019, as compared to 9,925 for the year ended December 31, 2018.

We had 25 and 28 vessels employed directly in the spot market as at December 31, 2019 and 2018, respectively. For spot chartering arrangements, we had 9,100 revenue days for the year ended December 31, 2019, as compared to 8,746 for the year ended December 31, 2018. This increase in revenue days derived from spot chartering arrangements resulted in an increase in spot market revenue of \$7.9 million, while changes in spot rates resulted in an increase in revenue of \$25.8 million.

We had no vessels employed under time charter and pool arrangements as at December 31, 2019 and 2018. Revenue days derived from time charter and pooling arrangements were zero for 2019, as compared to 1,179 for 2018. The decrease in time charter and pool arrangement revenue days resulted in a decrease in revenue for 2019 of \$13.9 million compared to 2018.

For vessels employed directly in the spot market, we typically pay all voyage expenses, and revenue is recognized on a gross freight basis, while under time chartering and pool arrangements, the charterer typically pays voyage expenses and revenue is recognized on a net basis.

**Voyage Expenses.** Voyage expenses were \$96.1 million for the year ended December 31, 2019, a decrease of \$2.0 million from \$98.1 million for the year ended December 31, 2018. Voyage expenses have decreased due to the decrease in the average number of owned vessels to 25.0 for the year ended December 31, 2019, compared to 28.0 for the year ended December 31, 2018.

**TCE Rate.** The average TCE rate for our fleet was \$14,686 per day for the year ended December 31, 2019, an increase of \$3,157 per day from \$11,529 per day for the year ended December 31, 2018. The increase in average TCE rate was the result of higher spot rates and lower voyage expenses for the year ended December 31, 2019.

**Vessel Operating Expenses.** Vessel operating expenses were \$62.5 million for the year ended December 31, 2019, a decrease of \$4.5 million from \$67.0 million for the year ended December 31, 2018. This decrease is due to a decrease in the average number of vessels in operation for the year ended December 31, 2019, and the timing of vessel operating expenses between quarters. Vessel operating expenses, by their nature, are prone to fluctuations between periods. Average fleet operating expenses per day, including technical management fees, were \$6,562 for the year ended December 31, 2019, as compared to \$6,456 for the year ended December 31, 2018.

**Depreciation.** Depreciation expense for the year ended December 31, 2019 was \$32.3 million, a decrease of \$2.8 million from \$35.1 million for the year ended December 31, 2018. This decrease is primarily due to a decrease in the average number of owned vessels to 25.0 for the year ended December 31, 2019, from 28.0 for the year ended December 31, 2018.

**Amortization of Deferred Drydock Expenditures.** Amortization of deferred drydock expenditures for the year ended December 31, 2019 was \$4.8 million, an increase of \$1.2 million from \$3.6 million for the year ended December 31, 2018. The increase is primarily due to an increased number of drydockings as our fleet ages. The deferred costs of drydockings for a given vessel are amortized on a straight-line basis to the next scheduled drydocking of the vessel.

**General and Administrative Expenses: Corporate.** Corporate-related general and administrative expenses for the year ended December 31, 2019 were \$15.0 million, an increase of \$2.4 million from \$12.6 million for the year ended December 31, 2018. The increase is primarily due to the issuance of new awards of stock appreciation rights and restricted stock units in the first, second and fourth quarters of 2019.

**General and Administrative Expenses: Commercial and Chartering.** Commercial and chartering expenses are the expenses attributable to our chartering and commercial operations departments in connection with our spot trading activities. Commercial and chartering expenses for the year ended December 31, 2019 were \$3.2 million, consistent with \$3.2 million for the year ended December 31, 2018.

**Interest Expense and Finance Costs.** Interest expense and finance costs include loan interest, finance lease interest, and amortization of deferred finance fees. Interest expense and finance costs for the year ended December 31, 2019 were \$26.8 million, a decrease of \$0.6 million from \$27.4 million for the year ended December 31, 2018. Cash interest expense increased by \$1.5 million to \$24.2 million for the year ended December 31, 2019, from \$22.7 million for the year ended December 31, 2018. The increase in interest expense and finance costs is primarily due to a change in debt structure due to new finance leases entered into as part of vessel refinancings in 2018. Amortization of deferred finance fees for the year ended December 31, 2019 was \$2.6 million, a decrease of \$2.1 million from \$4.7 million for the year ended December 31, 2018. Included in the \$2.6 million for the year ended December 31, 2019, is a write-off of deferred finance fees in relation to the refinancing of \$0.5 million. Included in the \$4.7 million for the year ended December 31, 2018, is a write off of deferred finance fees in relation to the sale and leaseback transactions of \$2.3 million.

## **B. Liquidity and Capital Resources**

Our primary sources of liquidity are cash and cash equivalents with the majority of our cash in the currency of U.S. Dollars, cash flows provided by our operations, our undrawn credit facilities and capital raised through financing transactions. Following payments made to long-term debt, with such payments primarily made using our net proceeds from vessel sale and leaseback transactions, our total cash and cash equivalents as at December 31, 2019 were \$51.7 million (plus \$11 million available and undrawn under our revolving credit facilities), a decrease of \$5.2 million from \$56.9 million as at December 31, 2018. We believe that our working capital, together with expected cash flows from operations and availability under credit facilities, will be sufficient for our present requirements.

Our short-term liquidity requirements include the payment of operating expenses (including voyage expenses and bunkers from spot chartering our vessels), drydocking expenditures, debt servicing costs, lease payments dividends on our shares of common stock, scheduled repayments of long-term debt, as well as funding our other working capital requirements. Our short-term and spot charters, including participating in spot charter pooling arrangements, contribute to the volatility of our net operating cash flow, and thus our ability to generate sufficient cash flows to meet our short-term liquidity needs. Historically, the tanker



industry has been cyclical, experiencing volatility in profitability and asset values resulting from changes in the supply of, and demand for, vessel capacity. In addition, tanker spot markets historically have exhibited seasonal variations in charter rates. Tanker spot markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere and unpredictable weather patterns that tend to disrupt vessel scheduling. Time charters provide contracted revenue that reduces the volatility (as rates can fluctuate within months) and seasonality from revenue generated by vessels that operate in the spot market. Commercial pools reduce revenue volatility because they aggregate the revenues and expenses of all pool participants and distribute net earnings to the participants based on an agreed upon formula. Spot charters preserve flexibility to take advantage of increasing rate environments, but also expose the ship-owner to decreasing rate environments.

Our long-term capital needs are primarily for capital expenditures and debt repayment. Generally, we expect that our long-term sources of funds will be cash balances, long-term bank borrowings, lease financings and other debt or equity financings. We expect that we will rely upon internal and external financing sources, including, cash balances, bank borrowings, lease financings and the issuance of debt and equity securities, to fund acquisitions and expansion capital expenditures.

Our credit facilities and finance leases are described in Notes 5 (“Debt”) and 6 (“Finance leases”) to our consolidated financial statements included in Item 18 of this Annual Report. Our financing facilities contain covenants and other restrictions we believe are typical of debt financing collateralized by vessels, including those that restrict the relevant subsidiaries from incurring or guaranteeing additional indebtedness, granting certain liens, and selling, transferring, assigning or conveying assets. Our financing facilities do not impose a restriction on dividends, distributions, or returns of capital unless an event of default has occurred, is continuing or will result from such payment. The majority of our financing facilities require us to maintain various financial covenants. Should we not meet these financial covenants or other covenants, the lenders may declare our obligations under the agreements immediately due and payable, and terminate any further loan commitments, which would significantly affect our short-term liquidity requirements. As at December 31, 2019, we were in compliance with all covenants relating to our financing facilities.

#### Cash Flow Data for the Years Ended December 31, 2019 and 2018

CASH FLOW DATA	For the year ended December 31	
	2019	2018
Net cash provided by operating activities . . . . .	\$ 20,471,260	9,426,377
Net cash provided by / (used in) investing activities . . . . .	\$ 23,894,165	(17,556,879)
Net cash (used in) / provided by financing activities . . . . .	\$(49,545,356)	25,576,133

#### Cash provided by operating activities

Changes in net cash flow from operating activities primarily reflect changes in fleet size, fluctuations in spot tanker rates, changes in interest rates, fluctuations in working capital balances, and the timing and the amount of drydocking expenditures, repairs and maintenance activities. Our exposure to the highly cyclical spot tanker market and the growth of our fleet have contributed significantly to historical fluctuations in operating cash flows.

For the year ended December 31, 2019, cash flow provided by operating activities was \$20.5 million. Net profit (after adding back depreciation, amortization of deferred drydock expenditures, share-based compensation, loss on sale of vessels, amortization of deferred finance fees and foreign exchange on operating leases of \$55.1 million) was an inflow of \$32.3 million. Changes in operating assets and liabilities resulted in an outflow of \$6.4 million and drydock payments were \$5.4 million.

For the year ended December 31, 2018, cash flow provided by operating activities was \$9.4 million. Net profit (after adding back depreciation, amortization of deferred drydock expenditures, share-based compensation, loss on vessel held for sale, amortization of deferred finance fees, foreign exchange on operating leases and transition adjustment of \$50.8) was an inflow of \$7.9 million. Changes in operating assets and liabilities resulted in an inflow of \$8.1 million and drydock payments were \$6.6 million.

### Cash provided by / (used in) investing activities

For the year ended December 31, 2019, the net cash provided by investing activities was \$23.9 million consisting of payments in relation to vessel equipment, ballast water treatment systems in progress, leasehold improvements and other non-current assets. Net proceeds from the sales of the *Ardmore Seatrader*, *Ardmore Seamaster* and *Ardmore Seafarer* were \$26.6 million. Payments for vessel equipment and ballast water treatment systems in progress were \$2.5 million for 2019. Payments for office equipment, and fixtures and fittings and leasehold improvements were \$0.2 million.

For the year ended December 31, 2018, net cash used in investing activities was \$17.6 million. Payments for vessel equipment and vessel acquired were \$16.8 million for 2018. Payments for ballast water treatment systems in progress were \$0.5 million. Payments for office equipment, and fixtures and fittings and leasehold improvements were \$0.3 million.

### Cash (used in) / provided by financing activities

For the year ended December 31, 2019, the net cash used in financing activities was \$49.5 million. Proceeds from long-term debt amounted to \$201.5 million and repayments of debt amounted to \$222.2 million. Total principal repayments of finance lease arrangements were \$26.5 million. We also incurred payments of \$2.3 million relating to deferred finance fees for finance lease facilities.

For the year ended December 31, 2018, the net cash provided by financing activities was \$25.6 million. Proceeds from long-term debt amounted to \$3.9 million and repayments of debt amounted to \$184.3 million. Total proceeds from finance leases were \$209.7 million and total principal repayments of finance lease arrangements were \$7.3 million. Net proceeds from the sale of common stock under our at-the-market offering program and from the option to purchase additional shares of our common stock, which option the underwriter partially exercised in January 2018 in connection with GA Holdings LLC's public offering of our common shares in November 2017, for a total of 305,459 shares, amounted to \$7.3 million. We also incurred payments of \$3.7 million relating to deferred finance fees for finance lease facilities.

### Capital Expenditures

#### Drydock

Seven of our vessels completed drydock surveys in 2019. The drydocking schedule through December 31, 2023 for our vessels that were in operation as of December 31, 2019 is as follows:

	For the years ended December 31,			
	2020	2021	2022	2023
Number of vessels in drydock (excluding in-water surveys) . . . . .	10	5	2	4

We will continue to seek to stagger drydockings across the fleet. As our fleet matures and expands, our drydock expenses are likely to increase. Ongoing costs for compliance with environmental regulations and society classification surveys (including ballast water treatment systems) are a component of our vessel operating expenses.

#### Ballast Water Treatment System Installation

The ballast water treatment system ("BWTS") installation schedule for our vessels that were in operation as of December 31, 2019 is as follows:

	For the years ended December 31,			
	2020	2021	2022	2023
Number of ballast water treatment system installations . . . . .	1	10	—	2

We endeavor to manage the timing of future ballast water treatment system installation across the fleet in order to minimize the number of vessels that are completing ballast water treatment system installations at any one time.

**Newbuildings**

We currently have no newbuildings on order. However, our growth strategy contemplates expansion of our fleet through vessel acquisitions and newbuildings.

**Upgrades**

We intend to continue our investment program for vessel upgrades, primarily following acquisition of second- hand vessels, where feasible to maintain operational efficiency, optimum commercial performance and preservation of asset value.

**Dividends**

We did not pay any dividends during 2019, 2018 or 2017. On February 11, 2020, we announced that our Board of Directors declared a cash dividend of \$0.05 per share for the quarter ended December 31, 2019. The cash dividend of \$1.7 million was paid on February 28, 2020 to all shareholders of record on February 21, 2020. This dividend was determined in accordance with our then-existing dividend policy, under which we generally expected to pay out as dividends on a quarterly basis 60% of Earnings from Continuing Operations (which represented our earnings per share reported under U.S. GAAP as adjusted for unrealized and realized gains and losses and extraordinary items). We have changed our dividend policy. On March 9, 2020, we announced a new capital allocation policy which sets out our priorities among fleet maintenance, financial strength, accretive growth and returning capital to shareholders. Commencing with the quarter ending March 31, 2020, we will transition to the new policy and will provide updates to our capital allocation priorities on quarterly earnings calls.

**C. Research and Development, Patent and Licenses, etc.**

Not applicable.

**D. Trend Information**

Our results of operations depend primarily on the charter hire rates that we are able to realize for our vessels, which primarily depend on the demand and supply dynamics characterizing the tanker market at any given time. The oil tanker industry has been highly cyclical in recent years, experiencing volatility in charter hire rates and vessel values resulting from changes in the supply of and demand for crude oil and tanker capacity. For other trends affecting our business, please see the other discussions above in this Item 4 (“Information on the Company — Business Overview — The International Product and Chemical Tanker Industry”) and Item 5 (“Operating and Financial Review and Prospects”).

**E. Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity or capital resources.

## F. Tabular Disclosure of Contractual Obligations

The following table sets forth our obligations on vessel finance and certain other obligations as at December 31, 2019. As of that date, we had no such obligations or commitments due after the year ending December 31, 2030.

ITEM	FY 2020	FY 2021 – 2023	FY 2024 – 2026	FY 2027 – 2030	Total
Debt . . . . .	\$21,274,111	\$ 56,468,708	\$133,783,688	\$ —	\$211,526,507
Finance leases . . . . .	26,868,097	91,023,044	107,106,009	33,651,789	258,648,939
Interest expense . . . . .	10,884,751	25,257,684	8,476,339	1,219,415	45,838,189
Operating leases . . . . .	314,496	762,393	578,056	—	1,654,945
	<u>\$59,341,455</u>	<u>\$173,511,829</u>	<u>\$249,944,092</u>	<u>\$34,871,204</u>	<u>\$517,668,580</u>

- (1) Finance leases relate to amounts payable under bareboat arrangements and includes fixed interest expenses and lease amortization.
- (2) The interest expense on our loans and finance leases is variable and based on LIBOR. The amounts in the above schedule were calculated using the average three-month forward rate each year plus a margin of 3.00%, which is the weighted average margin on our senior debt facilities and our finance lease facilities.

### Critical Accounting Estimates

In the application of our accounting policies, which are prepared in conformity with U.S. GAAP, we are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities, and revenue and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgments and estimates are as follows:

### Revenue recognition

Revenue, net is generated from spot charter arrangements, time charter arrangements and pool arrangements.

#### Spot charter arrangements

Our spot charter arrangements are for single voyages for the service of the transportation of cargo that are generally short in duration (less than two months) and we are responsible for all costs incurred during the voyage, which include bunkers and port/canal costs, as well as general vessel operating costs (e.g. crew, repairs and maintenance and insurance costs; and fees paid to technical managers of our vessels). Accordingly, under spot charter arrangements, key operating decisions and the economic benefits associated with a vessel's use during a spot charter reside with us.

As of its adoption on January 1, 2018, we apply revenue recognition guidance in ASC 606, Revenue from Contracts with Customers ("ASC 606") to account for our spot charter arrangements.

The consideration that we expect to be entitled to receive in exchange for our transportation services is recognized as revenue ratably over the duration of a voyage on a load-to-discharge basis (i.e. from when cargo is loaded at the port to when it is discharged after the completion of the voyage). The consideration that we expect to be entitled to receive includes estimates of revenue associated with the loading or discharging time that exceed the originally estimated duration of the voyage, which is referred to as "demurrage revenue", when it is determined there will be incremental time required to complete the contracted voyage. Demurrage revenue is not considered a separate deliverable in accordance with ASC 606 as it is part of the

single performance obligation in a spot charter arrangement, which is to provide cargo transportation services to the completion of a contracted voyage.

Prior to the adoption of ASC 606, we recognized spot charter revenue ratably during the period from when a vessel had departed from its prior charter discharge port and sufficient evidence existed that the vessel had entered a new charter arrangement to the point where cargo associated with the new charter arrangement had been discharged after the completion of the voyage.

#### Time charter arrangements

Our time charter arrangements are for a specified period of time and key decisions concerning the use of the vessel during the duration of the time charter period reside with the Charterer. In time charter arrangements, we are responsible for the crewing, maintenance and insurance of the vessel, and the Charterer is generally responsible for voyage specific costs, which typically include bunkers and port/canal costs.

As the Charterer holds sufficient latitude in its rights to determine how and when the vessel is used on voyages and the Charterer is also responsible for costs incurred during the voyage, the Charterer derives the economic benefits from the use of the vessel, as control over the use of the vessel is transferred to the Charterer during the specified time charter period. Accordingly, time charters are considered operating leases and we apply revenue recognition guidance in ASC 842. Revenue for time charters is recognized on a straight-line basis ratably over the term of the charter.

#### Pooling arrangements

We participate in commercial pooling arrangements to charter certain of our vessels from time to time. In these arrangements, the participating members seek to benefit from the more efficient employment of their vessels as the manager of the vessels in the pool leverages the size of the fleet commercially and operationally. The manager is responsible for the commercial management on behalf of the members of the pool, including responsibility for voyage expenses such as fuel and port charges. The pool members are responsible for maintaining the vessel operating expenses of their participating vessels, including crewing, repairs and maintenance and insurance of their participating vessels.

The earnings from all vessels are pooled and shared by the members of the arrangement based on the earnings allocation terms of the arrangement, which consider the number of days a vessel operates in the pool with weighted adjustments made to reflect the vessels' differing capacities and performance capabilities. Therefore, the earnings allocation represents the pool members' consideration for their different contribution to the collaborative arrangement. We recognize our earnings allocation as revenue in accordance with the guidance for collaborative arrangements.

**Share-based compensation.** We may grant share-based payment awards, such as restricted stock units ("RSUs"), stock appreciation rights ("SARs") and dividend equivalent rights ("DERs"), as incentive-based compensation to certain employees. We granted SARs to certain employees, directors and officers in August 2013, March 2014, June 2014, March 2015, January 2016, April 2018 (which included dividend equivalent rights) and March 2019 (which included dividend equivalent rights). We granted RSUs which included DERs, to certain directors and officers in January 2019, March and May 2019. We granted stand-alone DERs to certain directors and officers in November 2019. We measure the cost of such awards, which are equity-settled transactions, using the grant date fair value of the award and recognizing that cost, net of estimated forfeitures, over the requisite service period, which generally equals the vesting period, which we calculate according to the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic No. 718, Compensation — Stock Compensation ("ASC 718"), see Note 14 ("Share-based compensation").

Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the award, volatility and dividend yield, and making certain other assumptions about the award.

**Depreciation.** Vessels are depreciated on a straight-line basis over their estimated useful economic life from the date of initial delivery from the shipyard. The useful life of our vessels is estimated at 25 years from the



date of initial delivery from the shipyard. Depreciation is based on cost less estimated residual scrap value. Residual scrap value is estimated as the lightweight tonnage of each vessel multiplied by the estimated scrap value per ton. The estimated scrap value is reviewed each year.

**Vessel impairment.** Vessels and equipment that are “held and used” are assessed for impairment when events or circumstances indicate the carrying amount of the asset may not be recoverable. When such indicators are present, a vessel to be held and used is tested for recoverability by comparing the estimate of future undiscounted net operating cash flows expected to be generated by the use of the vessel over its remaining useful life and its eventual disposition to its carrying amount, together with the carrying value of deferred drydock expenditures and special survey costs related to the vessel.

Net operating cash flows are determined by applying various assumptions regarding future revenue net of voyage expenses, vessel operating expenses, scheduled drydockings, expected off-hire and scrap values, and taking into account historical revenue data and published forecasts on future world economic growth and inflation. These assumptions are based on historical trends as well as future expectations. In estimating future revenue, we consider charter rates for each vessel class over the estimated remaining lives of the vessels using both historical average rates for the Company over the last five years, where available, and historical average one-year time charter rates for the industry over the last 10 years in each case adjusted for inflation. Recognizing that rates tend to be cyclical, and subject to significant volatility based on factors beyond our control, and management believes the use of estimates based on internally forecasted rates and, among other things, 10-year historical average rates calculated as of the reporting date to be reasonable. Estimated outflows for operating expenses and drydocking expenditures are based on historical and budgeted costs and are adjusted for assumed inflation. Utilization is based on historical levels achieved and estimates of a residual value are consistent with scrap rates used in management’s evaluation of scrap value.

An impairment charge is recognized if the carrying value is in excess of the estimated future undiscounted net operating cash flows. The impairment loss is measured based on the excess of the carrying amount over the fair market value of the asset.

Although management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate at the time they were made, such assumptions are highly subjective and likely to change, possibly materially, in the future. There can be no assurance as to how long charter rates and vessel values will remain at their current levels or whether they will improve by a significant degree. If charter rates were to be at depressed levels, future assessments of vessel impairment would be adversely affected.

In recent years, the market values of vessels have experienced particular volatility, with substantial declines in many of the charter-free market values, or basic market values, of various vessel classes. As a result, the value of our vessels may have declined below those vessels’ carrying values, even though we did not impair those vessels’ carrying values under our impairment accounting policy. This is due to our belief that future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed such vessels’ carrying amounts.

Our estimates of basic market value assume that our vessels are all in good and seaworthy condition without the need for repair and, if inspected, that they would be certified in class without notations of any kind. Our estimates are based on the estimated market values for our vessels that we have received from independent ship brokers, reports by industry analysts and data providers that focus on our industry and related dynamics affecting vessel values, and news and industry reports of similar vessel sales. Vessel values are highly volatile and as such, our estimates may not be indicative of the current or future basic market value of our vessels or prices that we could achieve if we were to sell them.

The table below indicates the carrying value of each of our owned vessels as of December 31, 2019 and 2018. At December 31, 2019, we were not holding any of the vessels listed in the table below as held for sale. At December 31, 2018, the *Ardmore Seatrader* was held for sale. We believe that the future undiscounted cash flows expected to be earned by those vessels of our fleet that have experienced a decline in charter-free market value below such vessels’ carrying value over their operating lives would exceed such vessels’ carrying values as of December 31, 2019, and, accordingly, have not recorded an impairment charge.

Carrying value includes, as applicable, vessel costs, deferred drydock expenditures, vessel equipment, ballast water treatment systems in progress, capitalized interest, supervision fees and other newbuilding pre-delivery costs. Deposits paid, or costs incurred, in relation to the acquisition of second-hand vessels are not presented in the table below.

	Built	DWT	Carrying Value as at	
			Dec 31, 2019	Dec 31, 2018
<i>Ardmore Seavaliant</i> * #	2013	49,998	\$ 30,008,441	\$ 31,681,952
<i>Ardmore Seaventure</i> * #	2013	49,998	30,626,981	32,280,220
<i>Ardmore Seavantage</i> * #	2014	49,997	32,012,301	33,176,176
<i>Ardmore Seavanguard</i> * #	2014	49,998	32,139,743	33,384,454
<i>Ardmore Sealion</i> #	2015	49,999	29,944,595	31,276,463
<i>Ardmore Seafox</i> #	2015	49,999	29,965,036	31,293,352
<i>Ardmore Seawolf</i> #	2015	49,999	30,379,014	31,718,284
<i>Ardmore Seahawk</i> #	2015	49,999	30,792,789	32,129,781
<i>Ardmore Endeavour</i> * #	2013	49,997	29,324,231	31,089,801
<i>Ardmore Enterprise</i>	2013	49,453	25,240,256	26,662,069
<i>Ardmore Endurance</i>	2013	49,466	24,834,638	26,314,418
<i>Ardmore Explorer</i>	2014	49,494	26,177,924	27,716,698
<i>Ardmore Encounter</i>	2014	49,478	26,459,679	27,387,747
<i>Ardmore Exporter</i>	2014	49,466	26,254,789	27,087,970
<i>Ardmore Engineer</i>	2014	49,420	27,620,053	27,248,328
<i>Ardmore Seafarer</i> <sup>(1)</sup> #	2004	45,744	—	16,259,321
<i>Ardmore Seamaster</i> <sup>(2)</sup> #	2004	45,840	—	16,136,468
<i>Ardmore Seamariner</i> * #	2006	45,726	18,077,467	17,572,616
<i>Ardmore Sealancer</i> #	2008	47,451	15,298,821	16,430,621
<i>Ardmore Sealeader</i> * #	2008	47,463	18,164,201	19,537,295
<i>Ardmore Sealifter</i> * #	2008	47,472	17,645,881	18,977,110
<i>Ardmore Dauntless</i> * #	2015	37,764	30,654,392	31,814,237
<i>Ardmore Defender</i> * #	2015	37,791	30,858,546	31,821,929
<i>Ardmore Cherokee</i>	2015	25,215	26,666,695	27,104,488
<i>Ardmore Cheyenne</i>	2015	25,217	26,336,422	27,340,983
<i>Ardmore Chinook</i>	2015	25,217	26,492,941	27,649,095
<i>Ardmore Chippewa</i> #	2015	25,217	26,900,613	28,056,735
<b>Total</b>			<b>\$668,876,449</b>	<b>\$729,148,611</b>

#### Vessel Held For Sale

	Built	DWT	Carrying Value as at	
			Dec 31, 2019	Dec 31, 2018
<i>Ardmore Seatrader</i> <sup>(3)</sup>	2013	49,998	\$ —	\$8,083,405
<b>Total</b>			<b>\$ —</b>	<b>\$8,083,405</b>

(1) In May 2019, we sold the *Ardmore Seafarer*.

(2) In February 2019, we sold the *Ardmore Seamaster*.

(3) During 2018, the *Ardmore Seatrader* was classified as held for sale. We completed the sale in January 2019.

- \* Indicates vessels for which we believe, as of December 31, 2019, the basic market value is lower than the vessel's carrying value. We believe that the carrying values of our vessels as of December 31, 2019 were recoverable as the undiscounted projected net operating cash flows of these vessels exceeded their carrying value by a significant amount.
- # Indicates vessels for which we believe, as of December 31, 2018, the basic market value is lower than the vessel's carrying value. We believe that the carrying values of our vessels as of December 31, 2018 were recoverable as the undiscounted projected net operating cash flows of these vessels exceeded their carrying value by a significant amount.

At December 31, 2019 we estimate that the aggregate basic market value of these vessels exceeded their aggregate carrying value by approximately \$11.6 million as at December 31, 2019. At December 31, 2018 we estimate that the aggregate carrying value of these vessels exceeded their aggregate basic market value by approximately \$48.0 million as at December 31, 2018. We believe that 10 of our vessels' carrying values exceeded the basic market value as of December 31, 2019 and 18 of our vessels' carrying values exceeded the basic market value as of December 31, 2018. We did not record an impairment of any vessels due to our impairment accounting policy, as future undiscounted cash flows expected to be earned by such vessels over their operating lives exceeded the vessels' carrying amounts. In addition to carrying out our impairment analysis, we performed a sensitivity analysis for a 10% reduction in forecasted vessel utilization and a 10% reduction in time charter rates and, in each scenario, the future undiscounted cash flows significantly exceeded the carrying value of each of our vessels.

#### **Recent Accounting Pronouncements**

Please see Note 2.4 "Recent accounting pronouncements" to our consolidated financial statements included in Item 18 of this Annual Report for a description of recently issued accounting pronouncements that may apply to us.

#### **G. Safe Harbor**

Forward-looking information discussed in this Item 5 includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as "forward-looking statements". We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. Please see the section entitled "Forward-Looking Statements" at the beginning of this Annual Report.

## Item 6. Directors, Senior Management and Employees

### A. Directors and Senior Management

Set forth below are the names, ages and positions of our directors and executive officers. Our board of directors currently consists of seven directors. Each director elected holds office for a three-year term or until his or her successor has been duly elected and qualified, except in the event of the director's death, resignation, removal or the earlier termination of the director's term of office. The term of office of each director is as follows: Class I directors serve for a term expiring at the 2020 annual meeting of shareholders, Class II directors serve for a term expiring at the 2021 annual meeting of shareholders, and Class III directors serve for a term expiring at the 2022 annual meeting of the shareholders. Officers are elected from time to time by vote of our board of directors and hold office until a successor is elected. The business address for each director and executive officer is Belvedere Building, 69 Pitts Bay Road, Ground Floor, Pembroke HM08, Bermuda. In accordance with our director retirement policy, which provides for director retirement upon reaching 75 years of age, Dr. Peter Swift is retiring from the board of directors and as a member of the Board's compensation committee effective upon our 2020 annual general meeting, which is expected to be held in May 2020.

<u>Name</u>	<u>Age</u>	<u>Class</u>	<u>Position</u>
Mr. Mats Berglund	57	I	Director, Member of the Compensation Committee and Nominating and Corporate Governance Committee
Mr. Mark Cameron	53	N/A	Executive Vice President and Chief Operating Officer
Mr. Brian Dunne	53	III	Director, Chair of the Audit Committee, Member of the Nominating and Corporate Governance Committee
Mr. Anthony Gurnee	60	II	Chief Executive Officer, President and Director
Mr. Curtis Mc Williams	64	III	Chair of the Board, Chair of the Nominating and Corporate Governance Committee, Chair of the Compensation Committee, Member of the Audit Committee
Mr. Gernot Ruppelt	38	N/A	Senior Vice President and Chief Commercial Officer
Dr. Peter Swift	75	I	Director, Member of the Compensation Committee
Dr. Kirsi Tikka	63	I	Director <sup>(1)</sup>
Mr. Paul Tivnan	40	N/A	Senior Vice President, Chief Financial Officer, Secretary and Treasurer
Ms. Helen Tveitan de Jong	52	II	Director, Member of the Audit Committee

(1) Dr. Tikka was appointed to the board in September 2019.

(2) Dr. Peter Swift does not intend to stand for re-election at our 2020 annual meeting of shareholders.

Biographical information with respect to each of our directors and executive officers is set forth below.

**Mats Berglund** has been a director of Ardmore since September 2018. Since June 2012 he has been the Chief Executive Officer and a Director of Pacific Basin, a Hong Kong-listed owner and operator of drybulk vessels controlling a fleet of over 200 ships. Mr. Berglund has more than 30 years of shipping experience in Europe, the United States and Asia, including as Chief Financial Officer and Chief Operating Officer of marine fuel trader Chemoil Energy and Head of Crude Transportation for Overseas Shipholding Group. Previously, he served in a variety of leadership roles across the Stena group of companies, culminating as President of Stena Rederi, Stena's parent company for all shipping activities. Mr. Berglund holds an Economist (Civilekonom) degree from the Gothenburg University Business School and is a graduate of the Advanced Management Program at Harvard. He is an Executive Committee Member of the Hong Kong Shipowners Association and serves on the North of England P&I Club Members Board.

**Mark Cameron** is Ardmore's Executive Vice President and Chief Operating Officer. Mr. Cameron joined Ardmore as Executive Vice President and Chief Operating Officer and was appointed an alternate director in June 2010. In addition, Mr. Cameron is the past Chair of the International Parcel Tankers Association

(IPTA), is on the Board of the West of England P&I Club and is also an advisory Board Member to the NGO Carbon War Room. From 2008 to 2010, Mr. Cameron served as Vice President, Strategy and Planning for Teekay Marine Services, Teekay Corporation's internal ship management function. Mr. Cameron spent 11 years at sea rising to the rank of Chief Engineer with Safmarine and later AP Moller, including time served onboard bulk carriers, salvage tugs, tankers, general cargo, reefer and container ships. Mr. Cameron has held a number of senior management roles ashore specializing in integrating acquisitions covering all facets of ship management, as well as sale and purchase, newbuilding supervision, personnel management, procurement, fleet management and technical supervision.

**Brian Dunne** has been a director of Ardmore since June 2010. He is also a director of ReAssure and Ark Life Assurance Company (subsidiaries of SwissRe in the UK and Ireland), Chorus Aviation Capital (Ireland), AASET 2018-2 and AASET 2019-2. He was previously a director of Aergen Aviation Finance, Chair of Aviva's health insurance business in Ireland, a director of its Irish life and pensions business and a director of several other private companies. Mr. Dunne was the Chief Financial Officer of ACE Aviation Holdings Inc. ("ACE") from 2005 until 2012 and was the President of the company in 2011 and 2012. ACE was the parent holding company of the reorganized Air Canada and a number of other entities including Aeroplan LP (now AIMIA Inc.) and Air Canada Jazz (now Chorus Aviation Inc.). Mr. Dunne was also a director of Air Canada from its initial public offering in 2006 until 2008. Prior to joining ACE, Mr. Dunne was Chief Financial Officer and a director of Aer Lingus Group plc. He started his career at Arthur Andersen in 1987 and became a partner in 1998. Mr. Dunne is a Fellow of the Institute of Chartered Accountants in Ireland and holds a Bachelor of Commerce degree and a post graduate diploma in Professional Accounting from the University College Dublin.

**Anthony Gurnee** has been our President, Chief Executive Officer and a director of Ardmore since 2010. Between 2000 and 2008, he was the Chief Executive Officer of Industrial Shipping Enterprises, Inc., a containership and chemical tanker company, and Chief Operating Officer of MTM Group, an operator of chemical tankers. From 1992 to 1997, he was the Chief Financial Officer of Teekay Corporation, where he led the company's financial restructuring and initial public offering. Mr. Gurnee began his career as a financier with Citicorp, and he served for six years as a surface line officer in the U.S. Navy, including a tour with naval intelligence. He is a graduate of the U.S. Naval Academy and earned an MBA at Columbia Business School, is a CFA charter holder, and a fellow of the Institute of Chartered Shipbrokers. He is also a director of Simply Blue Energy engaged in the development of offshore floating wind waves energy and sustainable aqua culture projects.

**Curtis Mc Williams** was appointed as a director by the board of directors in January 2016 and as our Chair effective January 1, 2019. Mr. Mc Williams is a real estate industry veteran with over 25 years of experience in finance and real estate. He currently serves as an Independent Director of Braemar Hotels & Resorts Inc. and as a member of the RW Holdings NNN REIT, Inc. Board of Directors. He retired from his position as President and Chief Executive Officer of CNL Real Estate Advisors, Inc. in 2010 after serving in the role since 2007. Mr. Mc Williams was also the President and Chief Executive Officer of Trustreet Properties Inc. from 1997 to 2007, and a director of the company from 2005 to 2007. He served on the Board of Directors and as the Audit Committee Chair of CNL Bank from 1999 to 2004 and has over 13 years of investment banking experience at Merrill Lynch & Co. Mr. Mc Williams has a Master's degree in Business with a concentration in Finance from the University of Chicago Graduate School of Business and a Bachelor of Science in Engineering in Chemical Engineering from Princeton University.

**Gernot Ruppelt** is Ardmore's Chief Commercial Officer and Senior Vice President. Mr. Ruppelt has been in charge of Ardmore's commercial activities since joining as Chartering Director in 2013 and was promoted to his current position in December 2014. Mr. Ruppelt has extensive commercial and management experience in the maritime industry. Prior to Ardmore he was a Projects Broker with Poten & Partners in New York for five years and, for seven years before that, Mr. Ruppelt worked for Maersk Broker and A.P. Moller-Maersk in Copenhagen, Singapore and Germany. Mr. Ruppelt is a director of Anglo Ardmore Ship Management Limited. He also represents Ardmore at the INTERTANKO Council and as Chair of their Commercial & Markets Committee. Mr. Ruppelt completed the two-year 'Maersk International Shipping Education' program and graduated from Hamburg Shipping School. He is also a member of the Institute of Chartered Shipbrokers in London.



*Dr. Peter Swift* has served as a director of Ardmores since its IPO in August 2013. Dr Swift's career spans more than 50 years in the maritime industry, and he is presently serving in International non-profit and charitable directorships, including as the Chair of the Sailors' Society caring for seafarers around the world, including continuing the work of the Maritime Piracy Humanitarian Response Programme, where he was the former Chair. He is a Member of the American Bureau of Shipping and the IMO Committee of the Royal Institution of Naval Architects and a Director of the Green Award Foundation and the Maritime Industry Foundation. Dr Swift was previously the Managing Director of INTERTANKO from 2000 to 2010 and a Director of Seascope Shipping Limited from 1999 to 2001. He was employed by Royal Dutch Shell from 1975 to 1999 in a range of senior, international, commercial and technical positions. Dr Swift holds a PhD in Transport Economics, an MS in Engineering degree from the University of Michigan, and a BSc in Naval Architecture from the University of Durham. He is a Chartered Engineer, a Fellow of the Royal Institution of Naval Architects and Member of the Society of Naval Architects and Marine Engineers.

*Kirsi Tikka* was appointed as a director of Ardmores in September 2019 and our board of directors intends to nominate her to stand for re-election at our 2020 annual meeting of shareholders. Dr. Tikka currently serves as a director on the board of Pacific Basin Shipping Limited and is a Foreign Member of the U.S. National Academy of Engineering. She is a Fellow of both the Society of Naval Architects and Marine Engineers and the Royal Institution of Naval Architects. Dr. Tikka has over 30 years of shipping experience having recently retired from the American Bureau of Shipping ("ABS") in July 2019 as Executive Vice President, Senior Maritime Advisor. Prior to her time at ABS, Dr. Tikka was a professor of Naval Architecture at the Webb Institute in New York and worked for Chevron Shipping in San Francisco and Wärtsilä Shipyards in Finland. Dr. Tikka holds a Doctorate in Naval Architecture and Offshore Engineering from the University of California, Berkeley, and a Master's degree in Mechanical Engineering and Naval Architecture from the University of Technology in Helsinki.

*Paul Tivnan* is Ardmores's Senior Vice President, Chief Financial Officer, Secretary and Treasurer. Mr. Tivnan joined Ardmores in June 2010 and was appointed Chief Financial Officer in December 2012. From 2002 to 2010, he was employed at Ernst & Young in the Financial Services Advisory department specializing in international tax and corporate structuring. He was a participant in Ernst & Young's Accelerated Leadership Program from 2008 to 2010. Mr. Tivnan holds a BA in Accounting and Finance and an MBS in Accounting each from Dublin City University. He is a graduate of Insead and London Business School Executive Leadership programs, a Fellow of the Institute of Chartered Accountants of Ireland, an Associate of the Irish Taxation Institute and a member of the Institute of Chartered Shipbrokers.

*Helen Tveitan de Jong* has been a director of Ardmores since September 2018. She is Chair and Chief Executive Officer of Carisbrooke Shipping Holdings Ltd., a specialist owner operator of mini-bulk and project cargo ships controlling a fleet of 32 ships. Previously, Ms. Tveitan de Jong held a variety of senior ship finance roles, including as a founding partner at shipping finance advisory firm THG Capital from 2001 to 2007, and has held several positions as interim Finance Director for shipping companies, most notably in the dry bulk sector, from 2003 to 2017. Ms. Tveitan de Jong graduated with a DRS in Economics from Rotterdam's Erasmus University.

## **B. Compensation of Directors and Senior Management**

We paid \$2.4 million in aggregate cash compensation to members of our senior executive officers for 2019. For 2019, each of our non-employee directors annually received cash compensation in the aggregate amount of \$65,000, plus an additional fee of \$20,000 for a director serving as Chair of the audit committee, \$15,000 for a director serving as Chair of other committees, \$10,000 for each member of the audit committee and \$5,000 for each member of other committees, plus reimbursements for actual expenses incurred while acting in their capacity as a director. Our Chair received an additional \$42,500. We paid \$0.5 million in aggregate compensation to our directors for 2019. Our officers and directors are eligible to receive awards under our equity incentive plan, which is described below under "— Equity Incentive Plan." We do not have a retirement plan for our officers or directors.

We believe that it is important to align the interests of our directors and management with those of our shareholders. In this regard, we have determined that it generally is beneficial to us and to our shareholders for our directors and management to have a stake in our long-term performance. We expect that a meaningful

component of the compensation packages for our directors and management will consist of equity interests in Ardmore in order to promote this alignment of interests.

### **Equity Incentive Plan**

We currently have an equity incentive plan, the 2013 Equity Incentive Plan (the “plan”), under which directors, officers, and employees (including any prospective officer or employee) of us and our subsidiaries and affiliates, and consultants and service providers (including persons who are employed by or provide services to any entity that is itself a consultant or service provider to) to us and our subsidiaries and affiliates, as well as entities wholly-owned or generally exclusively controlled by such persons, may be eligible to receive incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, unrestricted stock and other equity-based or equity-related awards that the plan administrator determines are consistent with the purposes of the plan and our interests. Subject to adjustment for changes in capitalization, the aggregate number of shares of our common stock with respect to which awards may at any time be granted under the plan will not exceed 8% of the issued and outstanding shares of our common stock at the time of issuance of the award. The plan is administered by the compensation committee of our board of directors.

Under the terms of the plan, stock options and stock appreciation rights granted under the plan will have an exercise price equal to the fair market value of a common share on the date of grant, unless otherwise determined by the plan administrator, but in no event will the exercise price be less than the fair market value of a common share on the date of grant. Options and stock appreciation rights are exercisable at times and under conditions as determined by the plan administrator, but in no event will they be exercisable later than ten years from the date of grant. The plan administrator may grant dividend equivalents with respect to grants of options and stock appreciation rights.

The plan administrator may grant shares of restricted stock and awards of restricted stock units subject to vesting, forfeiture and other terms and conditions as determined by the plan administrator. With respect to restricted stock units, the award recipient will be paid an amount equal to the number of vested restricted stock units multiplied by the fair market value of a common share on the date of vesting, which payment may be paid in the form of cash or common shares or a combination of both, as determined by the plan administrator. The plan administrator may grant dividend equivalents with respect to grants of restricted stock units.

Adjustments may be made to outstanding awards in the event of a corporate transaction or change in capitalization or other extraordinary event. In the event of a “change in control” (as defined in the plan), unless otherwise provided by the plan administrator in an award agreement, awards then outstanding will become fully vested and exercisable in full.

Our board of directors may amend or terminate the plan and the plan administrator may amend outstanding awards, provided that no such amendment or termination may be made that would materially impair any rights, or materially increase any obligations, of a grantee under an outstanding award without the consent of the grantee. Shareholder approval of plan amendments may be required under certain circumstances. Unless terminated earlier by our board of directors, the plan will expire ten years from the date the plan is adopted.

### **Stock Appreciation Rights (“SARs”)**

As at December 31, 2019, ASC had granted 2,550,762 SARs (inclusive of 5,779 forfeited SARs) to certain of its officers and directors under its 2013 Equity Incentive Plan. Under a SAR award, the grantee is entitled to receive the appreciation of a share of ASC’s common stock following the grant of the award. Each SAR provides for a payment of an amount equal to the excess, if any, of the fair market value of a share of ASC’s common stock at the time of exercise of the SAR over the per share exercise price of the SAR, multiplied by the number of shares for which the SAR is then exercised. Payment under the SAR will be made in the form of shares of ASC’s common stock, based on the fair market value of a share of ASC’s common stock at the time of exercise of the SAR.

On April 4, 2018 ASC cancelled the 1,078,125 SARs awarded on August 1, 2013 (the “IPO SARs”), which had a per share exercise price significantly in excess of the current fair market value of a share of ASC’s common stock and replaced the IPO SARs with new awards of 1,719,733 SARs (the “Replacement SARs”).

On March 7, 2019 ASC granted 560,000 SARs (together with the Replacement SARs, the “New SARs”).

The New SARs vest in three equal annual tranches, have a contractual term of 7 years and provide for certain dividend equivalent rights pursuant to which the holder will be entitled upon vesting of the SARs to payment in the form of additional shares equal to the value of any cash dividends declared and payable during the applicable vesting period with respect to the shares underlying the portion of the SARs that vest.

### **Restricted Stock Units (“RSUs”)**

On January 2, 2019, ASC granted 176,659 RSUs to certain of its officers that will vest in two equal annual tranches. On March 7, 2019 ASC granted 86,210 RSUs to certain of its officers that will vest in three equal annual tranches. On May 28, 2019, ASC granted 59,237 RSUs to certain of its directors that will vest in twelve months from the date of grant.

Under an RSU award, the grantee is entitled to receive a share of ASC’s common stock for each RSU at the end of the vesting period. Payment under the RSU will be made in the form of shares of ASC’s common stock. The RSU awards include dividend equivalent rights equal in number to the number of shares underlying the award of RSUs granted.

### **Dividend Equivalent Rights (“DERs”)**

On November 4, 2019, ASC granted 1,146,517 DERs to certain of its officers.

Under a DER award, in the event that dividends are declared and paid on a share with a record date on or after the grant date, the grantee is entitled to receive a share of ASC’s common stock equal to the amount of the dividend declared multiplied by the number of shares per the award, divided by the Fair Market Value of a share on the date the dividends are paid.

Please see Note 14 “Share-based compensation” to our consolidated financial statements included in this Annual Report for additional information about the SAR awards, RSUs and DERs.

## **C. Board Practices**

Our board of directors currently consists of seven directors, all of whom, other than our Chief Executive Officer, Anthony Gurnee, have been determined by our board of directors to be independent under the rules of the New York Stock Exchange and the rules and regulations of the SEC. Kirsi Tikka was appointed to the board of directors in September 2019. Our board of directors has instituted a policy of holding executive sessions of non-management directors following each regularly scheduled meeting of the full Board. Additional executive sessions of non-management directors may be held from time to time as required. The director serving as the presiding director during executive sessions currently is Curtis McWilliams, the Chair of the Board. Our Audit Committee consists of Brian Dunne, as Chair, Curtis Mc Williams and Helen Tveitan de Jong. Each member of our Audit Committee is financially literate under the current listing standards of the New York Stock Exchange and the SEC. Our board of directors has determined that Mr. Dunne qualifies as an “audit committee financial expert” as such term is defined under SEC rules. The Audit Committee, among other things, reviews our external financial reporting, engages our external auditors, and oversees our financial reporting procedures and the adequacy of our internal accounting controls. The Nominating and Corporate Governance Committee consists of Curtis Mc Williams as Chair, Mats Berglund and Brian Dunne. The Nominating and Corporate Governance Committee is responsible for recommending to the board of directors nominees for director and directors for appointment to board committees and advising the board with regard to corporate governance practices. The Compensation Committee consists of Curtis Mc Williams, as Chair, Peter Swift and Mats Berglund. The Compensation Committee oversees our equity incentive plan and recommends director and senior employee compensation. Our shareholders may also nominate directors in accordance with the procedures set forth in our bylaws. There are no service contracts between us and any of our directors providing for benefits upon termination of their employment or service. Each of the committees is currently comprised of independent members and operates under a written charter adopted by the board of directors. All of the committee charters are available under “Corporate Governance” in the Investors section of our website at [www.ardmoreshipping.com](http://www.ardmoreshipping.com).

#### **D. Employees**

As of December 31, 2019, approximately 1,054 seagoing staff serve on the vessels that we manage and 48 full-time staff and three part-time staff serve on shore. This compares with 1,076 seafarers and 49 full-time staff and three part-time staff on shore as of December 31, 2018. Many of our seafarers employed by our ship managers are unionized under various jurisdictions and are employed under various collective bargaining agreements that expose us to a risk of potential labor unrest at times when those collective bargaining agreements are being re-negotiated.

We have entered into employment agreements with four of our executives: Mark Cameron, our Executive Vice President and Chief Operating Officer; Anthony Gurnee, our President and Chief Executive Officer; Gernot Ruppelt, our Senior Vice President and Chief Commercial Officer; and Paul Tivnan, our Senior Vice President and Chief Financial Officer. These employment agreements became effective as of August 1, 2013 and terminate in accordance with the terms of such agreements. Pursuant to the terms of their respective employment agreements, our executive officers are prohibited from disclosing or unlawfully using any of our material confidential information. The employment agreements also include one-year non-solicitation and one year non-compete clauses following the cessation of the employee's employment with us.

The employment agreements require that we maintain director and officer insurance and that we indemnify and hold the employee harmless against all expenses, liability and loss (including reasonable and necessary attorneys' fees, judgments, fines and amounts paid in settlement) in connection with any threatened or pending action, suit or proceeding, to which the employee is a party or is threatened to be made a party as a result of the employee's employment with us. The indemnification provisions exclude fraud, willful misconduct or criminal activity on the employee's behalf.

#### **E. Share Ownership**

The total amount of common stock owned by all of our officers and directors as a group is set forth below in Item 7. ("Major Shareholders and Related Party Transactions — A. Major Shareholders").

## Item 7. Major Shareholders and Related Party Transactions

### A. Major Shareholders

The following table sets forth information regarding beneficial ownership, as of March 15, 2020 (except as otherwise noted), of our common stock by:

- each person or entity known by us to beneficially own 5% or more of our common stock; and
- all our current directors and executive officers and senior management as a group.

The information provided in the table is based on information filed with the SEC and information provided to us.

The number of shares beneficially owned by each person, entity, director, executive officer or other member of senior management is determined under SEC rules and the information is not necessarily indicative of beneficial ownership for any other purpose. Under SEC rules, a person or entity beneficially owns any shares as to which the person or entity has or shares voting or investment power. In addition, a person or entity beneficially owns any shares that the person or entity has the right to acquire as of the date 60 days after March 15, 2020 through the exercise of any stock option or other right; however, any such shares are not deemed outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, each person or entity has sole voting and investment power (or shares such powers with his or her spouse) with respect to the shares set forth in the following table.

Identity of person or group	Shares Beneficially Owned	
	Number	Percentage <sup>(1)</sup>
Russell Investments Group, Ltd. <sup>(2)</sup>	3,699,937	11.14%
Aristotle Capital Boston, LLC <sup>(3)</sup>	3,344,950	10.07%
Dimensional Fund Advisors LP <sup>(4)</sup>	2,066,143	6.22%
Donald Smith & Co., Inc <sup>(5)</sup>	2,014,204	6.06%
BlackRock, Inc <sup>(6)</sup>	1,967,795	5.92%
All directors and executive officers as a group	*	*

(1) Based on 33,225,535 shares of common stock outstanding on March 15, 2020.

(2) This information is based on the Amendment No. 1 to Schedule 13G filed with the SEC on April 5, 2019.

(3) This information is based on the Schedule 13G filed with the SEC on January 9, 2020. According to this Schedule 13G Aristotle Capital Boston, LLC possessed sole voting power over 2,240,391 shares and sole dispositive power over 3,344,950 shares.

(4) This information is based on the Amendment No. 1 to Schedule 13G filed with the SEC on February 12, 2020. According to this Amendment No.1 to Schedule 13G, Dimensional Fund Advisors LP possessed sole voting power over 1,976,873 shares and sole dispositive power over 2,066,143 shares.

(5) This information is based on the Schedule 13G filed with the SEC on February 10, 2020. According to this Schedule 13G, Donald Smith & Co. Inc possessed sole voting power over 1,967,384 shares and sole dispositive power over 1,982,084 shares; DSCO Value Fund L.P. possessed sole voting power over 10,393 shares and sole dispositive power over 10,393 shares; Jon Hartsel possessed sole voting over 18,527 shares and sole dispositive power over 18,527 shares; and Kamal Shah possessed sole voting power over 3,200 shares and sole dispositive power over 3,200 shares.

(6) This information is based on the Amendment No. 1 to Schedule 13G filed with the SEC on February 5, 2020. According to this Amendment No. 1 to Schedule 13G, BlackRock, Inc. possessed sole voting power over 1,889,908 shares and sole dispositive power over 1,967,795 shares.

\* Less than 1% of outstanding shares of our common stock.

As of March 15, 2020, we had three shareholders of record located in the United States, one of which is CEDE & CO., a nominee of The Depository Trust Company, which held an aggregate of 33,056,409 shares



of our common stock, representing approximately 94% of our outstanding shares of common stock. We believe that the shares held by CEDE & CO. include shares of common stock beneficially owned by both United States and non-U.S. beneficial owners.

Our major shareholders have the same voting rights as our other shareholders. No corporation or foreign government or other natural or legal person owns more than 50% of our outstanding common stock. We are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of Ardmore.

## **B. Related Party Transactions**

Ardmore Shipping Corporation was incorporated under the laws of the Republic of the Marshall Islands in May 2013. We commenced business operations through our predecessor company, Ardmore Shipping LLC, in April 2010. In August 2013, we completed our IPO of shares of our common stock. Prior to our IPO, GA Holdings LLC, who was our sole shareholder, exchanged its 100% interest in Ardmore Shipping LLC for 8,049,500 shares of Ardmore Shipping Corporation, and Ardmore Shipping LLC became a wholly owned subsidiary of Ardmore Shipping Corporation. In November 2015, GA Holdings LLC sold 4,000,000 of its shares of our common stock in an underwritten public offering. In June 2016, we completed a public offering of 7,500,000 common shares, of which GA Holdings LLC purchased 1,277,250 shares at the public offering price. In November 2017, GA Holdings LLC disposed of all of its 5,787,942 common shares, of which 5,579,978 shares were sold in an underwritten public secondary offering, 85,654 shares were repurchased by us in a private transaction, and 122,310 shares were distributed to certain of its members, including Anthony Gurnee, our chief executive officer and a member of our board of directors. In addition to the 85,654 shares we repurchased from GA Holdings LLC in a private transaction, we also purchased from the underwriter 1,350,000 shares of our common stock that were sold by GA Holdings LLC in the secondary offering, with the price of all such repurchases by us being equal to the price per share at which GA Holdings LLC sold shares to the underwriters in the public offering. Prior to the November 2017 secondary offering, two members of our board of directors, Reginald Jones and Niall McComiskey, were affiliated with our largest shareholder, GA Holdings LLC. Following the offering, Niall McComiskey resigned from our board of directors. Reginald Jones remained a member of our board of directors but did not stand for re-election at our annual shareholders meeting in 2019.

We have a 50%-owned joint venture entity, Anglo Ardmore Ship Management Limited (“AASML”), owned in equal share by the third-party technical manager Anglo-Eastern and Ardmore Shipping (Bermuda) Limited. AASML was incorporated in June 2017 and began providing technical management services exclusively to the Ardmore fleet on January 1, 2018. We entered into standard Baltic and International Maritime Council (“BIMCO”) ship management agreements with AASML for the provision of technical management services to 16 vessels of the Company’s fleet as at December 31, 2019 (2018: 18 vessels). AASML provides the vessels with a wide range of shipping services such as repairs and maintenance, provisioning and crewing.

Any transaction involving the payment of compensation to a director or officer in connection with their duties to Ardmore are not related party transactions. Please see Item 6.A “Directors, Senior Management and Employees-Directors and Senior Management.”

## **C. Interest of Experts and Counsel**

Not applicable.

## **Item 8. Financial Information**

### **A. Consolidated Financial Statements and Other Financial Information**

See Item 18.

### **Legal Proceedings**

Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we are not at present party to any legal proceedings or aware of any proceedings against us, or contemplated to be brought against us, that would have a material effect on our business, financial position, results of operations or liquidity. We maintain insurance policies with insurers in amounts and with coverage and deductibles as our board of directors believes are reasonable and prudent. We expect that these claims would be covered by insurance, subject to customary deductibles. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

### **Dividend Policy and Capital Allocation Policy**

Under our prior dividend policy established in September 2015, we generally expected to pay out, as a cash dividend on a quarterly basis, 60% of Earnings from Continuing Operations, (which represents our earnings per share reported under U.S. GAAP as adjusted for unrealized and realized gains and losses and extraordinary items).

On March 9, 2020, we announced a new capital allocation policy which sets out the Company's priorities among fleet maintenance, financial strength, accretive growth and returning capital to shareholders. Commencing with the quarter ending March 31, 2020, the Company will transition to the new policy and will provide updates to its capital allocation priorities on quarterly earnings call.

Our ability to pay any dividends in the future and our new capital allocation policy are subject to various risks and restrictions. Our board of directors may review and amend our capital allocation policy from time to time in light of our plans for future growth and other factors. In addition, our ability to pay dividends in the future will be subject to the amount of cash reserves established by our board of directors for the conduct of our business, restrictions in our credit facilities and the provisions of the laws of the Republic of the Marshall Islands, as well as the other limitations set forth in the section of this Annual Report entitled "Risk Factors".

### **B. Significant Changes**

Not Applicable.

## **Item 9. The Offer and Listing**

### **A. Offer and Listing Details**

Shares of our common stock trade on the New York Stock Exchange under the symbol "ASC".

### **B. Plan of Distribution**

Not applicable.

### **C. Markets**

Shares of our common stock trade on the New York Stock Exchange under the symbol "ASC".

### **D. Selling Shareholders**

Not applicable.

### **E. Dilution**

Not applicable.

## **F. Expenses of the Issue**

Not applicable.

## **Item 10. Additional Information**

### **A. Share Capital**

Not applicable.

### **B. Memorandum and Articles of Association**

Our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws have been filed as Exhibits 3.1 and 3.2, respectively, to Form F-1/A (Registration Number 333-189714), declared effective by the Securities and Exchange Commission on July 31, 2013. The information contained in these exhibits is incorporated by reference into this Annual Report.

The rights, preferences and restrictions attaching to our shares of common stock are described in the section entitled “Description of Capital Stock” of our Registration Statement on Form F-3 (File No. 333-233540), filed with the SEC on August 30, 2019, and hereby incorporated by reference into this Annual Report.

There are no limitations on the rights to own our securities, including the rights of non-resident or foreign shareholders to hold or exercise voting rights on the securities, imposed by the laws of the Republic of The Marshall Islands or by our Articles of Incorporation or Bylaws.

### **C. Material Contracts**

Attached or incorporated by reference as exhibits to this Annual Report are the contracts we consider to be both material and not entered into in the ordinary course of business. Descriptions are included in Note 5 (“Debt”) to our consolidated financial statements included in this Annual Report with respect to our credit facilities and Note 6 (“Finance Leases”) with respect to our finance leases. Other than these contracts, we have not entered into any other material contracts in the two years immediately preceding the date of this Annual Report, other than contracts entered into in the ordinary course of business.

### **D. Exchange Controls**

Under Marshall Islands law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our common shares.

### **E. Taxation of Holders**

The following is a discussion of the material Marshall Islands and U.S. federal income tax considerations that may be relevant to us and our shareholders. This discussion does not purport to deal with the tax consequences of owning common stock to all categories of investors, some of which, such as financial institutions, regulated investment companies, real estate investment trusts, tax-exempt organizations, insurance companies, persons holding our common shares as part of a hedging, integrated, conversion or constructive sale transaction or a straddle, traders in securities that have elected the mark-to-market method of accounting for their securities, persons liable for alternative minimum tax, persons who are investors in partnerships or other pass-through entities for U.S. federal income tax purposes, dealers in securities or currencies, U.S. Holders whose functional currency is not the U.S. dollar, investors that own, actually or under applicable constructive ownership rules, 10% or more of our common shares and investors that are required to recognize income pursuant to an “applicable financial statement”, and persons subject to the “base erosion and anti-avoidance” tax, may be subject to special rules. This discussion deals only with holders who hold the common stock as a capital asset. You are encouraged to consult your own tax advisors concerning the overall tax consequences arising in your own particular situation under U.S. federal, state, local or foreign law of the ownership of common stock.

## **Marshall Islands Tax Considerations**

The following are the material Marshall Islands tax consequences of our activities to us and of our common shares to our shareholders. We are incorporated in the Marshall Islands. Under current Marshall Islands law, we are not subject to tax on income or capital gains, and no Marshall Islands withholding tax will be imposed upon payments of dividends by us to our shareholders.

## **U.S. Federal Income Tax Considerations**

The following are the material U.S. federal income tax consequences to (a) us and (b) U.S. Holders and Non-U.S. Holders, each as defined below, of the common shares. The following discussion of U.S. federal income tax matters is based on the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the United States Department of the Treasury (“Treasury Regulations”), all of which are subject to change, possibly with retroactive effect. The discussion below is based, in part, on the description of our business as described in this Annual Report and assumes that we conduct our business as described herein. References in the following discussion to the “Company”, “we”, “our” and “us” are to Ardmore Shipping Corporation and its subsidiaries on a consolidated basis.

### **U.S. Federal Income Taxation of Operating Income: In General**

We anticipate that we will earn substantially all our income from spot, time charter and pool arrangements, all of which we refer to as “shipping income”.

Unless we qualify from an exemption from U.S. federal income taxation under either an applicable tax treaty or the rules of Section 883 of the Code (“Section 883”), as discussed below, a foreign corporation such as the Company will be subject to United States federal income taxation on its “shipping income” that is treated as derived from sources within the United States (“U.S. source shipping income”). For U.S. federal income tax purposes, “U.S. source shipping income” includes 50% of shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States.

Shipping income attributable to transportation exclusively between non-U.S. ports will be considered to be 100% derived from sources entirely outside the United States. Shipping income derived from sources outside the United States will not be subject to any U.S. federal income tax.

Shipping income attributable to transportation exclusively between U.S. ports is considered to be 100% derived from U.S. sources. However, we are not permitted by United States law to engage in the transportation of cargoes that produces 100% U.S. source shipping income.

### *Exemption of Operating Income from U.S. Federal Income Taxation*

Under Section 883 and the Treasury Regulations promulgated thereunder, a foreign corporation will be exempt from U.S. federal income taxation of its U.S. source shipping income if:

- (1) it is organized in a “qualified foreign country” which is one that grants an “equivalent exemption” from tax to corporations organized in the United States in respect of each category of shipping income for which exemption is being claimed under Section 883; and
- (2) one of the following tests is met:
  - (A) more than 50% of the value of its shares is beneficially owned, directly or indirectly, by “qualified shareholders”, which as defined includes individuals who are “residents” of a qualified foreign country, to which we refer as the “50% Ownership Test”; or
  - (B) its shares are “primarily and regularly traded on an established securities market” in a qualified foreign country or in the United States, to which we refer as the “Publicly-Traded Test”.

The Marshall Islands, the jurisdiction where we and our ship-owning subsidiaries are incorporated, has been officially recognized by the IRS, as a qualified foreign country that grants the requisite “equivalent exemption” from tax in respect of each category of shipping income we earn and currently expect to earn in

the future. Therefore, we will be exempt from U.S. federal income taxation with respect to our U.S. source shipping income if we satisfy either the 50% Ownership Test or the Publicly Traded Test.

We believe that we satisfy the Publicly Traded Test for our 2019 taxable year and therefore qualify for an exemption from tax under Section 883. We anticipate that we will continue to satisfy the Publicly Traded Test but, as discussed below, this is a factual determination made on an annual basis. We do not currently anticipate circumstances under which we would not be able to satisfy the 50% Ownership Test.

#### *Publicly Traded Test*

The Treasury Regulations under Section 883 provide, in pertinent part, that shares of a foreign corporation will be considered to be “primarily traded” on an established securities market in a country if the number of shares of each class of stock that are traded during any taxable year on all established securities markets in that country exceeds the number of shares in each such class that are traded during that year on established securities markets in any other single country. The Company’s common shares, which constitute its sole class of issued and outstanding stock are “primarily traded” on the New York Stock Exchange (“NYSE”).

Under the Treasury Regulations, our common shares will be considered to be “regularly traded” on an established securities market if one or more classes of our shares representing more than 50% of our outstanding stock, by both total combined voting power of all classes of stock entitled to vote and total value, are listed on such market, (the “listing threshold”). Since all our common shares are listed on the NYSE, we satisfy the listing threshold.

The Treasury Regulations also require that with respect to each class of stock relied upon to meet the listing threshold, (i) such class of stock traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or one-sixth of the days in a short taxable year (“trading frequency test”); and (ii) the aggregate number of shares of such class of stock traded on such market during the taxable year must be at least 10% of the average number of shares of such class of stock outstanding during such year or as appropriately adjusted in the case of a short taxable year (the “trading volume test”). We believe that we satisfy the trading frequency and trading volume tests with respect to the 2019 taxable year. Even if this were not the case, the Treasury Regulations provide that the trading frequency and trading volume tests will be deemed satisfied if, as is the case with our common shares, such class of stock is traded on an established securities market in the United States and such shares are regularly quoted by dealers making a market in such shares.

Notwithstanding the foregoing, the Treasury Regulations provide, in pertinent part, that a class of shares will not be considered to be “regularly traded” on an established securities market for any taxable year in which 50% or more of the vote and value of the outstanding shares of such class are owned, actually or constructively under specified share attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the vote and value of such class of outstanding stock (“5% Override Rule”).

For purposes of being able to determine the persons who actually or constructively own 5% or more of the vote and value of our common shares (“5% Shareholders”) the Treasury Regulations permit us to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the United States Securities and Exchange Commission, as owning 5% or more of our common shares. The Treasury Regulations further provide that an investment company which is registered under the Investment Company Act of 1940, as amended, will not be treated as a 5% Shareholder for such purposes.

In the event the 5% Override Rule is triggered, the Treasury Regulations provide that the 5% Override Rule will nevertheless not apply if we can establish that within the group of 5% Shareholders, qualified shareholders (as defined for purposes of Section 883) own sufficient number of shares to preclude non-qualified shareholders in such group from owning 50% or more of our common shares for more than half the number of days during the taxable year.

We believe that we satisfy the Publicly Traded Test for the 2019 taxable year and were not subject to the 5% Override Rule, and we intend to take that position on our 2019 U.S. federal income tax return. However, there are factual circumstances beyond our control that could cause us to lose the benefit of the Section 883



exemption for any future taxable year. For example, there is a risk that we could no longer qualify for Section 883 exemption for a particular taxable year if one or more 5% Shareholders were to own 50% or more of our outstanding common shares on more than half the days of the taxable year. Under these circumstances, we would be subject to the 5% Override Rule and we would not qualify for the Section 883 exemption unless we could establish that our shareholding during the taxable year was such that non-qualified 5% Shareholders did not own 50% or more of our common shares on more than half the days of the taxable year. Under the Treasury Regulations, we would have to satisfy certain substantiation requirements regarding the identity of our shareholders. These requirements are onerous and there is no assurance that we would be able to satisfy them. Given the factual nature of the issues involved, we can give no assurances in regard to our or our subsidiaries' qualification for the Section 883 exemption.

#### *Taxation in Absence of Section 883 Exemption*

If the benefits of Section 883 are unavailable, our U.S. source shipping income would be subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions, or the "4% gross basis tax regime", to the extent that such income is not considered to be "effectively connected" with the conduct of a United States trade or business, as described below. Since under the sourcing rules described above, no more than 50% of our shipping income would be treated as being U.S. source shipping income, the maximum effective rate of U.S. federal income tax on our shipping income would never exceed 2% under the 4% gross basis tax regime.

To the extent our U.S. source shipping income is considered to be "effectively connected" with the conduct of a U.S. trade or business, as described below, any such "effectively connected" U.S. source shipping income, net of applicable deductions, would be subject to U.S. federal income tax, currently imposed at a rate of 21%. In addition, we would generally be subject to the 30% "branch profits" tax on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of our U.S. trade or business.

Our United States source shipping income would be considered "effectively connected" with the conduct of a United States trade or business only if:

- we have, or are considered to have, a fixed place of business in the United States involved in the earning of U.S. source shipping income; and
- substantially all of our U.S. source shipping income is attributable to regularly scheduled transportation, such as the operation of a vessel that follows a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the United States.

We do not intend to have, or permit circumstances that would result in having, any vessel sailing to or from the United States on a regularly scheduled basis. Based on the foregoing and on the expected mode of our shipping operations and other activities, it is anticipated that none of our U.S. source shipping income will be "effectively connected" with the conduct of a U.S. trade or business.

#### **United States Taxation of Gain on Sale of Vessels**

Regardless of whether we qualify for an exemption under Section 883, we will not be subject to U.S. federal income tax with respect to gain realized on a sale of a vessel, provided the sale is considered to occur outside of the United States under U.S. federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. It is expected that any sale of a vessel by us will be considered to occur outside of the United States.

#### **U.S. Federal Income Taxation of United States Holders**

As used herein, the term "U.S. Holder" means a holder that for U.S. federal income tax purposes is a beneficial owner of our common shares and is an individual U.S. citizen or resident, a U.S. corporation or other U.S. entity taxable as a corporation, an estate the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if (a) a court within the United States is able to exercise primary

jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) the trust has a valid election in effect to be treated as a U.S. person.

If a partnership holds the common shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding the common shares, you are encouraged to consult your tax advisor.

### *Distributions*

Subject to the discussion of passive foreign investment companies below, any distributions made by us with respect to our common shares to a U.S. Holder will generally constitute dividends to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles.

Distributions in excess of such earnings and profits will be treated first as a non-taxable return of capital to the extent of the U.S. Holder's tax basis in our common shares and thereafter as capital gain. Because we are not a U.S. corporation, U.S. Holders that are corporations will generally not be entitled to claim a dividends received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common shares will generally be treated as foreign source dividend income and will generally constitute "passive category income" for purposes of computing allowable foreign tax credits for U.S. foreign tax credit purposes.

Subject to applicable limitations, including a holding period requirement, dividends paid on our common shares to certain non-corporate U.S. Holders will generally be treated as "qualified dividend income" that is taxable to such U.S. Holders at preferential tax rates provided that (1) the common shares are readily tradable on an established securities market in the U.S. (such as the NYSE, on which our common shares are traded); and (2) we are not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (which, as discussed below, we do not believe that we are or will be for any future taxable years).

There is no assurance that any dividends paid on our common shares will be eligible for these preferential rates in the hands of such non-corporate U.S. Holders, although, as described above, we expect such dividends to be so eligible provided an eligible non-corporate U.S. Holder meets all applicable requirements. Any dividends paid by us which are not eligible for these preferential rates will be taxed as ordinary income to a non-corporate U.S. Holder.

Special rules may apply to any "extraordinary dividend" — generally, a dividend in an amount which is equal to or in excess of 10% of a shareholder's adjusted tax basis in a common share — paid by us. If we pay an "extraordinary dividend" on our common shares that is treated as "qualified dividend income", then any loss derived by certain non-corporate U.S. Holders from the sale or exchange of such common shares will be treated as long-term capital loss to the extent of such dividend.

### *Sale, Exchange or Other Disposition of Common Shares*

Assuming we do not constitute a passive foreign investment company for any taxable year, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common shares in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's tax basis in such shares. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as U.S. source income or loss, as applicable, for U.S. foreign tax credit purposes. Long-term capital gains of certain non-corporate U.S. Holders are currently eligible for reduced rates of taxation. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

### **3.8% Tax on Net Investment Income**

A U.S. Holder that is an individual, estate, or, in certain cases, a trust, will generally be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's net investment income for the taxable year and (2) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case

of individuals will be between \$125,000 and \$250,000). A U.S. Holder's net investment income will generally include distributions we make on the common stock which are treated as dividends for U.S. federal income tax purposes and capital gains from the sale, exchange or other disposition of the common stock. This tax is in addition to any income taxes due on such investment income.

### **Passive Foreign Investment Company Status and Significant Tax Consequences**

Special U.S. federal income tax rules apply to a U.S. Holder that holds shares in a PFIC for U.S. federal income tax purposes. In general, we will be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which such holder holds our common shares, either:

- at least 75% of our gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or
- at least 50% of the average value of our assets during such taxable year produce, or are held for the production of, passive income.

For purposes of determining whether we are a PFIC, cash held by us will be treated as passive assets. In addition, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own at least 25% of the value of the subsidiary's stock. Income earned, or deemed earned, by us in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute "passive income" unless we were treated under specific rules as deriving our rental income in the active conduct of a trade or business.

Based on our current and anticipated operations, we do not believe that we are currently a PFIC or will be treated as a PFIC for any future taxable year. Our belief is based principally on the position that the gross income we derive from time chartering activities should constitute services income, rather than rental income. Accordingly, such income should not constitute passive income, and the assets that we own and operate in connection with the production of such income, in particular, the vessels, should not constitute passive assets for purposes of determining whether we are a PFIC. There is substantial legal authority supporting this position consisting of case law and IRS pronouncements concerning the characterization of income derived from time charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept this position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. In addition, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC with respect to any taxable year, we cannot assure you that the nature of our operations will not change in the future.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a United States Holder would be subject to different taxation rules depending on whether the United States Holder makes an election to treat us as a "Qualified Electing Fund" ("QEF election"). As an alternative to making a QEF election, a United States Holder should be able to make a "mark-to-market" election with respect to our common shares, as discussed below. A United States holder of shares in a PFIC will be required to file an annual information return on IRS Form 8621 containing information regarding the PFIC as required by applicable Treasury Regulations.

#### *Taxation of United States Holders Making a Timely QEF Election*

If a United States Holder makes a timely QEF election, which United States Holder we refer to as an "Electing Holder", the Electing Holder must report for United States federal income tax purposes its pro rata share of our ordinary earnings and net capital gain, if any, for each of our taxable years during which we are a PFIC that ends with or within the taxable year of the Electing Holder, regardless of whether distributions were received from us by the Electing Holder. No portion of any such inclusions of ordinary earnings will be treated as "qualified dividend income". Net capital gain inclusions of certain non-corporate United States Holders would be eligible for preferential capital gains tax rates. The Electing Holder's adjusted tax basis in the common shares will be increased to reflect any income included under the QEF election. Distributions of previously taxed income will not be subject to tax upon distribution but will decrease the Electing Holder's tax basis in the common shares. An Electing Holder would not, however, be entitled to a deduction for its pro rata share of any losses that we incur with respect to any taxable year. An Electing Holder

would generally recognize capital gain or loss on the sale, exchange or other disposition of our common shares. A U.S. Holder would make a timely QEF election for our common shares by filing one copy of IRS Form 8621 with its United States federal income tax return for the first year in which it held such shares when we were a PFIC. If we determine that we are a PFIC for any taxable year, we would provide each United States Holder with all necessary information in order to make the QEF election described above.

#### *Taxation of United States Holders Making a Mark-to-Market Election*

Alternatively, if we were to be treated as a PFIC for any taxable year and, as we anticipate will be the case, our shares are treated as “marketable stock”, a United States Holder would be allowed to make a “mark-to-market” election with respect to our common shares, provided the United States Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made, the United States Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common shares at the end of the taxable year over such Holder’s adjusted tax basis in the common shares. The U.S. Holder would also be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder’s adjusted tax basis in the common shares over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder’s tax basis in its common shares would be adjusted to reflect any such income or loss amount recognized. In a year when we are a PFIC, any gain realized on the sale, exchange or other disposition of our common shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common shares would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the U.S. Holder.

#### *Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election*

If we were to be treated as a PFIC for any taxable year, a U.S. Holder who does not make either a QEF election or a “mark-to-market” election for that year, whom we refer to as a “Non-Electing Holder”, would be subject to special rules with respect to (i) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on the common shares in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder’s holding period for the common shares), and (ii) any gain realized on the sale, exchange or other disposition of our common shares. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder’s aggregate holding period for the common shares;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, would be taxed as ordinary income and would not be “qualified dividend income”; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed tax deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

#### **U.S. Federal Income Taxation of Non-U.S. Holders**

As used herein, the term “Non-U.S. Holder” means a holder that, for U.S. federal income tax purposes, is a beneficial owner of common shares (other than a partnership) that is not a U.S. Holder.

If a partnership holds our common shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding our common shares, you are encouraged to consult your tax advisor.

#### *Dividends on Common Shares*

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on dividends received from us with respect to our common shares, unless that income is effectively connected with the Non-U.S. Holder’s conduct of a trade or business in the United States.

## **Sale, Exchange or Other Disposition of Common Shares**

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realized upon the sale, exchange or other disposition of our common shares, unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S.; or
- the Non-U.S. Holder is an individual who is present in the U.S. for 183 days or more during the taxable year of disposition and other conditions are met.

### *Income or Gains Effectively Connected with a U.S. Trade or Business*

If the Non-U.S. Holder is engaged in a U.S. trade or business for U.S. federal income tax purposes, dividends on the common shares and gain from the sale, exchange or other disposition of the shares, that is effectively connected with the conduct of that trade or business (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment), will generally be subject to regular U.S. federal income tax in the same manner as discussed in the previous section relating to the taxation of U.S. Holders. In addition, in the case of a corporate Non-U.S. Holder, its earnings and profits that are attributable to the effectively connected income, which are subject to certain adjustments, may be subject to an additional branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable U.S. income tax treaty.

## **Backup Withholding and Information Reporting**

In general, dividend payments, or other taxable distributions, and the payment of the gross proceeds on a sale of our common shares, made within the U.S. to a non-corporate U.S. Holder will be subject to information reporting. Such payments or distributions may also be subject to backup withholding if the non-corporate U.S. Holder:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that it has failed to report all interest or dividends required to be shown on its federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding with respect to dividends payments or other taxable distribution on our common shares by certifying their status on an applicable IRS Form W-8. If a Non-U.S. Holder sells our common shares to or through a U.S. office of a broker, the payment of the proceeds is subject to both U.S. backup withholding and information reporting unless the Non-U.S. Holder certifies that it is a non-U.S. person, under penalties of perjury, or it otherwise establishes an exemption. If a Non-U.S. Holder sells our common shares through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid outside the U.S., then information reporting and backup withholding generally will not apply to that payment. However, U.S. information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made outside the U.S., if a Non-U.S. Holder sells our common shares through a non-U.S. office of a broker that is a U.S. person or has some other contacts with the U.S. Such information reporting requirements will not apply, however, if the broker has documentary evidence in its records that the Non-U.S. Holder is not a U.S. person and certain other conditions are met, or the Non-U.S. Holder otherwise establishes an exemption.

Backup withholding is not an additional tax. Rather, a refund may generally be obtained of any amounts withheld under backup withholding rules that exceed the taxpayer's U.S. federal income tax liability by filing a timely refund claim with the IRS.

Individuals who are U.S. Holders (and to the extent specified in applicable Treasury regulations, Non-U.S. Holders and certain U.S. entities) who hold "specified foreign financial assets" (as defined in Section 6038D of the Code) are required to file IRS Form 8938 with information relating to the asset for each taxable year in which the aggregate value of all such assets exceeds \$75,000 at any time during the taxable year or

\$50,000 on the last day of the taxable year (or such higher dollar amount as prescribed by applicable Treasury Regulations). Specified foreign financial assets would include, among other assets, our common shares, unless the common shares are held in an account maintained with a U.S. financial institution.

Substantial penalties apply to any failure to timely file IRS Form 8938, unless the failure is shown to be due to reasonable cause and not due to willful neglect. Additionally, in the event an individual U.S. Holder (and to the extent specified in applicable Treasury Regulations, a Non-U.S. Holder or a U.S. entity) that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of U.S. federal income taxes of such holder for the related tax year may not close until three years after the date that the required information is filed. U.S. Holders (including U.S. entities) and Non-U.S. Holders are encouraged to consult their own tax advisors regarding their reporting obligations in respect of our common shares.

#### **F. Dividends and Paying Agents**

Not applicable.

#### **G. Statements by Experts**

Not applicable.

#### **H. Documents on Display**

Documents concerning us that are referred to herein may be inspected at our principal executive offices at Belvedere Building, 69 Pitts Bay Road, Ground Floor, Pembroke, HM08, Bermuda.

#### **I. Subsidiary Information**

Not applicable.

### **Item 11. Quantitative and Qualitative Disclosures about Market Risks**

#### **Operational risk**

We are exposed to operating costs arising from various vessel operations. Key areas of operating risk include drydock, repair costs, insurance, piracy and fuel prices. Our risk management includes various strategies for technical management of drydock and repairs coordinated with a focus on measuring cost and quality. Our relatively young fleet helps to minimize the risk. Given the potential for accidents and other incidents that may occur in vessel operations, the fleet is insured against various types of risk. We have established a set of countermeasures in order to minimize the risk of piracy attacks during voyages, particularly through regions which the Joint War Committee or our insurers consider high risk, or which they recommend monitoring, to make the navigation safer for sea staff and to protect our assets. The price and supply of fuel is unpredictable and can fluctuate from time to time. We periodically consider and monitor the need for fuel hedging to manage this risk.

#### **Foreign exchange risk**

The majority of our transactions, assets and liabilities are denominated in U.S. Dollars, the functional currency of the Company. We incur certain general and operating expenses in other currencies (primarily the Euro, Singapore Dollar and Pounds Sterling) and as a result there is a transactional risk to us that currency fluctuations will have a negative effect on the value of our cash flows. Such risk may have an adverse effect on our financial condition and results of operations. We believe these adverse effects to be immaterial and has not entered into any derivative contracts for either transaction or translation risk during the year.

#### **Interest rate risk**

We are exposed to the impact of interest rate changes primarily through borrowings that require us to make interest payments based on LIBOR. Significant increases in interest rates could adversely affect our



results of operations and our ability to repay debt. We monitor interest rate exposure and may enter into swap arrangements to hedge exposure where it is considered economically advantageous to do so.

The disclosure in the immediately following paragraph about the potential effects of changes in interest rates are based on a sensitivity analysis, which models the effects of hypothetical interest rate shifts. A sensitivity analysis is constrained by several factors, including the necessity to conduct the analysis based on a single point in time and by the inability to include the extraordinarily complex market reactions that normally would arise from the market shifts. Although the following results of a sensitivity analysis for changes in interest rates may have some limited use as a benchmark, they should not be viewed as a forecast. This forward-looking disclosure also is selective in nature and addresses only the potential impacts on our borrowings.

Assuming we do not hedge our exposure to interest rate fluctuations, a hypothetical 100 basis-point increase or decrease in our variable interest rates would have increased or decreased our interest expense for the year ended December 31, 2019 by \$3.9 million (2018: \$4.0 million) using the average long-term debt and finance lease balance and actual interest incurred in each period.

### **Credit risk**

There is a concentration of credit risk with respect to cash and cash equivalents to the extent that substantially all of the amounts are held in short-term funds (with a credit risk rating of at least AA) managed by Blackrock and State Street Global Advisors. While we believe this risk of loss is low, we will keep this under review and will revise our policy for managing cash and cash equivalents if considered advantageous and prudent to do so.

We limit our credit risk with trade accounts receivable by performing ongoing credit evaluations of our customers' financial condition. We generally do not require collateral for our trade accounts receivable.

We may have a credit risk in relation to vessel employment and at times may have multiple vessels employed by one charterer. We consider and evaluate concentration of credit risk regularly and perform on-going evaluations of these charterers for credit risk and credit concentration risk. As at December 31, 2019 our 25 vessels in operation were employed with 19 different charterers.

### **Liquidity risk**

Our principal objective in relation to liquidity is to ensure that we have access, at minimum cost, to sufficient liquidity to enable us to meet our obligations as they fall due and to provide adequately for contingencies. Our policy is to manage our liquidity by strict forecasting of cash flows arising from or expenses relating to time charter revenue, pool revenue, vessel operating expenses, general and administrative overhead and servicing of debt.

### **Inflation**

We do not expect inflation to be a significant risk to direct expenses in the current and foreseeable economic environment.

### **Item 12. Description of Securities Other than Equity Securities**

Not applicable.

## PART II

### **Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

### **Item 14. Material Modifications to the Rights of Shareholders and Use of Proceeds**

None.

### **Item 15. Controls and Procedures**

#### **A. Disclosure Controls and Procedures**

We evaluated pursuant to Rule 13a-15(b) of the Exchange Act the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2019. Based on that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective to provide, as of December 31, 2019, reasonable assurance that the information required to be disclosed by us in reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

#### **B. Management's Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal controls over our financial reporting. Our internal controls were designed to provide reasonable assurance as to the reliability of our financial reporting and the preparation and presentation of the consolidated financial statements for external purposes in accordance with U.S. GAAP.

Our internal controls over financial reporting include those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made in accordance with authorizations of management and our directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Management previously reported, in our 2018 Annual Report on Form 20-F/A filed on August 2, 2019, a material weakness in our internal control over financial reporting related to the design and operation of our controls over the presentation of infrequent or unusual transactions, such as the net gains and losses on disposal of vessels. A material weakness is a deficiency, or a combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Management evaluated the effectiveness of our internal control over financial reporting as of December 31, 2019, using the framework set forth in the report of the Treadway Commission's Committee of Sponsoring Organizations in Internal Control Integrated Framework (2013).

Management's evaluation as of December 31, 2019 included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements even when determined to be effective and can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. Based on the evaluation, management determined that internal controls over financial reporting were effective as of December 31, 2019.

### **C. Attestation Report of the Registered Public Accounting Firm**

The independent registered public accounting firm, Deloitte & Touche LLP, that audited our consolidated financial statements as at and for the year ended December 31, 2019 and included in this Annual Report, has issued an attestation report on our internal control over financial reporting which is provided on page F-2.

### **D. Changes in Internal Control Over Financial Reporting**

During the second half of 2019, we enhanced our internal control over financial reporting related to the design and operation of our controls over the presentation of infrequent or unusual transactions, such as the net gains and losses on disposal of vessels. We did so by implementing a more rigorous checklist to identify transactions which may be subject to specific presentation requirements within U.S. GAAP and engaging with appropriately qualified third-party experts, as required. As part of our corrective actions, we removed the subtotal for (loss)/profit from operations in our consolidated statement of comprehensive loss such that the revised presentation of the net gains and losses on disposal of vessels now complies with U.S. GAAP.

We completed the documentation and testing of these corrective actions during the fourth quarter of 2019 and, as of December 31, 2019, have concluded that the steps taken have remediated the material weakness related to the design and operation of our controls over the presentation of infrequent or unusual transactions.

Other than the changes noted above in this Item 15.D, there were no changes in our internal controls over financial reporting that occurred during or related to the period covered by this Annual Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Item 16. Reserved**

#### **Item 16.A. Audit Committee Financial Expert**

Our board of directors has determined that director and Chair of the Audit Committee, Brian Dunne, qualifies as an audit committee financial expert and is independent under applicable NYSE and SEC standards.

#### **Item 16.B. Code of Ethics**

We have adopted a code of conduct and ethics applicable to our directors, chief executive officer, chief financial officer, principal accounting officer and other key management personnel. The code is available for review on our website at [www.ardmoreshipping.com](http://www.ardmoreshipping.com).

#### **Item 16.C. Principal Accountant Fees and Services**

Our principal accountants for the fiscal year 2018 and for 2019 through December 3, 2019 were Ernst & Young. Our principal accountants from December 3, 2019 through December 31, 2019 were Deloitte & Touche LLP.

#### **Audit Fees**

The audit fees for the audit of the years ended December 31, 2019 and 2018 were \$0.5 million and \$0.6 million, respectively.

#### **Audit-Related Fees**

Audit-related fees relating to work performed by our principal accountants in 2019 and 2018 were \$55,000 and \$75,000, respectively.

#### **Tax Fees**

There were no tax fees billed by our principal accountants in 2019 or 2018.

## **All Other Fees**

There were no other fees billed by our principal accountants in 2019 or 2018.

## **Audit Committee**

The Audit Committee is responsible for the appointment, replacement, compensation, evaluation and oversight of the work of the independent auditors. As part of this responsibility, the audit committee pre-approves the audit and non-audit services performed by the independent auditors in order to assure that they do not impair the auditors' independence. The Audit Committee has adopted a policy which sets forth the procedures and the conditions pursuant to which services proposed to be performed by the independent auditors may be pre-approved.

The Audit Committee separately pre-approved all engagements and fees paid to our principal accountants in 2019 and 2018.

## **Item 16.D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

## **Item 16.E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

On August 31, 2017, we announced that our board of directors had terminated our previous share repurchase plan and approved a new share repurchase plan (the "Repurchase Plan"), which authorizes us to repurchase up to \$25 million of shares of our common stock through to August 31, 2020.

We may repurchase these shares in the open market or in privately negotiated transactions, at times and prices that are considered to be appropriate by us, but we are not obligated under the terms of the Repurchase Plan to repurchase any shares, and at any time we may suspend, delay or discontinue the Repurchase Plan.

During the years ended December 31, 2018 and 2019, there were no repurchases of shares of our common stock by us or affiliated purchasers.

The total remaining share repurchase authorization at December 31, 2019, was \$25.0 million.

## **Item 16.F. Change in Registrant's Certifying Accountant**

As reported in our Report on Form 6-K dated as of December 3, 2019, we changed our independent registered public accounting firm as of December 3, 2019.

## **Item 16.G. Corporate Governance**

We, as a foreign private issuer, are not required to comply with certain corporate governance practices followed by U.S. companies under the New York Stock Exchange ("NYSE") listing standards. We believe that our established practices in the area of corporate governance provide adequate protection to our shareholders. In this respect, we have voluntarily adopted a number of NYSE required practices, such as having a majority of independent directors, establishing a compensation committee and a nominating and corporate governance committee, adopting corporate governance guidelines and holding regular executive meetings of non-management directors.

The following is the significant way in which our corporate governance practices differ from those followed by U.S. domestic companies listed on the NYSE, and which difference is permitted by NYSE rules for "foreign private issuers" such as Ardmore Shipping Corporation:

- The NYSE requires that U.S. issuers obtain shareholder approval prior to the adoption of equity compensation plans and prior to certain equity issuances, including, among others, issuing 20% or more of our outstanding shares of common stock or voting power in a transaction. Our board of directors approves the adoption of equity compensation plans in lieu of such shareholder approval, and we do not intend to seek shareholder approval prior to equity issuances that otherwise would require such approval if we were not a foreign private issuer.

**Item 16.H. Mine Safety Disclosures**

Not applicable.

**Item 17. Financial Statements**

Not applicable.

**Item 18. Financial Statements**

See index to Financial Statements on page F-1.

## Item 19. Exhibits

The following exhibits are filed as part of this Annual Report:

<b>Exhibit Number</b>	<b>Description</b>
1.1	Amended and Restated Articles of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form F-1/A (Registration Number 333-189714), filed with the SEC on July 22, 2013).
1.2	Amended and Restated Bylaws of the Company (incorporated herein by reference to Exhibit 3.2 to the Company's Registration Statement on Form F-1/A (Registration Number 333-189714), filed with the SEC on July 22, 2013).
2.1	Form of Stock Certificate (incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form F-1/A (Registration Number 333-189714), filed with the SEC on July 22, 2013).
2.2	Description of Securities
4.1	Equity Incentive Plan (incorporated herein by reference to Exhibit 10.4 to the Company's Registration Statement on Form F-1/A (Registration Number 333-189714), filed with the SEC on July 22, 2013).
4.2	Term Loan Facility, dated December 11, 2019, by and among Fitzroy Shipco LLC, Bailey Shipco LLC, Cromarty Shipco LLC, Dogger Shipco LLC, Ardmores Shipping LLC, the Company, ABN Amro Bank NV, Credit Agricole Corporate and Investment Bank and the other banks and financial institutions party thereto.
4.3	Term Loan and Revolving Facilities, dated December 11, 2019, by and among Faroe Shipco LLC, Plymouth Shipco LL, Portland Shipco LLC, Fisher Shipco LLC, Fair Isla Shipco LLC, Humber Shipco LLC, Forth Shipco LLC, Trafalgar Shipco LLC, Ardmores Shipping LLC, the Company, Nordea Bank ABP, Filial I Norge, Skandinaviska Enskilda Banken Ab (Publ) and the other banks and financial institutions party thereto.
4.4	Share Purchase Agreement, dated November 26, 2017, between the Company and GA Holdings (incorporated herein by reference to Exhibit 4.6 to the Company's Report on Form 20-F filed with the SEC on March 29, 2017).
4.5	Open Market Sale Agreement, dated August 31, 2018, between the Company and Evercore Group L.L.C., Jefferies LLC and Wells Fargo Securities, LLC (incorporated herein by reference to Exhibit 1.1 to the Company's Report on Form 6-K filed with the SEC on August 31, 2018).
4.6	Open Market Sale Agreement, dated August 30, 2019, by and between the Company and Evercore Group L.L.C., Jefferies LLC and Wells Fargo Securities, LLC (incorporated herein by reference to Exhibit 1.1 to the Company's Report on Form 6-K filed with the SEC on August 30, 2019).
8.1	Subsidiaries of the Company
12.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act 2002
12.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act 2002
13.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of Independent Registered Public Accounting Firm (Deloitte & Touche LLP)
15.2	Consent of Independent Registered Public Accounting Firm (Ernst & Young)



Exhibit Number	Description
101	<p>The following materials from the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2019, formatted in eXtensible Business Reporting Language (XBRL):</p> <ul style="list-style-type: none"> <li>(i) Consolidated Balance Sheets as of December 31, 2019 and 2018;</li> <li>(i) Consolidated Balance Sheets as of December 31, 2019 and 2018;</li> <li>(ii) Consolidated Statements of Comprehensive Loss for the years ended December 31, 2019, 2018 and 2017;</li> <li>(iii) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2019, 2018 and 2017;</li> <li>(iv) Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017; and</li> <li>(v) Notes to Consolidated Financial Statements</li> </ul>

**SIGNATURE**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

ARDMORE SHIPPING CORPORATION

By: /s/ Anthony Gurnee

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**Anthony Gurnee**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

Date: April 3, 2020

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## **Report of Independent Registered Public Accounting Firm**

To the shareholders and the Board of Directors of Ardmore Shipping Corporation.

### **Opinion on the Financial Statements and Internal Control over Financial Reporting**

We have audited the accompanying consolidated balance sheet of Ardmore Shipping Corporation and subsidiaries (the “Company”) as at December 31, 2019, and the related consolidated statements of comprehensive loss, changes in stockholders’ equity and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”). We also have audited the Company’s internal control over financial reporting as at December 31, 2019, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2019, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

### **Basis for Opinion**

The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audit of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provide a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control over Financial Reporting**

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and

directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

New York, New York

April 3, 2020

We have served as the Company's auditor since 2019.

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of Ardmore Shipping Corporation

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheet of Ardmore Shipping Corporation (the Company) as of December 31, 2018 the related consolidated statements of comprehensive loss, changes in equity, and cash flows for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with US generally accepted accounting principles.

### **Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young

We served as the Company’s auditor from 2011 to 2019.

Dublin, Ireland

February 15, 2019, except for Note 3 of Ardmore Shipping Corporation’s consolidated financial statements included in its 2018 Annual Report on Form 20-F/A, as to which the date is August 1, 2019



**Ardmore Shipping Corporation**  
**Consolidated Balance Sheets**  
(Expressed in U.S. Dollars, except shares and as otherwise indicated)

	Notes	As at December 31	
		2019	2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents . . . . .		51,723,107	56,903,038
Receivables, net of allowance for bad debts of \$0.9 million (2018: \$0.5 million) . . . . .		30,083,358	27,460,132
Prepaid expenses and other assets . . . . .		1,940,030	2,077,483
Advances and deposits . . . . .		4,114,065	2,132,804
Inventories . . . . .		10,158,735	12,812,039
Vessel held for sale . . . . .	8	—	8,083,405
<b>Total current assets</b> . . . . .		<b>98,019,295</b>	<b>109,468,901</b>
<b>Non-current assets</b>			
Vessels and vessel equipment, net of accumulated depreciation of \$146.2 million (2018: \$135.2 million) . . . . .		660,823,330	721,492,473
Deferred drydock expenditures, net of accumulated amortization of \$10.3 million (2018: \$11.5 million) . . . . .		7,668,711	7,127,364
Ballast water treatment systems, installation in progress . . . . .		384,408	528,774
Other non-current assets, net of accumulated depreciation of \$1.4 million (2018: \$1.0 million) . . . . .		917,222	1,093,131
Amount receivable in respect of finance leases . . . . .		2,880,000	2,880,000
Operating lease, right-of-use asset . . . . .	7	1,745,464	2,169,158
<b>Total non-current assets</b> . . . . .		<b>674,419,135</b>	<b>735,290,900</b>
<b>TOTAL ASSETS</b> . . . . .		<b>772,438,430</b>	<b>844,759,801</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable . . . . .		4,789,935	8,595,092
Accrued expenses and other liabilities . . . . .	4	16,278,084	16,048,916
Accrued interest on debt and finance leases . . . . .		880,183	1,732,859
Current portion of long-term debt . . . . .	5	20,216,171	22,834,543
Current portion of finance lease obligations . . . . .	6	17,975,322	25,849,200
Current portion of operating lease obligations . . . . .	7	289,231	477,147
<b>Total current liabilities</b> . . . . .		<b>60,428,926</b>	<b>75,537,757</b>
<b>Non-current liabilities</b>			
Non-current portion of long-term debt . . . . .	5	187,066,842	205,519,705
Non-current portion of finance lease obligations . . . . .	6	197,704,372	215,626,898
Non-current portion of operating lease obligations . . . . .	7	1,182,522	1,491,507
<b>Total non-current liabilities</b> . . . . .		<b>385,953,736</b>	<b>422,638,110</b>
<b>Stockholders' equity</b>			
Common stock (\$0.01 par value, 225,000,000 shares authorized, 35,019,232 issued and 33,097,831 outstanding as at December 31, 2019 and 35,019,232 issued and 33,097,831 outstanding as at December 31, 2018) . . . . .		350,192	350,192
Additional paid in capital . . . . .		416,841,494	414,508,403
Treasury stock (1,921,401 shares as at December 31, 2019 and 1,921,401 shares as at December 31, 2018) . . . . .		(15,348,909)	(15,348,909)
Accumulated deficit . . . . .		(75,787,009)	(52,925,752)
<b>Total stockholders' equity</b> . . . . .		<b>326,055,768</b>	<b>346,583,934</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> . . . . .		<b>772,438,430</b>	<b>844,759,801</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Ardmore Shipping Corporation**  
**Consolidated Statements of Comprehensive Loss**  
**(Expressed in U.S. Dollars, except for shares)**

	Notes	For the years ended December 31		
		2019	2018	2017
Revenue, net . . . . .	3	230,042,240	210,179,181	195,935,392
Voyage expenses . . . . .		(96,056,391)	(98,142,454)	(72,737,902)
Vessel operating expenses . . . . .		(62,546,606)	(67,017,632)	(62,890,401)
Depreciation . . . . .		(32,322,695)	(35,137,880)	(34,271,091)
Amortization of deferred drydock expenditures . . .		(4,803,069)	(3,637,276)	(2,924,031)
General and administrative expenses				
Corporate . . . . .	9	(14,951,996)	(12,626,373)	(11,979,017)
Commercial and chartering . . . . .	9	(3,194,218)	(3,233,888)	(2,619,748)
Loss on vessel held for sale . . . . .	8	—	(6,360,813)	—
Loss on sale of vessels . . . . .	8	(13,162,192)	—	—
Interest expense and finance costs . . . . .	10	(26,759,754)	(27,405,608)	(21,380,165)
Interest income . . . . .		952,190	606,665	436,195
<b>Loss before taxes . . . . .</b>		<b>(22,802,491)</b>	<b>(42,776,078)</b>	<b>(12,430,768)</b>
Income tax . . . . .	11	(58,766)	(162,923)	(59,567)
<b>Net loss and comprehensive loss . . . . .</b>		<b>(22,861,257)</b>	<b>(42,939,001)</b>	<b>(12,490,335)</b>
Net loss per share, basic and diluted . . . . .	12	(0.69)	(1.31)	(0.37)
Weighted average number of common shares outstanding, basic and diluted . . . . .	12	33,097,831	32,837,866	33,441,879

*The accompanying notes are an integral part of these consolidated financial statements.*

**Ardmore Shipping Corporation**

**Consolidated Statements of Changes in Stockholders' Equity**  
(Expressed in U.S. Dollars, except for shares)

	<i>Number of shares outstanding</i>	Common stock	Additional paid-in capital	Treasury stock	Accumulated surplus/ (deficit)	TOTAL
Balance as at December 31, 2016 . . . . .	<b>33,575,610</b>	<b>340,613</b>	<b>405,279,257</b>	<b>(4,272,477)</b>	<b>2,922,406</b>	<b>404,269,799</b>
Share-based compensation. . .	—	—	457,046	—	—	457,046
Repurchase of common stock. . . . .	<i>(1,435,654)</i>	—	(186,318)	(11,076,432)	—	(11,262,750)
Loss for year . . . . .	—	—	—	—	(12,490,335)	(12,490,335)
Balance as at December 31, 2017 . . . . .	<b>32,139,956</b>	<b>340,613</b>	<b>405,549,985</b>	<b>(15,348,909)</b>	<b>(9,567,929)</b>	<b>380,973,760</b>
Cumulative effect of accounting change <sup>(1)</sup> . . . . .	—	—	—	—	(418,822)	(418,822)
Share-based compensation. . .	—	—	1,636,547	—	—	1,636,547
Net proceeds from equity offerings . . . . .	957,875	9,579	7,321,871	—	—	7,331,450
Loss for year . . . . .	—	—	—	—	(42,939,001)	(42,939,001)
Balance as at December 31, 2018 . . . . .	<b>33,097,831</b>	<b>350,192</b>	<b>414,508,403</b>	<b>(15,348,909)</b>	<b>(52,925,752)</b>	<b>346,583,934</b>
Share-based compensation. . .	—	—	2,333,091	—	—	2,333,091
Loss for year . . . . .	—	—	—	—	(22,861,257)	(22,861,257)
Balance as at December 31, 2019 . . . . .	<b>33,097,831</b>	<b>350,192</b>	<b>416,841,494</b>	<b>(15,348,909)</b>	<b>(75,787,009)</b>	<b>326,055,768</b>

(1) The opening accumulated deficit has been adjusted on January 1, 2018 in connection with the adoption of FASB Accounting Standards Codification (ASC) 606. Please refer to Note 2.4.

*The accompanying notes are an integral part of these consolidated financial statements.*

**Ardmore Shipping Corporation**  
**Consolidated Statements of Cash Flows**  
**(Expressed in U.S. Dollars)**

	Notes	For the years ended December 31		
		2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss . . . . .		(22,861,257)	(42,939,001)	(12,490,335)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation . . . . .		32,322,695	35,137,880	34,271,091
Amortization of deferred drydock expenditures . . . . .		4,803,069	3,637,276	2,924,031
Share-based compensation . . . . .		2,333,091	1,636,547	457,046
Loss on vessel held for sale . . . . .	8	—	6,360,813	—
Loss on sale of vessels . . . . .	8	13,162,192	—	—
Amortization and write-off of deferred finance fees . . . . .		2,560,180	4,668,077	3,060,525
Foreign exchange . . . . .		(73,207)	(200,504)	—
Deferred drydock expenditures . . . . .		(5,387,875)	(6,599,085)	(3,809,906)
Changes in operating assets and liabilities:				
Receivables . . . . .		(2,623,226)	(614,151)	(4,116,021)
Working capital advances . . . . .		—	3,100,000	200,000
Prepaid expenses and other assets . . . . .		137,453	(664,608)	(527,236)
Advances and deposits . . . . .		(1,981,261)	882,968	120,555
Inventories . . . . .		2,653,304	(3,179,793)	(2,292,994)
Accounts payable . . . . .		(3,672,559)	3,013,580	(1,192,159)
Accrued expenses and other liabilities . . . . .		(48,663)	4,991,495	2,849,426
Charter revenue received in advance . . . . .		—	—	(507,780)
Accrued interest on debt and finance leases . . . . .		(852,676)	194,883	(530,015)
<b>Net cash provided by operating activities . . . . .</b>		<b>20,471,260</b>	<b>9,426,377</b>	<b>18,416,228</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of vessels . . . . .		26,557,707	—	—
Payments for acquisition of vessels and vessel equipment . . . . .		(2,599,827)	(16,824,102)	(372,504)
Ballast water treatment systems, installation in progress . . . . .		114,235	(528,774)	—
Deposits for purchases of new vessels . . . . .		—	—	(1,635,000)
Payments for other non-current assets . . . . .		(177,950)	(204,003)	(274,747)
<b>Net cash provided by / (used in) investing activities . . . . .</b>		<b>23,894,165</b>	<b>(17,556,879)</b>	<b>(2,282,251)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from long-term debt . . . . .		201,462,500	3,902,122	11,092,157
Repayments of long-term debt . . . . .		(222,198,713)	(184,306,269)	(62,691,746)
Proceeds from finance leases . . . . .		—	209,725,500	33,120,000
Repayments of finance leases . . . . .		(26,510,556)	(7,336,520)	(2,060,264)
Payments for deferred finance fees . . . . .		(2,298,587)	(3,740,150)	(826,840)
Net proceeds from equity offerings . . . . .		—	7,331,450	—
Repurchase of common stock . . . . .		—	—	(11,262,750)
<b>Net cash (used in) / provided by financing activities . . . . .</b>		<b>(49,545,356)</b>	<b>25,576,133</b>	<b>(32,629,443)</b>
<b>Net (decrease) / increase in cash and cash equivalents . . . . .</b>		<b>(5,179,931)</b>	<b>17,445,631</b>	<b>(16,495,466)</b>
Cash and cash equivalents at the beginning of the year . . . . .		56,903,038	39,457,407	55,952,873
<b>Cash and cash equivalents at the end of the year . . . . .</b>		<b>51,723,107</b>	<b>56,903,038</b>	<b>39,457,407</b>
Cash paid during the period for interest in respect of debt . . . . .		11,544,904	17,482,989	16,918,723
Cash paid during the period for interest in respect of finance leases . . . . .		13,529,033	5,100,987	1,889,610
Cash paid during the period for income taxes . . . . .		54,730	139,849	58,736

*The accompanying notes are an integral part of these consolidated financial statements.*

**Ardmore Shipping Corporation**  
**Notes to Consolidated Financial Statements**  
**(Expressed in U.S. Dollars, except for shares and as otherwise indicated)**

**1. Overview**

**1.1. Background**

Ardmore Shipping Corporation (NYSE: ASC) (“ASC”), together with its subsidiaries (collectively the “Company”), provides seaborne transportation of petroleum products and chemicals worldwide to oil majors, national oil companies, oil and chemical traders, and chemical companies, with its modern, fuel-efficient fleet of mid-size product and chemical tankers and the Company operates its business in one operating segment, the transportation of refined petroleum products and chemicals. As at December 31, 2019, the Company had 25 vessels in operation. The average age of the Company’s operating fleet as at December 31, 2019 was 6.4 years.

**1.2. Management and organizational structure**

ASC was incorporated in the Republic of the Marshall Islands on May 14, 2013. ASC commenced business operations through its predecessor company, Ardmore Shipping LLC, on April 15, 2010.

As at December 31, 2019, ASC had 75 wholly owned subsidiaries, the majority of which represent single ship-owning companies for ASC’s fleet, and one 50%-owned joint venture, Anglo Ardmore Ship Management Limited (“AASML”), which provides technical management services to the majority of the ASC fleet. Ardmore Shipping (Bermuda) Limited, a wholly owned subsidiary incorporated in Bermuda, carries out the Company’s management services and associated functions. Ardmore Shipping Services (Ireland) Limited, a wholly owned subsidiary incorporated in Ireland, provides the Company’s corporate, accounting, fleet administration and operations services. Each of Ardmore Shipping (Asia) Pte. Limited and Ardmore Shipping (Americas) LLC, wholly owned subsidiaries incorporated in Singapore and Delaware, respectively, performs commercial management and chartering services for the Company.

**Ardmore Shipping Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in U.S. Dollars, except for shares and as otherwise indicated)

**1. Overview – (continued)**

**1.3. Vessels**

As at December 31, 2019, the Company owned and operated a modern fleet of 25 product/chemical vessels with Marshall Island flags, a combined carrying capacity of 1,111,294 dead weight tonnes (“dwt”) and an average age of approximately 6.4 years.

<u>Vessel Name</u>	<u>Type</u>	<u>Dwt</u>	<u>IMO<sup>(1)</sup></u>	<u>Built</u>	<u>Country</u>	<u>Specification</u>
<i>Ardmore Seavalliant</i> . . . . .	Product/Chemical	49,998	2 /3	Feb-13	Korea	Eco-design
<i>Ardmore Seaventure</i> . . . . .	Product/Chemical	49,998	2 /3	Jun-13	Korea	Eco-design
<i>Ardmore Seavantage</i> . . . . .	Product/Chemical	49,997	2 /3	Jan-14	Korea	Eco-design
<i>Ardmore Seavanguard</i> . . . . .	Product/Chemical	49,998	2 /3	Feb-14	Korea	Eco-design
<i>Ardmore Sealion</i> . . . . .	Product/Chemical	49,999	2 /3	May-15	Korea	Eco-design
<i>Ardmore Seafox</i> . . . . .	Product/Chemical	49,999	2 /3	Jun-15	Korea	Eco-design
<i>Ardmore Seawolf</i> . . . . .	Product/Chemical	49,999	2 /3	Aug-15	Korea	Eco-design
<i>Ardmore Seahawk</i> . . . . .	Product/Chemical	49,999	2 /3	Nov-15	Korea	Eco-design
<i>Ardmore Endeavour</i> . . . . .	Product/Chemical	49,997	2 /3	Jul-13	Korea	Eco-design
<i>Ardmore Enterprise</i> . . . . .	Product/Chemical	49,453	2 /3	Sep-13	Korea	Eco-design
<i>Ardmore Endurance</i> . . . . .	Product/Chemical	49,466	2 /3	Dec-13	Korea	Eco-design
<i>Ardmore Encounter</i> . . . . .	Product/Chemical	49,478	2 /3	Jan-14	Korea	Eco-design
<i>Ardmore Explorer</i> . . . . .	Product/Chemical	49,494	2 /3	Jan-14	Korea	Eco-design
<i>Ardmore Exporter</i> . . . . .	Product/Chemical	49,466	2 /3	Feb-14	Korea	Eco-design
<i>Ardmore Engineer</i> . . . . .	Product/Chemical	49,420	2 /3	Mar-14	Korea	Eco-design
<i>Ardmore Seamariner</i> . . . . .	Product/Chemical	45,726	3	Oct-06	Japan	Eco-mod
<i>Ardmore Sealeader</i> . . . . .	Product	47,463	—	Aug-08	Japan	Eco-mod
<i>Ardmore Sealifter</i> . . . . .	Product	47,472	—	Jul-08	Japan	Eco-mod
<i>Ardmore Sealancer</i> . . . . .	Product	47,451	—	Jun-08	Japan	Eco-mod
<i>Ardmore Dauntless</i> . . . . .	Product/Chemical	37,764	2	Feb-15	Korea	Eco-design
<i>Ardmore Defender</i> . . . . .	Product/Chemical	37,791	2	Feb-15	Korea	Eco-design
<i>Ardmore Cherokee</i> . . . . .	Product/Chemical	25,215	2	Jan-15	Japan	Eco-design
<i>Ardmore Cheyenne</i> . . . . .	Product/Chemical	25,217	2	Mar-15	Japan	Eco-design
<i>Ardmore Chinook</i> . . . . .	Product/Chemical	25,217	2	Jul-15	Japan	Eco-design
<i>Ardmore Chippewa</i> . . . . .	Product/Chemical	25,217	2	Nov-15	Japan	Eco-design
<b>Total</b> . . . . .	<b>25</b>	<b>1,111,294</b>				

(1) International Maritime Organization (“IMO”) cargo classification

**2. Significant accounting policies**

**2.1. Basis of preparation**

The accompanying consolidated financial statements, which include the accounts of ASC and its subsidiaries, have been prepared in accordance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”). All subsidiaries are 100% directly or indirectly owned by ASC. AASML, which is a 50% owned joint venture,



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**2. Significant accounting policies – (continued)**

is accounted for using the equity method. All intercompany balances and transactions have been eliminated on consolidation. Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on the Company's previously reported consolidated results of operations.

**2.2. Uses of estimates**

The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. On an on-going basis, management evaluates the estimates and judgments, including those related to uncompleted voyages, future drydock dates, the selection of useful lives for vessels, vessel valuations, residual value of vessels, expected future cash flows from vessels to support vessel impairment tests, provisions necessary for receivables from charterers, the selection of inputs used in the valuation model for share-based payment awards, provisions for legal disputes and contingencies. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable. Actual results could differ from those estimates.

**2.3. Reporting currency**

The consolidated financial statements are stated in U.S. Dollars. The functional currency of the Company is U.S. Dollars because the Company operates in international shipping markets in which most transactions are denominated in the U.S. Dollar. Transactions involving other currencies during the year are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. Resulting gains and losses are included in the accompanying consolidated statements of comprehensive loss.

**2.4. Recent accounting pronouncements**

The Company implemented Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers, codified as "ASC 606", on January 1, 2018. The Company applied the modified retrospective method to implement ASC 606. The implementation of ASC 606 did not have a material impact on the consolidated financial statements. The implementation of ASC 606 resulted in a cumulative adjustment that increased the Company's accumulated deficit as at January 1, 2018 in the amount of \$418,822. In addition, the Company's revenue for the year ended December 31, 2018 included an adjustment that reduced revenue by \$454,581 due to the implementation of ASC 606.

The Company implemented FASB ASU No. 2016-02, Leases, codified as "ASC 842" on January 1, 2018, by early adoption. The Company applied the modified retrospective method to implement ASC 842. The Company previously recognized on its consolidated balance sheets those leases classified as capital leases. Those leases that are currently accounted for as operating leases (primarily for office space) are included on the Company's consolidated balance sheets as a right-of-use asset and related lease liability in accordance with the new guidance.

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:

- 1) whether any expired or existing contracts are or contain leases;
- 2) any expired or existing lease classifications; and
- 3) initial direct costs for any existing leases.

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**2. Significant accounting policies – (continued)**

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.

The Company also elected the practical expedient of ASC 842 that allows for lease contracts with an initial lease term of 12 months or less to be excluded from the operating lease right-of-use assets and lease liabilities recognized on our consolidated balance sheets as at January 1, 2018. The implementation of ASC 842 resulted in operating lease right-of-use assets and the corresponding lease liabilities to be recognized on the Company's consolidated balance sheets for lease contracts greater than 12 months on the date of adoption of ASC 842.

The Company implemented these two new accounting standards as at January 1, 2018, with ASC 842 being early adopted. Both accounting standards were applied using the modified retrospective method. The implementation of ASC 606 did not have a material impact on the financial statements. An adjustment of \$418,822 is presented as a cumulative adjustment to opening retained earnings as at January 1, 2018. The corresponding adjustment for 2018 was \$454,581 resulting in a decrease of revenue.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments — Credit Losses (Topic 326)" ("ASU 2016-13"), which amends several aspects of the measurement of credit losses on financial instruments based on an estimate of current expected credit losses. ASU 2016-13 will apply to loans, accounts receivable, trade receivables, other financial assets measured at amortized cost, loan commitments and other off-balance sheet credit exposures. ASU 2016-13 will also apply to debt securities and other financial assets measured at fair value through other comprehensive income. The standard will be effective for the Company for annual and interim periods beginning after December 15, 2019, with early adoption permitted. The Company is currently assessing the impact of adoption; however, the Company does not expect adoption of this standard to have a material impact on its consolidated financial statements and related disclosures.

**2.5. Revenue**

Revenue is generated from spot charter arrangements, time charter arrangements and pool arrangements.

*Spot charter arrangements*

The Company's spot charter arrangements are for single voyages for the service of the transportation of cargo that are generally short in duration (less than two months) and the Company is responsible for all costs incurred during the voyage, which include bunkers and port/canal fees, as well as general vessel operating costs (e.g. crew, repairs and maintenance and insurance costs; and fees paid to technical managers of its vessels). Accordingly, under spot charter arrangements, key operating decisions and the economic benefits associated with a vessel's use during the charter period reside with the Company. As at its adoption on January 1, 2018, the Company applies revenue recognition guidance in ASC 606, Revenue from Contracts with Customers ("ASC 606") to account for its spot charter arrangements.

The consideration that the Company expects to be entitled to receive in exchange for its transportation services is recognized as revenue ratably over the duration of a voyage on a load-to-discharge basis (i.e. from when cargo is loaded at the port to when it is discharged after the completion of the voyage). The consideration that the Company expects to be entitled to receive includes estimates of revenue associated with the loading or discharging time that exceed the originally estimated duration of the voyage, which is referred to as "demurrage revenue", when it is determined there will be incremental time required to complete the contracted voyage. Demurrage revenue is not considered a separate deliverable in accordance with ASC 606 as it is part of the single performance obligation in a spot charter arrangement, which is to provide cargo transportation services to the completion of a contracted voyage.

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**2. Significant accounting policies – (continued)**

Prior to the adoption of ASC 606, the Company recognized spot charter revenue ratably during the period from when a vessel had departed from its prior charter discharge port and sufficient evidence existed that the vessel had entered a new charter arrangement to the point where cargo associated with the new charter arrangement had been discharged after the completion of the voyage.

*Time charter arrangements*

The Company's time charter arrangements are for a specified period of time and key decisions concerning the use of the vessel during the duration of the time charter period reside with the Charterer. In time charter arrangements, the Company is responsible for the crewing, maintenance and insurance of the vessel, and the Charterer is generally responsible for voyage specific costs, which typically include bunkers and port/canal costs.

As the Charterer holds sufficient latitude in its rights to determine how and when the vessel is used on voyages and the Charterer is also responsible for costs incurred during the voyage, the Charterer derives the economic benefits from the use of the vessel, as control over the use of the vessel is transferred to the Charterer during the specified time charter period. Accordingly, time charters are considered operating leases and the Company applies guidance for lessors in ASC 842. Revenue for time charters is recognized on a straight-line basis ratably over the term of the charter.

*Pooling arrangements*

The Company participates in commercial pooling arrangements to charter certain of its vessels from time to time. In these arrangements, the participating members seek to benefit from the more efficient employment of their vessels as the manager of the vessels in the pool leverages the size of the fleet commercially and operationally. The manager is responsible for the commercial management on behalf of the members of the pool, including responsibility for voyage expenses such as fuel and port charges. The pool members are responsible for maintaining the vessel operating expenses of their participating vessels, including crewing, repairs and maintenance and insurance of their participating vessels.

The earnings from all vessels are pooled and shared by the members of the arrangement based on the earnings allocation terms of the arrangement, which consider the number of days a vessel operates in the pool with weighted adjustments made to reflect the vessels' differing capacities and performance capabilities. Therefore, the earnings allocation represents the pool members' consideration for their different contribution to the collaborative arrangement. The Company recognizes its earnings allocation as revenue in accordance with the guidance for collaborative arrangements

**2.6. Voyage and vessel operating expenses**

*Voyage expenses*

Voyage expenses represent costs the Company is responsible to incur in charter arrangements during a voyage that are directly related to a voyage. Voyage expenses include bunkers and port/canal costs, which are expensed as incurred.

Voyage expenses also include contract fulfillment costs that are incurred by the Company prior to a voyage that are from the latter of when a vessel departed from its prior charter discharge port and when a vessel entered a new charter to the arrival at the loading port for the new charter are deferred and amortized ratably over the new charter for charters accounted for in accordance with ASC 606. Such costs are typically comprised of bunkers.

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**2. Significant accounting policies – (continued)**

*Vessel operating expenses*

Vessel operating expenses represent costs the Company incurs to operate its vessels that are not directly related to a voyage and include such costs the Company incurs for its vessels in pooling arrangements. Vessel operating expenses include crew, repairs and maintenance, insurance, stores, lube oils, communication expenses, and technical management fees. Vessel operating expenses are expensed as incurred.

**2.7. Cash and cash equivalents**

The Company classifies investments with an original maturity date of three months or less as cash and cash equivalents. The Company is required to maintain a minimum cash balance in accordance with its long-term debt facility agreements (see Note 5) and finance lease facility agreements (see Note 6).

**2.8. Receivables**

Receivables include amounts due from charterers for hire and other recoverable expenses due to the Company. As at the balance sheet date, all potentially uncollectible accounts are assessed individually for the purposes of determining the appropriate allowance for bad debt.

**2.9. Prepaid expenses and other assets**

Prepaid expenses and other assets consist of payments made in advance for insurance or other expenses, and insurance claims outstanding and certain assets held by vessel managers. Insurance claims are recorded, net of any deductible amounts, for insured damages which are recognised when recovery is virtually certain under the related insurance policies and where the Company can make an estimate of the amount to be reimbursed following the insurance claim. As at the balance sheet date, all potentially uncollectible accounts are assessed individually for the purposes of determining the appropriate provision for doubtful accounts.

**2.10. Advances and deposits**

Advances and deposits primarily include amounts advanced to third-party technical managers and AASML for expenses incurred by them in operating the vessels, together with other necessary deposits paid during the course of business.

**2.11. Inventories**

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

**2.12. Vessel held for sale**

Assets are classified as held for sale when management, having the authority to approve the action, commits to a plan to sell the asset, the sale is probable within one year, and the asset is available for immediate sale in its present condition. Consideration is given to whether an active program to locate a buyer has been initiated, whether the asset is marketed actively for sale at a price that is reasonable in relation to its current fair value, and whether actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. When assets are classified as held for sale, they are measured at the lower of their carrying amount or fair value less cost to sell and they are tested for impairment.

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**2. Significant accounting policies – (continued)**

An impairment charge is recognized when the carrying value of the asset exceeds the estimated fair value, less transaction costs. Assets classified as held for sale are no longer depreciated.

**2.13. Vessels and vessel equipment**

Vessels and vessel equipment are recorded at their cost less accumulated depreciation.

Vessel cost comprises acquisition costs directly attributable to the vessel and the expenditures made to prepare the vessel for its initial voyage. Vessels are depreciated on a straight-line basis over their estimated useful economic life from the date of initial delivery from the shipyard. The useful life of the Company's vessels is estimated at 25 years from the date of initial delivery from the shipyard. Depreciation is based on cost less estimated residual scrap value. Residual scrap value is estimated as the lightweight tonnage of each vessel multiplied by the estimated scrap value per ton. The scrap value of the vessels is estimated at \$300 (2018: \$300) per lightweight ton.

Vessel equipment comprises the costs of significant replacements, renewals and upgrades to the Company's vessels. Vessel equipment is depreciated over the shorter of the vessel's remaining useful life or the life of the renewal or upgrade. The amount capitalized is based on management's judgment as to expenditures that extend a vessel's useful life or increase the operational efficiency of a vessel. Costs that are not capitalized are recorded as a component of direct vessel operating expenses during the period incurred. Expenses for routine maintenance and repairs are expensed as incurred.

**2.14. Deferred drydock expenditures**

The Company follows the deferral method of accounting for drydock expenditures whereby actual expenditures incurred are deferred and are amortized on a straight-line basis through to the date of the next scheduled drydocking, generally 30 to 60 months. Expenditures deferred as part of the drydock include direct costs that are incurred as part of the drydocking to meet regulatory requirements. Certain expenditures are capitalized during drydocking if they are expenditures that add economic life to the vessel, increase the vessel's earnings capacity or improve the vessel's efficiency. Direct expenditures that are deferred include the shipyard costs, parts, inspection fees, steel, blasting and painting. Expenditures for normal maintenance and repairs, whether incurred as part of the drydocking or not, are expensed as incurred. Unamortized drydock expenditures of vessels that are sold are written off and included in the calculation of the resulting gain or loss in the year of the vessels' sale. Unamortized drydock expenditures are written off as drydock expense if the vessels are drydocked before the expiration of the applicable amortization period.

**2.15. Ballast water treatment systems, installation in progress**

The Company is in the process of installing ballast water treatment systems on each of its vessels that do not currently have the system installed. This is a requirement of the International Maritime Organization. The Company capitalizes and depreciates the costs of ballast water treatment systems, including installation costs, on each vessel from the date of completion of the system over the remaining useful life of the vessel.

**2.16. Vessel impairment**

Management regularly reviews the carrying amounts of the Company's vessels that are "held and used" for recoverability. Vessels are assessed for impairment when events or circumstances indicate the carrying amount of the asset may not be recoverable. When such indicators are present, a vessel to be held and used is tested for recoverability by comparing the estimate of future undiscounted net operating cash flows expected to be generated by the use of the vessel over its remaining useful life and its eventual disposition to its carrying amount together with the carrying value of deferred drydock expenditures and special survey costs related to the vessel.

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**2. Significant accounting policies – (continued)**

For purposes of testing for recoverability, net operating cash flows are determined by applying various assumptions regarding future revenues net of voyage expenses, vessel operating expenses, scheduled drydockings, expected off-hire and scrap values, and taking into account historical revenue data and published forecasts on future world economic growth and inflation. In estimating future revenues, the Company considers charter rates for each vessel class over the estimated remaining lives of the vessels, using as described below, both historical average rates for the Company over the last five years, where available, and historical average one-year time charter rates for the industry over the last 10 years in each case adjusted for inflation. Recognizing that rates tend to be cyclical and considering market volatility based on factors beyond the Company's control, management believes it is reasonable to use estimates based on a combination of more recent inflation-adjusted internally generated rates and the inflation-adjusted 10-year average historical average industry rates.

When the estimate of undiscounted cash flows, excluding interest charges, expected to be generated by the use of the asset is less than its carrying amount, the Company will evaluate the asset for an impairment loss. Measurement of the impairment loss is based on the fair value of the asset as provided by third parties. In this respect, management regularly reviews the carrying amount of the vessels in connection with the estimated recoverable amount for each of the Company's vessels. The Company did not recognize a vessel impairment charge for the years ended December 31, 2019, 2018 and 2017.

**2.17. Other non-current assets**

Other non-current assets relate to office equipment, fixtures and fittings and leasehold improvements. Office equipment and fixtures and fittings are recorded at their cost less accumulated depreciation and are depreciated based on an estimated useful life of five years. Leasehold improvements relate to fit-out costs for work completed on the Company's offices in Ireland and Singapore. Leasehold improvements are recorded at their cost less accumulated depreciation and are depreciated over the life of the respective leases.

**2.18. Amount receivable in respect of finance leases**

As part of finance lease arrangements, the Company provided a lessor with \$2.9 million in the aggregate which shall be repaid at the end of the lease period, or upon the exercise of any of the purchase options. The associated finance lease liability is presented gross of the \$2.9 million.

**2.19. Operating leases**

Operating leases relate to long-term commitments for the Company's offices. The Company recognizes on its consolidated balance sheets the right-of-use assets and lease liabilities for lease contracts greater than 12 months. The discount rate used for calculating the cost of the operating leases is the incremental cost of borrowing since the rate implicit in the lease cannot be determined.

**2.20. Finance leases**

Finance leases relate to financing arrangements for vessels in operation. Interest costs are expensed to interest expense and finance costs in the consolidated statements of comprehensive loss using the effective interest method over the life of the lease. Following the implementation of ASC 842, Leases, the transactions for the sale and leaseback of vessels, which were previously classified as capital leases under ASC 840, Leases, are now classified as finance leases with no other changes.

**2. Significant accounting policies (continued)**

**2.21. Accounts payable**

Accounts payable include all financial obligations to vendors for goods or services that have been received or will be received in the future.



**Ardmore Shipping Corporation**  
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**2. Significant accounting policies – (continued)**

**2.22. Accrued expenses and other liabilities**

Accrued expenses and other liabilities include all accrued liabilities in relation to the operating and running of the vessels, along with amounts accrued for general and administrative expenses.

**2.23. Equity method investments**

The Company's investment in AASML is accounted for using the equity method of accounting. Under the equity method of accounting, the Company initially recorded the investment in AASML at cost and adjusts the carrying amount of the investment to recognize their respective share of earnings or losses of the investee. Dividends received from an investee reduce the carrying amount of the equity investment. The Company evaluates its equity method investment for impairment when events or circumstances indicate that the carrying value of such investment may have experienced an other than temporary decline in value below its carrying value. If the estimated fair value is less than the carrying value, the carrying value is written down to its estimated fair value and the resulting impairment is recorded in the Company's consolidated statements of comprehensive loss.

**2.24. Contingencies**

Claims, suits and contingencies arise in the ordinary course of the Company's business. The Company provides for these contingencies when (i) it is probable that a liability has been incurred at the date of the financial statements and (ii) the amount of the loss can be reasonably estimated. Disclosure in the notes to the financial statements is required for contingencies that do not meet both these conditions if there is a reasonable possibility that a liability may have been incurred as at the balance sheet date.

**2.25. Distributions to shareholders**

Subject to the Board of Directors' approval, distributions to common stockholders are applied first to accumulated surplus. When accumulated surplus is not sufficient, distributions are applied to the additional paid in capital account.

**2.26. Equity issuance costs**

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

**2.27. Debt and finance lease issuance costs**

Financing charges which include fees, commissions and legal expenses associated with securing loan facilities and finance lease agreements are presented in the consolidated balance sheets as a direct deduction from the carrying amount of the debt liability or finance lease obligation. These costs are amortized to interest expense and finance costs in the consolidated statements of comprehensive loss using the effective interest rate method over the life of the related debt or finance lease.

**2.28. Share-based compensation**

The Company may grant share-based payment awards, such as restricted stock units ("RSUs"), stock appreciation rights ("SARs") and dividend equivalent rights ("DERs"), as incentive-based compensation to certain employees. The Company measures the cost of such awards, which are equity-settled transactions, using the grant date fair value of the award and recognizes that cost, net of estimated forfeitures, over the

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**2. Significant accounting policies – (continued)**

requisite service period, which generally equals the vesting period. If the award contains a market condition, such conditions are included in the determination of the fair value of the stock unit. Once the fair value has been determined, the associated expense is recognized in the consolidated statements of comprehensive loss over the requisite service period. The SAR awards granted prior to the 2018 award contain a market condition whereby, in no event will the appreciation per share for any portion of the SAR award be deemed to exceed four times (i.e. 400%) the per share exercise price of the SAR. The market condition does not apply after July 31, 2016. The SAR awards with a market condition were valued by applying a model based on the Monte Carlo simulation. The model inputs were the grant price, dividend yield based on the initial intended dividend set out by the Company, a risk-free rate of return equal to the zero-coupon U.S. Treasury bill commensurate with the contractual terms of the units and expected volatility based on the average of the most recent historical volatilities in the Company's peer group.

The SARs are settled through the delivery of Ardmore shares, not cash. Hence, in accordance with the guidance in ASC 718, the Company have classified the plan as an equity settled share-based payment plan. The cost of each tranche of SARs is being recognized by the Company on a straight-line basis. The recognition of share-based compensation costs related to the tranches that vested before July 31, 2016 would have been accelerated if the market condition had been met and the requisite service period had been completed. The Company's policy for issuing shares upon the exercise, if any, of the SARs is to register and issue new common shares to the beneficiary.

Under an RSU award, the grantee is entitled to receive a share of ASC's common stock for each RSU at the end of the vesting period. Payment under the RSU will be made in the form of shares of ASC's common stock. The cost of RSUs will be recognized by the Company on a straight-line basis over the vesting period. The Company's policy for issuing shares upon the vesting of the RSUs is to register and issue new common shares to the grantee.

Under a DER award, in the event that dividends are declared and paid on a share with a record date on or after the applicable grant date, the grantee is entitled to receive a share of ASC's common stock equal to the amount of the dividend declared multiplied by the number of shares per the award, divided by the Fair Market Value of a share on the date the dividends are paid. The cost of DERs will be recognized by the Company on a straight-line basis over the vesting period. The Company's policy is to register and issue new common shares to the grantee at the time that dividends are paid.

The DER awards were valued by applying a model based on the Monte Carlo simulation. The model inputs were the grant price, dividend yield based on the initial intended dividend set out by the Company, a risk-free rate of return equal to the zero-coupon U.S. Treasury bill commensurate with the contractual terms of the units and expected volatility based on the average of the most recent historical volatilities in the Company's peer group.

**2.29. Treasury stock**

When shares are acquired for a reason other than formal or constructive retirement, the shares are presented separately as a deduction from equity. If the shares are retired or subsequently sold, any gain would be allocated as a reduction in additional paid in capital and any loss as a reduction in retained earnings.

**2.30. Financial instruments**

The carrying values of cash and cash equivalents, accounts receivable and accounts payable reported in the consolidated balance sheets are reasonable estimates of their fair values due to their short-term nature. The fair values of long-term debt approximate the recorded values due to the variable interest rates payable.

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**2. Significant accounting policies – (continued)**

**2.31. Income taxes**

*Republic of the Marshall Islands*

Ardmore Shipping Corporation, Ardmore Shipping LLC, Ardmore Maritime Services LLC, and all vessel owning subsidiaries are incorporated in the Republic of the Marshall Islands. Ardmore Shipping Corporation believes that neither it, nor its subsidiaries, are subject to taxation under the laws of the Republic of the Marshall Islands and that distributions by its subsidiaries to Ardmore Shipping Corporation will not be subject to any taxes under the laws of the Republic of the Marshall Islands.

*Bermuda*

Ardmore Shipping (Bermuda) Limited is incorporated in Bermuda. Ardmore Shipping Corporation, Ardmore Shipping LLC and Ardmore Shipping (Bermuda) Limited are managed and controlled in Bermuda. Ardmore Shipping Corporation is subject to taxation under the laws of Bermuda and distributions by its subsidiaries to Ardmore Shipping Corporation will be subject to any taxes under the laws of Bermuda.

*Ireland*

Ardmore Shipholding Limited and Ardmore Shipping Services (Ireland) Limited are incorporated in Ireland. Ardmore Shipholding Limited is dormant and as such is not anticipated to generate trading income subject to corporation tax in Ireland.

Ardmore Shipping Services (Ireland) Limited's trading profits are taxable at the standard corporation tax rate which is currently 12.5% based on generally accepted accounting principles in Ireland. Any non-trading/passive income is taxed at the higher corporation tax rate which is currently 25%.

*United States of America*

Ardmore Shipping (Americas) LLC ("ASUSA") and Ardmore Trading (USA) LLC ("ATUSA") are incorporated in Delaware and treated as corporations for U.S. tax purposes. ASUSA and ATUSA will be subject to U.S. tax on their worldwide net income.

*Singapore*

Ardmore Shipping (Asia) Pte. Limited and Ardmore Tanker Trading (Asia) Pte. Limited are incorporated in Singapore. Ardmore Shipping (Asia) Pte. Limited qualified as an "Approved International Shipping Enterprise" by the Singapore authorities with effect from August 1, 2015. This entitles the company to tax exemption on profits derived from ship operations for any vessels which are owned or chartered in by Ardmore Shipping (Asia) Pte. Limited. Ardmore Tanker Trading (Asia) Pte. Limited, which commenced business July 1, 2019, will be subject to Singapore tax on its worldwide profits.

*Deferred taxation*

Deferred income tax assets and liabilities are recognized for the future tax consequences attributed to differences between the financial statements and tax basis of existing assets and liabilities using enacted rates applicable to the periods in which the differences are expected to affect taxable income. Deferred income tax balances included on the consolidated balance sheets reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax basis and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. The recoverability of these future tax deductions is evaluated by assessing the adequacy of future taxable income, including the

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**2. Significant accounting policies – (continued)**

reversal of temporary differences and forecasted operating earnings. If it is deemed more likely than not that the deferred tax assets will not be realized, the Company provides for a valuation allowance. Income taxes have been provided for all items included in the consolidated statements of comprehensive loss regardless of when such items were reported for tax purposes or when the taxes were actually paid or refunded. Deferred tax for the year ended December 31, 2019 amounted to \$Nil (2018: \$Nil, 2017: \$Nil).

*Uncertainties related to income taxes*

Companies are to determine whether it is more-likely-than-not that the tax position taken or expected to be taken in a tax return will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If a tax position meets the more-likely-than-not threshold it is measured to determine the amount of benefit to recognize in the financial statements. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. Uncertainties related to income taxes recognized for the year ended December 31, 2019 amounted to \$Nil (2018: \$Nil, 2017: \$Nil).

**3. Business and segmental reporting**

The Company is primarily engaged in the ocean transportation of petroleum and chemical products in international trade through the ownership and operation of a fleet of tankers. Tankers are not bound to specific ports or schedules and therefore can respond to market opportunities by moving between trades and geographical areas. The Company charters its vessels to commercial shippers through a combination of spot, time-charter, and pool arrangements. The chief operating decision maker (“CODM”) does not use discrete financial information to evaluate the operating results for each such type of charter. Although revenue can be identified for these types of vessel employment, management cannot and does not identify expenses, profitability or other financial information for these charters or other forms of employment. As a result, the CODM reviews operating results solely by revenue per day and operating results of the fleet. Furthermore, when the Company charters a vessel to a charterer, the charterer is free to trade the vessel worldwide (subject to certain sanctions-related restrictions) and, as a result, the disclosure of geographic information is impracticable. In this respect, the Company has determined that it operates under one reportable segment, relating to its operations of its vessels.

The following table presents consolidated revenues for charterers that accounted for more than 10% of the Company’s consolidated revenues during the years presented:

	For the years ended December 31		
	2019	2018	2017
Charterer A . . . . .	<10%	27,025,590	34,797,654

The following table presents the Company’s revenue contributions by nature of vessel employment.

	For the years ended December 31	
	2019	2018
Voyage charters <sup>(1)</sup> . . . . .	218,969,349	193,679,937
Time charters <sup>(2)</sup> . . . . .	10,974,608	2,453,062
Pooling arrangements <sup>(3)</sup> . . . . .	98,283	14,046,182
	<b>230,042,240</b>	<b>210,179,181</b>

(1) Represents revenue recognized by the Company associated with charters that were accounted for in accordance with ASC 606.

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**3. Business and segmental reporting – (continued)**

- (2) Represents revenue recognized by the Company associated with charters that were accounted for in accordance with ASC 842.
- (3) Represents revenue recognized by the Company associated with pooling arrangements that were accounted for in accordance with the guidance for collaborative arrangements.

In 2017, 79% of the revenue was in Voyage charters, 20% in Pooling arrangements and 1% in Time charters which were accounted for in accordance with ASC 840.

**4. Accrued expenses and other liabilities**

Accrued expenses and other liabilities consist of the following as at December 31, 2019 and 2018:

	As at December 31	
	2019	2018
Accrued vessel operating expenses and voyage expenses . . . . .	12,096,220	12,731,272
Other accrued expenses . . . . .	4,181,864	3,317,644
<b>Total accrued expenses . . . . .</b>	<b>16,278,084</b>	<b>16,048,916</b>

**5. Debt**

As at December 31, 2019, the Company had five loan facilities, which it has used primarily to finance vessel acquisitions or vessels under construction and also for working capital. The Company's applicable ship-owning subsidiaries have granted first-priority mortgages against the relevant vessels in favor of the lenders as security for the Company's obligations under the loan facilities, which totaled 13 vessels as at December 31, 2019. ASC and its subsidiary Ardmore Shipping LLC have provided guarantees in respect of the loan facilities and ASC has granted a guarantee over its trade receivables in respect of the ABN AMRO Revolving Facility. These guarantees can be called upon following a payment default. The outstanding principal balances on each loan facility as at December 31, 2019 and 2018 were as follows:

	As at December 31	
	2019	2018
CACIB Bank Facility . . . . .	—	31,300,000
Old Nordea/SEB Joint Bank Facility . . . . .	—	86,371,847
ABN/DVB/NIBC Joint Bank Facility . . . . .	—	92,131,594
NIBC Bank Facility . . . . .	6,045,000	7,465,000
Nordea/SEB Joint Bank Facility . . . . .	100,000,000	—
Nordea/SEB Revolving Facility . . . . .	40,000,000	—
ABN/CACIB Joint Bank Facility . . . . .	61,462,500	—
ABN AMRO Revolving Facility . . . . .	4,019,007	14,994,279
<b>Total debt . . . . .</b>	<b>211,526,507</b>	<b>232,262,720</b>
Deferred finance fees . . . . .	(4,243,494)	(3,908,472)
<b>Net total debt . . . . .</b>	<b>207,283,013</b>	<b>228,354,248</b>
Current portion of long-term debt . . . . .	21,274,111	24,217,892
Current portion of deferred finance fees . . . . .	(1,057,940)	(1,383,349)
Total current portion of long-term debt . . . . .	<b>20,216,171</b>	<b>22,834,543</b>
<b>Non-current portion of long-term debt . . . . .</b>	<b>187,066,842</b>	<b>205,519,705</b>

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**5. Debt – (continued)**

Future minimum scheduled repayments under the Company’s loan facilities for each year are as follows:

	As at December 31 2019
2020 .....	21,274,111
2021 .....	21,906,236
2022 .....	17,281,236
2023 .....	17,281,236
2024 .....	133,783,688
	<b>211,526,507</b>

**CACIB Bank Facility**

On May 22, 2014, two of ASC’s subsidiaries entered into a \$39.0 million long-term loan facility with Credit Agricole Corporate and Investment Bank to finance two vessels under construction. On March 10, 2016, this facility was refinanced, the lenders provided an additional \$25 million commitment for additional financing and an additional tranche of \$2.3 million was drawn down. The \$25 million of additional financing was drawn and repaid in full during the three-month period ended September 30, 2016. Interest is calculated at a rate of LIBOR plus 2.50%. Principal repayments on the loans are made on a quarterly basis, with a balloon payment payable with the final instalment. On December 16, 2019, the loan facility was repaid in full.

**Old Nordea/SEB Joint Bank Facility**

On January 13, 2016, seven of ASC’s subsidiaries entered into a \$151 million long-term loan facility with Nordea Bank AB (publ) and Skandinaviska Enskilda Banken AB (publ) to refinance existing facilities. The loan was fully drawn down on January 22, 2016. Interest is calculated at a rate of LIBOR plus 2.50%. Principal repayments on the loans are made on a quarterly basis, with a balloon payment payable with the final instalment. On October 29, 2018, two of the tranches were repaid as part of the refinancing of the *Ardmore Dauntless* and *Ardmore Defender*. On December 16, 2019, the loan facility was repaid in full.

**ABN/DVB/NIBC Joint Bank Facility**

On January 13, 2016, 12 of ASC’s subsidiaries entered into a \$213 million long-term loan facility with ABN AMRO Bank N.V. (“ABN AMRO”) and DVB Bank America N.V. to refinance existing facilities. The loan was fully drawn down on January 22, 2016. Interest is calculated at a rate of LIBOR plus 2.55%. Principal repayments on the loans are made on a quarterly basis, with a balloon payment payable with the final instalment. The loan matures in 2022. In May 2017, \$20.1 million was repaid as part of the refinancing of the *Ardmore Sealeader* and *Ardmore Sealifter*. On December 7, 2018, one of the tranches was repaid as part of the refinancing of the *Ardmore Engineer*.

On August 4, 2016, an incremental term loan of \$36.6 million was made under the amended facility in order to fund two vessel acquisitions, and NIBC Bank N.V. joined as an additional lender under the facility. The incremental term loan consisted of two tranches, and interest is calculated at a rate of LIBOR plus 2.75%. On December 6, 2018, the two additional tranches were repaid as part of the refinancing of the *Ardmore Seavanguard* and *Ardmore Exporter*. On February 19, 2019, one of the tranches was repaid due to the sale of the *Ardmore Seamaster*. On May 24, 2019, one of the tranches was repaid due to the sale of the *Ardmore Seafarer*. On December 16, 2019, the loan facility was repaid in full.

**Ardmore Shipping Corporation**  
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**5. Debt – (continued)**

**NIBC Bank Facility**

On September 12, 2014, one of ASC's subsidiaries entered into a \$13.5 million long-term loan facility with NIBC Bank N.V. to finance a secondhand vessel acquisition which delivered to the Company in 2014. The facility was drawn down in September 2014. Interest is calculated at a rate of LIBOR plus 2.90%. Principal repayments on the loans are made on a quarterly basis, with a balloon payment payable with the final instalment. The loan facility matures in September 2021.

**Nordea/SEB Joint Bank Facility**

On December 11, 2019, eight of ASC's subsidiaries entered into a \$100 million long-term loan facility and a \$40 million revolving credit facility with Nordea Bank AB (publ) and Skandinaviska Enskilda Banken AB (publ) to refinance existing facilities. The facility was fully drawn down in December 2019. Interest is calculated at a rate of LIBOR plus 2.4%. Principal repayments on the term loans are made on a quarterly basis, with a balloon payment payable with the final instalment. The revolving facility may be drawn down or repaid with five days' notice. The term loan and revolving credit facility mature in December 2024.

**ABN/CACIB Joint Bank Facility**

On December 11, 2019, four of ASC's subsidiaries entered into a \$61.5 million long-term loan facility with ABN AMRO Bank N.V. and Credit Agricole Corporate and Investment Bank to refinance existing facilities. Interest is calculated at a rate of LIBOR plus 2.4%. Principal repayments on the term loans are made on a quarterly basis, with a balloon payment payable with the final instalment. The loan facility matures in December 2024.

**ABN AMRO Revolving Facility**

On October 24, 2017, the Company entered into a \$15 million revolving credit facility with ABN AMRO to fund working capital. Interest is calculated at a rate of LIBOR plus 3.5%. Interest payments are payable on a quarterly basis. The facility matures in October 2020 with an option to extend for a further year.

**Long-term debt financial covenants**

The Company's existing long-term debt facilities described above include certain covenants. The financial covenants require that the Company:

- maintain minimum solvency of not less than 30%;
- maintain minimum cash and cash equivalents (of which at least 60% of such minimum amount is held in cash and which includes the undrawn portion of the Nordea/SEB Revolving Facility), based on the number of vessels owned and chartered-in and 5% of outstanding debt; the required minimum cash and cash equivalents as at December 31, 2019, was \$21.1 million;
- ensure that the aggregate fair market value of the applicable vessels plus any additional collateral is, depending on the facility, no less than 130% of the debt outstanding for the facility;
- maintain a corporate net worth of not less than \$150 million; and
- maintain positive working capital, excluding balloon repayments and amounts outstanding under the ABN AMRO Revolving Facility, provided that the facility has a remaining maturity of more than three months.

The Company was in full compliance with all of its long-term debt financial covenants as at December 31, 2019 and 2018.



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**6. Finance lease**

As at December 31, 2019, the Company was a party, as the lessee, to six finance lease facilities. The Company's applicable ship-owning subsidiaries have granted first-priority mortgages against the relevant vessels in favor of the lenders as security for the Company's obligations under the finance lease facilities, which totaled 12 vessels as at December 31, 2019. (2018: 13 vessels) ASC has provided guarantees in respect of the finance lease facilities. These guarantees can be called upon following a payment default. The outstanding principal balances on each finance lease facility as at December 31, 2019 and 2018 were as follows:

	<u>As at December 31</u>	
	<u>2019</u>	<u>2018</u>
River Hudson LLC . . . . .	—	10,380,600
Japanese Leases No.1 and 2 . . . . .	31,398,900	36,253,400
Japanese Lease No.3 . . . . .	15,498,000	17,870,500
CMBFL Leases No.1 to 4 . . . . .	79,896,836	87,496,402
Ocean Yield ASA . . . . .	61,153,740	66,563,040
Japanese Lease No.4 . . . . .	23,983,699	26,061,943
China Huarong Leases . . . . .	46,717,764	51,555,997
<b>Finance lease obligations</b> . . . . .	<b>258,648,939</b>	<b>296,181,882</b>
Amounts representing interest and deferred finance fees . . . . .	(42,969,245)	(54,705,784)
<b>Finance lease obligations, net of interest and deferred finance fees</b> . . .	<b>215,679,694</b>	<b>241,476,098</b>
	<u>As at December 31</u>	
	<u>2019</u>	<u>2018</u>
Current portion of finance lease obligations . . . . .	18,650,022	26,589,017
Current portion of deferred finance fees . . . . .	(674,700)	(739,817)
Non-current portion of finance lease obligations . . . . .	200,335,437	218,985,447
Non-current portion of deferred finance fees . . . . .	(2,631,065)	(3,358,549)
<b>Total finance lease obligations, net of deferred finance fees</b> . . . . .	<b>215,679,694</b>	<b>241,476,098</b>

Maturity analysis of the Company's finance lease facilities for each year are as follows:

	<u>As at December 31</u>
	<u>2019</u>
2020 . . . . .	26,868,097
2021 . . . . .	26,523,339
2022 . . . . .	26,470,805
2023 . . . . .	38,028,900
2024 . . . . .	24,179,292
2025 — 2030 . . . . .	116,578,506
<b>Finance lease obligations</b> . . . . .	<b>258,648,939</b>
Amounts representing interest and deferred finance fees . . . . .	(42,969,245)
<b>Finance lease obligations, net of interest and deferred finance fees</b> . . . . .	<b>215,679,694</b>

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**6. Finance lease – (continued)**

Assets recorded under finance leases consist of the following:

	As at December 31	
	2019	2018
Vessels and vessel equipment, net of accumulated depreciation . . . .	296,708,230	310,095,004
Deferred drydock expenditures, net of accumulated amortization . .	4,419,417	3,883,056
Ballast water treatment systems, installation in progress . . . . .	221,277	156,548
Vessel held for sale . . . . .	—	8,083,405
	<b>301,348,924</b>	<b>322,218,013</b>

**River Hudson LLC**

On December 22, 2016, one of ASC’s subsidiaries entered into an agreement for the sale and leaseback (under a finance lease arrangement) of the *Ardmore Seatrader*. The facility was drawn down in December 2016. Repayments on the lease are made on a monthly basis and include principal and interest. The finance lease is scheduled to expire in 2021 and includes a mandatory purchase obligation for the Company to repurchase the vessel, as well as a purchase option exercisable by the Company, which the Company could elect to exercise at an earlier date. On January 2, 2019, the Company exercised the purchase option and repaid the facility in full.

**Japanese Leases No. 1 and 2**

On May 30, 2017, two of ASC’s subsidiaries entered into an agreement for the sale and leaseback (under a finance lease arrangement) of the *Ardmore Sealeader* and *Ardmore Sealifter*, with JPV No. 7 and JPV No. 8, respectively. The facility was drawn down in May 2017. Repayments on the leases are made on a monthly basis and include principal and interest. The finance leases are scheduled to expire in 2023 and include purchase options exercisable by the Company. As part of the lease arrangement, the Company provided the purchasers with \$2.9 million in the aggregate which shall be repaid at the end of the lease period, or upon the exercise of any of the purchase options. This amount is included in the consolidated balance sheets as ‘Amount receivable in respect of finance leases’ with the associated finance lease liability presented gross of the \$2.9 million.

**Japanese Lease No. 3**

On January 30, 2018, one of ASC’s subsidiaries entered into an agreement for the sale and leaseback (under a finance lease arrangement) of the *Ardmore Sealancer* with Neil Co., Ltd. The facility was drawn down in January 2018. Repayments on the lease are made on a monthly basis and include principal and interest. The finance lease is scheduled to expire in 2024 and includes purchase options exercisable by the Company. As part of the lease arrangement, the Company provided the purchaser with \$1.4 million in the aggregate which shall be repaid at the end of the lease period, or upon the exercise of any of the purchase options. This amount has been offset against the finance lease liability in the consolidated balance sheets, with the associated finance lease liability presented net of the \$1.4 million.

**CMBFL Leases No. 1 to 4**

On June 26, 2018, two of ASC’s subsidiaries entered into an agreement for the sale and leaseback (under a finance lease arrangement) of the *Ardmore Endurance* and *Ardmore Enterprise*, respectively, with CMB Financial Leasing Co., Ltd (“CMBFL”). The facility was drawn down in June 2018. Interest is calculated at a rate of LIBOR plus 3.10%. Principal repayments on the leases are made on a quarterly basis. The

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**6. Finance lease – (continued)**

finance leases are scheduled to expire in 2025 and include a mandatory purchase obligation for the Company to repurchase the vessels, as well as purchase options exercisable by the Company, which the Company could elect to exercise at an earlier date.

On October 25, 2018, two of ASC's subsidiaries entered into an agreement for the sale and leaseback (under a finance lease arrangement) of the *Ardmore Encounter* and *Ardmore Explorer*, respectively, with CMBFL. The facility was drawn down in October 2018. Interest is calculated at a rate of LIBOR plus 3.00%. Principal repayments on the leases are made on a quarterly basis. The finance leases are scheduled to expire in 2025 and include a mandatory purchase obligation for the Company to repurchase the vessels, as well as purchase options exercisable by the Company, which the Company could elect to exercise at an earlier date.

**Ocean Yield ASA**

On October 25, 2018, two of ASC's subsidiaries entered into an agreement for the sale and leaseback (under a finance lease arrangement) of the *Ardmore Dauntless* and *Ardmore Defender*, respectively with Ocean Yield ASA. The facility was drawn down in October 2018. Interest is calculated at a rate of LIBOR plus 4.50%. Principal repayments on the leases are made on a monthly basis. The finance leases are scheduled to expire in 2030 and include a mandatory purchase obligation for the Company to repurchase the vessels, as well as purchase options exercisable by the Company, which the Company could elect to exercise at an earlier date.

**Japanese Lease No. 4**

On November 30, 2018, one of ASC's subsidiaries entered into an agreement for the sale and leaseback (under a finance lease arrangement), of the *Ardmore Engineer* with Rich Ocean Shipping. The facility was drawn down in December 2018. Interest is calculated at a rate of LIBOR plus 3.20%. Principal repayments on the lease are made on a monthly basis. The finance lease is scheduled to expire in 2029 and includes a mandatory purchase obligation for the Company to repurchase the vessel, as well as purchase options exercisable by the Company, which the Company could elect to exercise at an earlier date.

**China Huarong Leases**

On November 30, 2018, two of ASC's subsidiaries entered into an agreement for the sale and leaseback (under a finance lease arrangement), of the *Ardmore Seavanguard* and *Ardmore Exporter*, respectively, with China Huarong Financial Leasing Co., Ltd ("China Huarong"). The facility was drawn down in December 2018. Interest is calculated at a rate of LIBOR plus 3.50%. Principal repayments on the leases are made on a quarterly basis. The finance leases are scheduled to expire in 2025 and include a mandatory purchase obligation for the Company to repurchase the vessels, as well as purchase options exercisable by the Company, which the Company could elect to exercise at an earlier date.

**Finance leases financial covenants**

Some of the Company's existing finance lease facilities (as described above) include financial covenants which are the same, or no more onerous than, the Company's long-term debt financial covenants described in Note 5. The Company was in full compliance with all of its finance lease related financial covenants as at December 31, 2019 and 2018.

**7. Operating lease**

The Company's consolidated balance sheets include a right-of-use asset and a corresponding liability for operating lease contracts. The discount rate used to measure the lease liability is the incremental cost of borrowing since the rate implicit in the lease cannot be determined.

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**7. Operating lease – (continued)**

The liabilities described below are for the Company's offices in Cork, Ireland, Singapore, Bermuda and Houston, Texas which are denominated in various currencies. The weighted average remaining term of the office leases as at December 31, 2019 was 6.0 years. Under ASC 842, the right-of-use asset is a nonmonetary asset and is remeasured into the Company's reporting currency of the U.S. Dollar using the exchange rate for the applicable currency as at the adoption date of ASC 842. The operating lease liability is a monetary liability and is remeasured quarterly using the current exchange rates, with changes recognized in a manner consistent with other foreign-currency-denominated liabilities in general and administrative expenses in the consolidated statements of comprehensive loss.

	As at December 31	
	2019	2018
Operating lease, right-of-use asset . . . . .	1,745,464	2,169,158
<b>Total operating lease, right-of-use asset . . . . .</b>	<b>1,745,464</b>	<b>2,169,158</b>
Current portion of operating lease obligations . . . . .	289,231	477,147
Non-current portion of operating lease obligations . . . . .	1,182,522	1,491,507
<b>Total operating lease obligations . . . . .</b>	<b>1,471,753</b>	<b>1,968,654</b>
	For the years	
	ended December 31	
	2019	2018
Foreign exchange gain on operating leases . . . . .	(73,207)	(200,504)
<b>Total foreign exchange gain on operating leases . . . . .</b>	<b>(73,207)</b>	<b>(200,504)</b>

As at December 31, 2019, the Company had the following maturity of operating lease obligations:

	As at December 31 2019
2020 . . . . .	314,496
2021 . . . . .	249,302
2022 . . . . .	254,119
2023 . . . . .	258,972
2024 . . . . .	263,834
2025 – 2026 . . . . .	314,222
Total lease payments . . . . .	1,654,945
Less imputed interest . . . . .	(183,192)
<b>Present value of lease liabilities . . . . .</b>	<b>1,471,753</b>

**8. Loss on sale of vessels**

In 2017, there were no sales of vessels.

In November 2018, the Company agreed to terms for the sale of the Ardmore Seatrader. Effective November 2018, the Company reclassified the vessel as held for sale and ceased to depreciate the vessel. The Company exercised its purchase option on the financing transaction in January 2019 and repaid all amounts outstanding under the finance lease. The price for the subsequent sale of the vessel by the Company

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**8. Loss on sale of vessels – (continued)**

was \$8.3 million, resulting in a loss of \$6.4 million which was recognized in 2018. The vessel was delivered to the buyer in January 2019.

The loss on the vessel held for sale for the year ended December 31, 2018 is calculated as follows:

	<u>Seatrader</u>
Sales proceeds . . . . .	8,250,000
Net book value of vessel . . . . .	(14,444,217)
Sales related costs . . . . .	(166,596)
<b>Loss on vessel held for sale . . . . .</b>	<b><u>(6,360,813)</u></b>

In February 2019, the Company agreed to terms for the sale of the *Ardmore Seamaster*. Effective February 1, 2019, the Company reclassified the vessel as held for sale and ceased to depreciate the vessel. The Company repaid the outstanding debt facility on the vessel in February 2019. The sales price for the vessel was \$9.7 million, resulting in a loss of \$6.6 million when the vessel delivered to the buyer in February 2019.

In May 2019, the Company agreed to terms for the sale of the *Ardmore Seafarer*. Effective May 7, 2019, the Company reclassified the vessel as held for sale and ceased to depreciate the vessel. The Company repaid the outstanding debt facility on the vessel in May 2019. The sales price for the vessel was \$9.1 million, resulting in a loss of \$6.6 million when the vessel delivered to the buyer in May 2019.

The loss on the sale of vessels for the year ended December 31, 2019 is calculated as follows:

	<u>Seamaster</u>	<u>Seafarer</u>	<u>Total</u>
Sales proceeds . . . . .	9,700,000	9,100,000	18,800,000
Net book value of vessels . . . . .	(15,979,901)	(15,537,708)	(31,517,609)
Sales related costs . . . . .	(289,862)	(154,721)	(444,583)
<b>Loss on sale of vessels . . . . .</b>	<b><u>(6,569,763)</u></b>	<b><u>(6,592,429)</u></b>	<b><u>(13,162,192)</u></b>

**9. General and administrative expenses**

**9.1. Corporate**

	<u>For the years ended December 31</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Staff salaries . . . . .	7,021,010	5,419,944	6,851,692
Share-based compensation . . . . .	2,333,091	1,636,547	457,046
Office administration . . . . .	2,512,392	2,658,087	2,538,973
Bank charges and foreign exchange . . . . .	151,411	47,142	219,910
Auditors' remuneration . . . . .	532,600	676,600	558,600
Other professional fees . . . . .	2,014,063	2,009,200	1,280,163
Other administration costs . . . . .	387,429	178,853	72,633
	<b><u>14,951,996</u></b>	<b><u>12,626,373</u></b>	<b><u>11,979,017</u></b>

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**9. General and administrative expenses – (continued)**

**9.2. Commercial and chartering**

Commercial and chartering expenses are the expenses attributable to the Company's chartering and commercial operations departments in connection with the Company's spot trading activities.

	For the years ended December 31		
	2019	2018	2017
Staff salaries . . . . .	2,221,928	2,414,574	1,934,923
Office administration . . . . .	398,569	419,773	341,219
Other administration costs . . . . .	573,721	399,541	343,606
	<b>3,194,218</b>	<b>3,233,888</b>	<b>2,619,748</b>

**10. Interest expense and finance costs**

	For the years ended December 31		
	2019	2018	2017
Interest incurred – debt . . . . .	10,780,248	17,070,112	16,430,031
Interest incurred – finance leases . . . . .	13,419,326	5,667,420	1,889,609
Amortization of deferred finance fees . . . . .	2,023,279	2,400,621	2,536,402
Write-off of deferred finance fees in relation to refinancing . . . . .	536,901	2,267,455	524,123
	<b>26,759,754</b>	<b>27,405,608</b>	<b>21,380,165</b>

**11. Income taxes**

The components of income tax are as follows:

	For the years ended December 31		
	2019	2018	2017
Current tax expenses . . . . .	(58,766)	(162,923)	(59,567)
<b>Income tax expense for year</b> . . . . .	<b>(58,766)</b>	<b>(162,923)</b>	<b>(59,567)</b>

The differences between income taxes expected at the Bermuda statutory income tax rate of zero percent and the reported income tax expense are summarized as follows:

	For the years ended December 31		
	2019	2018	2017
Bermuda statutory income tax rate . . . . .	0.00%	0.00%	0.00%
Income subject to tax in other jurisdictions . . . . .	0.26%	0.38%	0.48%
<b>Effective tax rate</b> . . . . .	<b>0.26%</b>	<b>0.38%</b>	<b>0.48%</b>

**12. Net loss per share and dividends per share**

Basic and diluted net loss per share is calculated by dividing the net loss available to common shareholders by the average number of common shares outstanding during the periods. Diluted earnings per share is calculated by adjusting the net earnings / (loss) available to common shareholders and the weighted average number of common shares used for calculating basic earnings / (loss) per share for the effects of all

**Ardmore Shipping Corporation**  
**Notes to Consolidated Financial Statements**  
**(Expressed in U.S. Dollars, except for shares and as otherwise indicated)**

**12. Net loss per share and dividends per share – (continued)**

potentially dilutive shares. Such dilutive common shares are excluded when the effect would be to increase earnings per share or reduce a loss per share.

Numerator:	For the years ended December 31		
	2019	2018	2017
Net loss . . . . .	(22,861,257)	(42,939,001)	(12,490,335)
<b>Denominator:</b> . . . . .			
Weighted average number of shares outstanding . . . . .	33,097,831	32,837,866	33,441,879
<b>Net loss per share, basic and diluted</b> . . . . .	<b>(0.69)</b>	<b>(1.31)</b>	<b>(0.37)</b>

For the year ended December 31, 2019, SARs granting the right to acquire 2,544,983 shares (2018: 1,984,983, 2017: 1,343,375) were outstanding. The SARs have been excluded from the computation of diluted earnings per share as they are anti-dilutive.

The Company did not make any payments of dividends for the years ended December 31, 2019, 2018 and 2017.

**13. Related party transactions**

**Anglo Ardmore Ship Management Limited (“AASML”)**

AASML is a 50% joint venture entity owned in equal share by the third-party technical manager Anglo-Eastern and Ardmore Shipping (Bermuda) Limited. AASML is accounted for under the equity method of accounting. The carrying value of the investment as at December 31, 2019 and 2018 was not significant. AASML was incorporated in June 2017 and began providing technical management services exclusively to the Ardmore fleet on January 1, 2018.

The Company has entered into standard Baltic and International Maritime Council (“BIMCO”) ship management agreements with AASML for the provision of technical management services to 16 vessels of the Company’s fleet as at December 31, 2019 (2018: 18 vessels). AASML provides the vessels with a wide range of shipping services such as repairs and maintenance, provisioning and crewing.

Total management fees paid to AASML for the year ended December 31, 2019 were \$3.0 million (2018: \$2.8 million), which are included in vessel operating expenses in the consolidated statement of comprehensive loss. Amounts due from/(to) AASML in respect of management fees were \$Nil as at December 31, 2019 (2018: \$Nil). Advances to AASML for technical management services as at December 31, 2019 were \$2.8 million (2018: \$1.3 million) and are included in Advances and deposits in the consolidated balance sheets.

**GA Holdings LLC**

For the year ended December 31, 2017, in connection with the secondary public offering by GA Holdings LLC in November 2017, the Company repurchased from GA Holdings LLC 1,435,654 shares of its own common stock for \$11.1 million, at a price per share equal to the price per share at which GA Holdings LLC sold shares to the underwriters in the public offering.

**14. Share-based compensation**

**Stock appreciation rights**

As at December 31, 2019, the Company had granted 2,550,762 SARs (inclusive of 5,779 forfeited SARs) to certain of its officers and directors under its 2013 Equity Incentive Plan.



**Ardmore Shipping Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in U.S. Dollars, except for shares and as otherwise indicated)

**14. Share-based compensation – (continued)**

A summary of awards, simulation inputs, outputs and valuation methodology is as follows:

Model Inputs											
Grant Date	SARs Awarded	Exercise Price	Vesting Period	Grant Price	Dividend Yield	Risk-free rate of Return	Expected Volatility	Weighted Average Fair Value @ grant date	Average Expected Exercise Life	Valuation Method	
12-Mar-14 . . . . .	22,118	\$13.66	3 yrs	\$13.66	2.93%	2.06%	56.31%	\$4.17	4.6 – 5.0 yrs	Monte Carlo	
01-Sept-14 . . . . .	5,595	\$13.91	3 yrs	\$13.91	2.88%	2.20%	53.60%	\$4.20	4.5 – 5.0 yrs	Monte Carlo	
06-Mar-15 . . . . .	37,797	\$10.25	3 yrs	\$10.25	3.90%	1.90%	61.38%	\$2.98	4.2 – 5.0 yrs	Monte Carlo	
15-Jan-16 . . . . .	205,519	\$ 9.20	3 yrs	\$ 9.20	6.63%	1.79%	58.09%	\$2.20	4.0 – 5.0 yrs	Monte Carlo	
04-Apr-18 . . . . .	1,719,733	\$ 7.40	3 yrs	\$ 7.40	0%	2.51%	40.59%	\$2.67	4.25 yrs	Black-Scholes	
07-Mar-19 . . . . .	560,000	\$ 5.10	3 yrs	\$ 5.10	0%	2.43%	43.65%	\$2.00	4.5 yrs	Black-Scholes	

Changes in the SARs for the year ended December 31, 2019 are set forth below:

	No. of SARs	Weighted average exercise price
Balance as at January 1, 2019 . . . . .	1,984,983	\$7.72
SARs granted during the twelve months ended December 31, 2019 . . . . .	560,000	\$5.10
SARs forfeited during the twelve months ended December 31, 2019 . . . . .	—	—
<b>Balance as at December 31, 2019 (none of which are exercisable or convertible) . . .</b>	<b>2,544,983</b>	<b>\$7.14</b>

The total cost related to non-vested awards expected to be recognized through 2022 is set forth below:

Period	TOTAL
2020 . . . . .	1,262,129
2021 . . . . .	373,333
2022 . . . . .	62,222
	<u>1,697,684</u>

**Restricted stock units**

As at December 31, 2019, the Company had granted 322,106 RSUs to certain of its officers and directors under its 2013 Equity Incentive Plan.

A summary of awards is as follows:

Grant Date	RSUs Awarded	Service Period	Grant Price
02-Jan-19 . . . . .	176,659	2 years	\$4.64
07-Mar-19 . . . . .	86,210	3 years	\$5.10
28-May-19 . . . . .	59,237	1 year	\$7.47

Changes in the RSUs for the year ended December 31, 2019 is set forth below:

**Ardmore Shipping Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in U.S. Dollars, except for shares and as otherwise indicated)

**14. Share-based compensation – (continued)**

	No. of RSUs	Weighted average fair value at grant date
Balance as at January 1, 2019 . . . . .	—	—
RSUs granted during the twelve months ended December 31, 2019 . . . .	322,106	\$5.28
<b>Balance as at December 31, 2019 (none of which are vested) . . . . .</b>	<b>322,106</b>	<b>\$5.28</b>

The total cost related to non-vested awards expected to be recognized through 2022 is set forth below:

Period	TOTAL
2020 . . . . .	740,781
2021 . . . . .	146,557
2022 . . . . .	24,426
	<b>911,764</b>

**Dividend equivalent rights**

As at December 31, 2019, the Company had granted 1,146,517 DERs to certain of its officers and directors under its 2013 Equity Incentive Plan.

A summary of awards, simulation inputs, outputs and valuation methodology is as follows:

Model Inputs							
Grant Date	DERs Awarded	Service Period	Fair Value	Dividend Yield	Risk-free rate of Return	Expected Volatility	Valuation Method
04-Nov-19 . . . . .	1,146,517	2 yrs	\$0.49	2.93%	2.06%	30.22%	Monte Carlo

Changes in the DERs for the year ended December 31, 2019 is set forth below:

	No. of DERs	Weighted average fair value at grant date
Balance as at January 1, 2019 . . . . .	—	—
DERs granted during the twelve months ended December 31, 2019 . . . .	1,146,517	\$0.49
<b>Balance as at December 31, 2019 (none of which are vested) . . . . .</b>	<b>1,146,517</b>	<b>\$0.49</b>

The total cost related to non-vested awards expected to be recognized through 2021 is set forth below:

Period	TOTAL
2020 . . . . .	280,897
2021 . . . . .	234,080
	<b>514,977</b>

**15. Repurchase of common stock**

On August 31, 2017, the Company announced that the board of directors had terminated the previous share repurchase plan and approved a new share repurchase plan (the “New Plan”), which authorizes the

**Ardmore Shipping Corporation**  
**Notes to Consolidated Financial Statements**  
**(Expressed in U.S. Dollars, except for shares and as otherwise indicated)**

**15. Repurchase of common stock – (continued)**

Company to repurchase up to \$25 million of shares of its common stock through August 31, 2020. The Company may repurchase these shares in the open market or in privately negotiated transactions, at times and prices that are considered to be appropriate by the Company, but the Company is not obligated under the terms of the New Plan to repurchase any shares, and at any time the Company may suspend, delay or discontinue the New Plan.

During the year ended December 31, 2017, the Company repurchased 1,435,654 common shares at a weighted-average price of approximately \$7.72 per share for a total of approximately \$11.1 million from GA Holdings LLC, formerly the Company's largest shareholder. The repurchase was conducted outside of the New Plan.

During the years ended December 31, 2019 and 2018, no shares were repurchased.

**16. Subsequent events**

The Company has evaluated subsequent events through April 2, 2020, the date these financial statements were available to be issued, for both conditions existing and not existing at December 31, 2019 and concluded there were no subsequent events to recognize in the financial statements.

On February 11, 2020, Ardmore announced that its Board of Directors declared a cash dividend of \$0.05 per share for the quarter ended December 31, 2019. The cash dividend of \$1.7 million was paid on February 28, 2020 to all shareholders of record on February 21, 2020.

On March 11, 2020, the World Health Organization declared the recent novel coronavirus ("COVID-19") outbreak a pandemic. In response to the outbreak, many countries, ports and organizations, including those where the Company conducts a large part of its operations, have implemented measures to combat the outbreak, such as quarantines and travel restrictions. Such measures have caused and will likely continue to cause severe trade disruptions. The extent to which COVID-19 will impact the Company's results of operations and financial condition, including possible impairments, will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the virus and the actions to contain or treat its impact, among others. Accordingly, an estimate of the impact cannot be made at this time.

## ARDMORE SHIPPING CORPORATION

## SUBSIDIARY COMPANIES

This is a list of subsidiary companies of Ardmore Shipping Corporation as at December 31, 2019.

Company Name	Incorporation Jurisdiction	Ownership
Ardmore Shipping LLC	Marshall Islands	100.00%
Ardmore Maritime Services LLC	Marshall Islands	100.00%
Ardmore Shipping (Bermuda) Limited	Bermuda	100.00% (Immediate Parent – Ardmore Maritime Services LLC)
Ardmore Shipping Services (Ireland) Limited (formerly Ardmore Shipping Limited)	Ireland	100.00% (Immediate Parent – Ardmore Shipping (Bermuda) Limited)
Ardmore Shipping (Asia) Pte Ltd	Singapore	100.00% (Immediate Parent – Ardmore Shipping (Bermuda) Limited)
Ardmore Shipping (Americas) LLC	Delaware, USA	100.00% (Immediate Parent – Ardmore Shipping (Bermuda) Limited)
Ardmore Shipping (UK) Limited	United Kingdom	100.00% (Immediate Parent – Ardmore Shipping (Bermuda) Limited)
Ardmore Shipholding Limited	Ireland	100.00% (Immediate Parent – Ardmore Shipping LLC)
Ardmore Chartering LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Ardmore Pool Holdings LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Maritime Services LLC)
Ardmore MR Pool LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Pool Holdings LLC)
Ardmore Trading (USA) LLC	Delaware, USA	100.00% (Immediate Parent – Ardmore Pool Holdings LLC)
Ardmore Tanker Trading (Asia) Pte Ltd	Singapore	100.00% (Immediate Parent – Ardmore Pool Holdings LLC)
Anglo Ardmore Ship Management Limited	Hong Kong	50.00% (Immediate Parent – Ardmore Shipping (Bermuda) Limited)
Bailey Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Ballycotton Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Blasket Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Cromarty Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Dogger Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Dover Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)

<b>Company Name</b>	<b>Incorporation Jurisdiction</b>	<b>Ownership</b>
Fair Isle Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Faroe Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Fisher Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Fitzroy Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Forth Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Humber Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Kilkee Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Killary Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Kilmore Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Lundy Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Plymouth Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Portland Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Saltee Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Sole Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Thames Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Trafalgar Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Tramore Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Viking Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Wight Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Humber Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Kilkee Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Killary Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Kilmore Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)

<b>Company Name</b>	<b>Incorporation Jurisdiction</b>	<b>Ownership</b>
Lundy Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Plymouth Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Portland Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Saltee Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Sole Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Thames Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Trafalgar Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Tramore Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Viking Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Wight Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Allen Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Ballina Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Ballyduff LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Barra Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Beltra Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Biscay Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Bofin Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Brandon Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Bunmahon Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Carlingford Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Carnsore Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Carra Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Clifden Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)

<b>Company Name</b>	<b>Incorporation Jurisdiction</b>	<b>Ownership</b>
Corrib Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Dingle Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Ennell Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Erne Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Fastnet Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Forties Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Foyle Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Glenbeg Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Hebrides Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Keadew Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Killybegs Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)
Lahinch Shipco LLC	Marshall Islands	100.00% (Immediate Parent – Ardmore Shipping LLC)



**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER**

I, Anthony Gurnee, certify that:

1. I have reviewed this Annual Report on Form 20-F of Ardmore Shipping Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the Annual Report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Dated: April 3, 2020

By: /s/ Anthony Gurnee

Anthony Gurnee  
President, Chief Executive Officer and Director  
(Principal Executive Officer)

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER**

I, Paul Tivnan, certify that:

1. I have reviewed this Annual Report on Form 20-F of Ardmere Shipping Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Dated: April 3, 2020

By: /s/ Paul Tivnan

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Paul Tivnan  
Senior Vice President, Chief Financial Officer,  
Secretary and Treasurer  
(Principal Financial Officer)

**PRINCIPAL EXECUTIVE OFFICER CERTIFICATION**

**PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with this Annual Report of Ardmore Shipping Corporation (the “Company”) on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission (the “SEC”) on or about the date hereof (the “Report”), I, Anthony Gurnee, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Dated: April 3, 2020

By: /s/ Anthony Gurnee

\_\_\_\_\_  
Anthony Gurnee  
President, Chief Executive Officer and Director  
(Principal Executive Officer)

**PRINCIPAL FINANCIAL OFFICER CERTIFICATION**

**PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with this Annual Report of Ardmore Shipping Corporation (the “Company”) on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission (the “SEC”) on or about the date hereof (the “Report”), I, Paul Tivnan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Dated: April 3, 2020

By: /s/ Paul Tivnan

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Paul Tivnan  
Senior Vice President, Chief Financial Officer,  
Secretary and Treasurer  
(Principal Financial Officer)

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statement No. 333-203205 on Form F-3; Registration Statement No. 333-213344 on Form S-8; Registration Statement No. 333-227129 on Form F-3; and Registration Statement No. 333-233540 on Form F-3 of our report dated April 3, 2020, relating to the financial statements of Ardmore Shipping Corporation and the effectiveness of Ardmore Shipping Corporation's internal control over financial reporting appearing in this Annual Report on Form 20-F for the year ended December 31, 2019.

/s/ Deloitte & Touche LLP

New York, New York

April 3, 2020

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the following Registration Statements (Form F-3 No. 333-203205, Form F-3 No. 333-227129, Form F-3 No. 333-233540, and Form S-8 No. 333-213344) of Ardmore Shipping Corporation and in the related Prospectuses of our report dated February 15, 2019 (except for Note 3 of Ardmore Shipping Corporation's consolidated financial statements included in its 2018 Annual Report on Form 20-F/A, as to which the date is August 1, 2019) with respect to the consolidated financial statements of Ardmore Shipping Corporation, included in this Annual Report (Form 20-F) for the year ended December 31, 2019.

/s/ Ernst & Young

Dublin, Ireland

April 3, 2020

# ARDMORE SHIPPING CORPORATION

Belvedere Building  
69 Pitts Bay Road,  
Ground Floor,  
Pembroke, HM08,  
Bermuda  
Tel: +1 441 405 7800  
info@ardmoreshipping.com  
www.ardmoreshipping.com

## Stock Listing

Ardmore Shipping Corporation's common stock is traded on the New York Stock Exchange under the ticker "ASC".

## Transfer Agent

Computershare Inc.  
P.O. Box 505000  
Louisville, KY 40233-5000  
USA  
Tel: +1 877 373 6374

## Auditors

Deloitte & Touche LLP  
30 Rockefeller Plaza  
New York, NY 10112-0015  
USA  
Tel: +1 212 492 4000

## Investor Relations

Investor Relations,  
Ardmore Shipping Corporation,  
Belvedere Building,  
69 Pitts Bay Road,  
Ground Floor,  
Pembroke, HM08,  
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Tel: +1 441 405 7800  
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www.ardmoreshipping.com

Mr. Leon Berman,  
The IGB Group,  
45 Broadway,  
Suite 1150,  
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