



# Ardmore Shipping Corporation

2020 ANNUAL REPORT





154°



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# Our Company

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

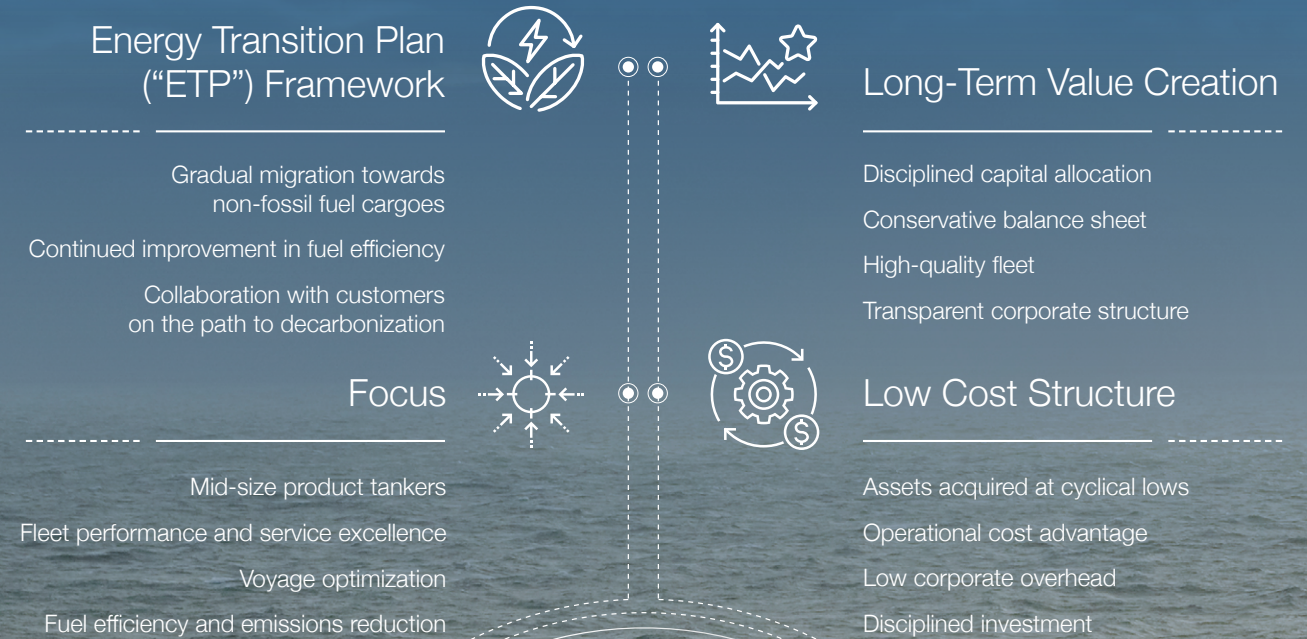
We provide seaborne transportation of chemicals, sustainable fuels, and petroleum products worldwide to oil majors, national oil companies, oil and chemical traders, and chemical companies, with our modern, fuel efficient fleet of tankers. Ardmore's core strategy is to develop a modern, high-quality 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.

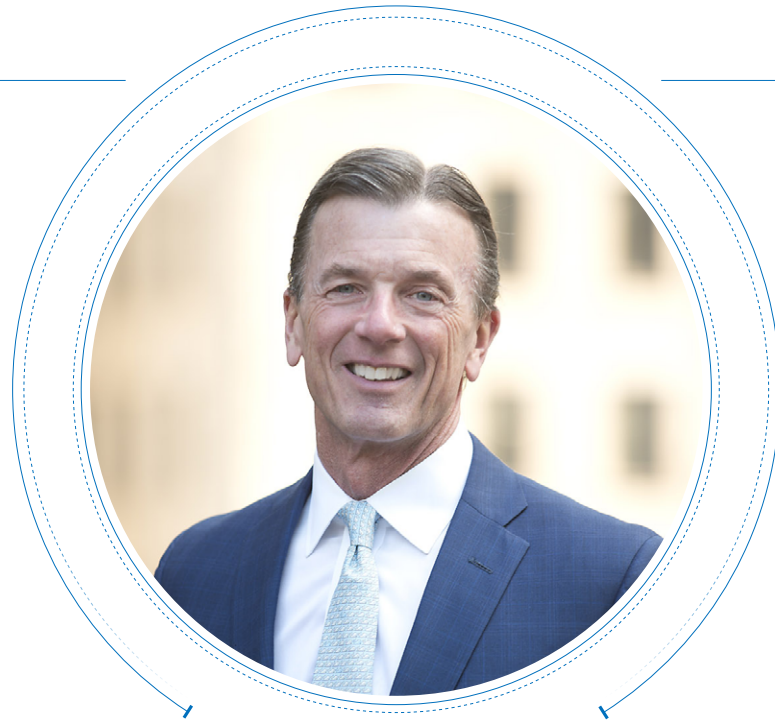
In February 2021, we announced our Energy Transition Plan ("ETP") focused on three key areas: (1) Transition Projects, (2) Transition Technologies, and (3) Sustainable Cargos (non-fossil fuel). The ETP is an extension of our existing strategy, building on our core strengths of tanker chartering, shipping operations, technical and operational fuel efficiency improvements, technical management, construction supervision, project management, investment analysis, and ship finance. We have established Ardmore Ventures as Ardmore's holding company for existing and future potential investments related to the Energy Transition Plan.



Pictured left to right:  
Mr. Mark Cameron, Ms. Aileen O'Driscoll, Mr. Anthony Gurnee,  
Mr. Gernot Ruppelt, Mr. Paul Tivnan

# Ardmore Strategy





## Letter from the Chairman

**Curtis Mc Williams**

### Dear Fellow Shareholders,

On behalf of the board, I am pleased to report on the continued progress of Ardmore. Despite the challenges presented by the COVID-19 pandemic, our dedicated team, and particularly our seafarers, demonstrated the highest level of professionalism and commitment to excellence during an unprecedented period, which we deeply value and appreciate. At the same time, I would like to acknowledge the steps management has taken during a volatile tanker market to implement important initiatives to position Ardmore for an exciting future, particularly in relation to the energy transition.

Effectively allocating capital for shareholders remained a priority for management. In March 2020, we announced a new capital allocation policy where we listed our priorities. In addition to completing two refinancings, we executed floating-to-fixed interest rate swaps on the majority of our debt and repurchased shares at attractive levels. Complementing this success, Ardmore also continued to effectively manage its fleet age, selling a 2006-built ship, and purchasing a 2010-built ship, bringing the Company's fleet to 25 ships with an average age of just over 7 years. Notably, Ardmore

also has one ship time chartered in and, more recently, began providing commercial management services on four chemical tankers.

We also continued to achieve strong operational performance in 2020 and remain very pleased with Ardmore's performance in terms of safety, service performance and cost control. The Company continues to drive industry leading initiatives and is at the forefront of the tanker sector for reducing fuel consumption, costs and emissions.

Maintaining a commitment to the highest levels of Corporate Governance is critically important to Ardmore as well as to our stakeholders, and it remains an area in which we continue to excel. To that end, we are pleased to again be the number one ranked foreign private issuer and product tanker company on the Webber Corporate Governance scorecard for 2020.

While 2020 was a volatile year, our outlook is very positive for two key reasons. Firstly, we believe that the charter market has very strong fundamentals and that current charter rate weakness is directly attributable to the impact of COVID-19 on the demand for oil and oil products. With the vaccine roll-out well underway, we expect a strong and sustained recovery through the second half of 2021. Secondly, we strongly believe the energy transition and the drive to decarbonize will provide significant opportunities for Ardmore.

Ardmore has always understood and acted upon the fact that we have a duty to society and the environment. Earlier this year, we took this philosophy further by launching our Energy Transition Plan ("ETP") which sets out our strategic vision for the future. I encourage all of you to take a look at our Progress Report, which can be found on the Ardmore website. The ETP is a journey that we are committed to. It's not just the right thing to do for society and the environment, it will also drive our future profitability and growth.

Importantly, while the ETP has a long-term view, there are several initiatives already underway. We are proud to have entered into a strategic investment and joint

venture with a leading developer of clean energy technologies, Element 1 ("E1"), to bring a unique hydrogen delivery system to the maritime industry. This technology investment aligns perfectly with the ETP's technology focus and perfectly positions Ardmore to support decarbonization while also providing shareholder returns. This is only one of a number of initiatives underway, and this, along with a recovery in the general market, points to an exciting future for Ardmore.

Finally, we appreciate that our success depends upon the strong relationships that we have formed and the support that we receive from our shareholders, financiers, customers, employees and business partners. On behalf of the board of directors, I would like to thank all of you for your continued support during this most difficult year. We look forward to continuing to work together as we lead the way towards true environmental and financial sustainability as a tanker company.

**Curtis Mc Williams**  
Chairman  
Ardmore Shipping Corporation





## Letter from the CEO

**Anthony Gurnee**

### Dear Shareholders,

It is my pleasure to report on the performance of Ardmore Shipping Corporation for the year ended December 31, 2020.

The product and chemical tanker market in 2020 was the quintessential tale of two halves: In the first half of the year, the pre-existing supply/demand tightness encountered severe market volatility, driving charter rates and earnings to record highs, while the second half of the year reflected the reduced oil demand related to COVID-19 lockdowns. Nevertheless, financial results for the overall year demonstrated our ability to achieve positive adjusted net earnings during a complex, volatile period.

During the year, we continued to renew our fleet with the sale of our oldest MR (Ardmore Seamariner) at a good price, and the acquisition of a younger vessel (Ardmore Seafarer) with improved fuel efficiency and a significantly lower net income and cash breakeven. In addition, we completed two financings during the year; the Ardmore Seafarer was partly financed with IYO Bank, and we

also completed our first sustainability-linked loan (ABN AMRO Facility), both on attractive terms.

In February 2021, we released our first annual Progress Report which incorporated our Energy Transition Plan (“ETP”). In line with that plan, we subsequently announced our strategic investment and joint venture with Element 1 Corp. (“E1”) and Maritime Partners LLC to market, develop, license and sell E1’s unique hydrogen generation technology for application to the marine sector.

Overall, for the year, we are pleased with the Company’s performance in maintaining financial strength, cost efficiency and operational performance, and we believe that our corporate culture, strong balance sheet, and successful implementation of forward-looking initiatives give us good momentum moving forward.

### Market Review

The product tanker market, like many other markets, has been working through the fallout of COVID-19. In the years leading up to 2020, the combination of sustained oil demand growth, increasing seaborne distances as refineries moved further from points of consumption, a constrained orderbook for new vessels, and the approaching IMO 2020 sulfur regulations laid the groundwork for a very strong tanker market. 2020 however, was a rollercoaster year, where gains in the first half were offset to a large extent by the impact of COVID-19 in the back-end, as the market adjusted to global lockdowns and a reduction in oil product demand. Demand for key refined products such as jet fuel were a fraction of their normalized levels during the year as lower margins put pressure on small refineries. At the same time, the chemical market was particularly resilient, driven in large part by demand for consumer products in Asia and elsewhere.

Meanwhile, product tanker net supply growth was 3.8% in 2020, with chemical tanker net supply growth at 4.3%. Net supply growth for the past three years has averaged 3.6% and is expected to decline further over the coming years.<sup>(1)</sup>

Net Fleet Growth

< 2%



### Commercial and Operations

COVID-19 has been a challenging time for many, and none more so than seafarers. Here at Ardmore, we are incredibly proud of the contribution our seafarers have made as front-line staff. Their selfless approach to doing what needs to be done is not only a great reflection of Ardmore, but a testament to the caliber of people we have on our ships. Our seafarers’ hard work and dedication, as well as the sustained focus of our entire organization, enabled us to meet the unique operational challenges of 2020, by quickly and effectively taking action to manage and ensure availability of supplies, secure labor and drydocking space, execute safe and efficient crew changeovers, and protect crew health

and safety. I am very proud of the way our shore team moved mountains to ensure that we effectively provided crew reliefs and put in place initiatives to better support crew safety and wellbeing amid unprecedented circumstances. I am especially proud of how our seafarers continued to demonstrate Ardmore’s core values of ‘Professionalism, Integrity and Respect’ in a challenging environment.

In addition, we continued to invest in our organization and our fleet throughout 2020; we completed nine drydockings during the year and initiated further vessel optimization initiatives, including the installation of Propeller Boss Cap Fin (“PBCF’s”), micro boilers and slide valves.

Preparations for IMO 2020 went successfully, as we transitioned to compliant fuels by the start of the year rather than installing scrubbers and burning High Sulfur Fuel Oil (“HSFO”). We are pleased with our decision and the performance of our operations team in the successful transition to compliant fuels.

At Ardmore, we believe that consistently superior operating performance is a key driver of long-term value in our business. During 2020, we carried 77 different cargo grades, calling at 268 different load ports and 354 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. This aligns with our recent deal with Carl Büttner, where we have agreed to commercially manage their four 24,000 dwt chemical tankers.

Overall, we are pleased with our commercial performance despite these challenging markets, which reflects the hard work and dedication of our entire organization.

### Financial Performance

For the year ended 2020, we reported adjusted EBITDA of \$56.9 million and adjusted earnings of \$0.5 million for the year.<sup>(2)</sup> We continue to maintain a strong balance sheet and liquidity position; our year-end net leverage was 50.2%,<sup>(3)</sup> and we finished the year with cash and cash equivalents of \$58.4 million.

In January 2021, we completed the sale of 2006-built Ardmore Seamariner and replaced it with the 2010-built Ardmore Seafarer, which has a significantly lower breakeven and has been partly financed with IYO Bank at LIBOR + 2.25%. IYO Bank is a new lender to Ardmore, and we are very pleased with this transaction and look forward to working closely with the team as part of our bank group. We also completed our first sustainability-linked financing when we refinanced our \$15 million Facility with ABN AMRO on improved commercial terms and a maturity extended to July 2022 with extension options. This facility contains price adjustment features linked to our performance on CO2 emission reductions and other environmental and social initiatives. During the year, we also executed floating-to-fixed interest rate swaps on \$324 million of our debt, locking in funding at an average of 0.32%, and repurchased approximately 100,000 shares at a weighted-average price of \$2.91 per share.

We continue to be very transparent and engaged with our shareholders, and we are pleased to report that Ardmore has maintained a top tier ranking out of all shipping companies for corporate governance.<sup>(4)</sup>

Year End  
Net Leverage

50.2%



## Market Outlook

The outlook for first half of 2021 remains challenging; while we expect oil demand to recover alongside the roll-out of COVID-19 vaccines and the normalization of economic activity, that process will likely take several months. However, we believe that the continued refinery dislocation will incrementally boost product tanker tonne-mile demand, and alongside anticipated geographical imbalances of oil products resulting in greater cargo movement, this effectively creates a heightened baseline of tanker demand going into the recovery.

The IEA World Energy Outlook 2021 predicts a full oil demand recovery post pandemic, and oil demand

growth of 0.85%<sup>(5)</sup> thereafter out to 2030. Because of ongoing trends relating to the location of new refinery construction and the increasing share of seaborne oil trade that consists of refined products rather than crude, product tanker demand will continue to run higher than oil demand growth; over the past 10 years, product tanker demand growth has been 4% to 5%<sup>(6)</sup> versus 1.1%<sup>(5)</sup> for oil demand growth. Using the 0.85% figure from the IEA, we expect slower, but still substantial, product tanker demand growth of 2% to 3% post-pandemic, with chemical tanker demand growth expected to be higher. At the same time, the refinery industry is now facing permanent shutdowns of older, less efficient refineries, being replaced by new export-oriented capacity, resulting in greater seaborne volumes being carried over longer distances.

The vessel supply side outlook is continuing to look more and more favorable, with net fleet growth averaging 1-2%<sup>(1)</sup> over the next couple of years. With an ageing fleet that includes over 800 ships expected to be eligible for scrapping over the next five years, increasing efficiency targets such as EEXI will put pressure on older and less efficient ships. Furthermore, new ship ordering is expected to remain low until there is further clarity on propulsion technology and regulatory certainty.

## Ardmore's Energy Transition Plan

In terms of both increasing regulation and underlying necessity, the drive towards decarbonization is accelerating which we view of as more as an opportunity than as a threat. In February 2021, we announced our ETP, which focuses on three key areas: (1) Transition Projects, (2) Transition Technologies, and (3) Sustainable Cargos (non-fossil fuel). In line with this strategy, we established Ardmore Ventures as our holding company for existing and future potential investments related to transition technologies.

In March 2021, we announced the first investment by Ardmore Ventures, a strategic investment and joint venture with Element 1 Corp. and Maritime Partners LLC. The joint venture, e1 Marine, will be positioned to meet the needs of the marine sector for the safe and efficient delivery of hydrogen onboard for mid-size power applications, providing a significant and cost-effective reduction in CO2 emissions when using standard

methanol versus gasoil, full carbon-neutrality when using renewable methanol, and the ability to be modified to run on ammonia. With an exclusive mandate to develop and distribute this technology for marine and related applications through e1 Marine, as well as a 10% equity stake in Element 1 Corp, we are highly optimistic about the future prospects for this technology and Ardmore's ability to both drive growth and benefit from it in the marine sector and beyond.

Across our fleet, we already generate 25% of our revenues from non-fossil fuel cargoes, and our commercial management agreement with Carl Büttner for four of their IMO2 chemical tankers in further increases these growing, sustainable cargoes in our overall cargo mix.

We see the energy transition as an evolution rather than a revolution, with our ETP unfolding over the coming years, but we believe that there are exciting opportunities in the near term to ensure that Ardmore is positioned to benefit and lead through the period of decarbonization and innovation to come.

## Closing Comments

As we look ahead to the energy transition and related market opportunities, we believe that our strategic focus, performance culture, agility, and approach to innovation will allow us to create lasting value for our shareholders.

We are very excited about the years ahead; Ardmore has an excellent organization with world-class shipping professionals and a modern fuel-efficient product and chemical tanker fleet. We look forward to taking advantage of the energy transition and the tanker market rebound that is expected to accompany a broader economic normalization.

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 every day to achieve the very highest standards of operational excellence, customer service and shareholder value creation.

**Anthony Gurnee**  
Chief Executive Officer  
Ardmore Shipping Corporation

Sources:

(1) Clarksons Shipping Intelligence Network and Management's estimates. Note these numbers include slippage. Management's estimates based on 12.5% of full year scheduled deliveries slipping into 2022; scrapping levels estimated from current fleet age; 18 ships were scrapped in 2020. Estimated deliveries assume no delays due to pandemic

(2) Adjusted EBITDA and adjusted earnings are non-GAAP measures. A definition of these measures and a reconciliation of these measures to its nearest GAAP comparable measure are included within Ardmore's earnings release for the year ended December 31, 2020

(3) Corporate Leverage (Net Debt) = Total Debt less Cash / Total Liabilities and Equity less Cash. Total debt excludes derivative liabilities

(4) Webber Research: 2020 ESG Scorecard, June 16, 2020

(5) IEA World Energy Outlook, 2021

(6) Clarksons Shipping Intelligence Network, Seaborne Trade Tables, February 2021





## Directors & Senior Management

### Mr. Curtis Mc Williams

Chair of the Board, Chair of the Nominating and Corporate Governance Committee, Chair 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 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 Modiv Board of Directors (formerly, the RW Holdings NNN REIT, Inc.). 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 Truststreet 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.

### Mr. Brian Dunne

Director, Chair 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 Chair of Ark Life Assurance Company and a director of Chorus Aviation Capital (Ireland), AASET 2018-2 and AASET 2019-2. He was previously a director of ReAssure, Guardian Assurance, 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.

### Mr. Mats Berglund

Director, Member of the Compensation Committee and Nominating and Corporate Governance 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 Ardmore 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.

### Dr. Kirsi Tikka

Director, Member of the Compensation Committee

Kirsi Tikka was appointed as a director of Ardmore in September 2019. 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. Dr. Tikka is chairing the U.S. National Academies Committee on Oil in the Sea, IV: Inputs, Fates, and Effects, and is a member of the U.S. National Academies Committee on U.S. Coast Guard Oversight of Recognized Organizations. 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 Classification Society ("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.



## Directors & Senior Management

### Mr. Anthony Gurnee

Chief Executive Officer, President and Director

Anthony Gurnee has been 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, wave energy, and sustainable aquaculture projects.

### Mr. Mark Cameron

Executive Vice President and Chief Operating Officer

Mark Cameron joined Ardmore as Executive Vice President and Chief Operating Officer and was appointed an Executive Director of Ardmore Shipping Services (Ireland) in June 2010. In addition, Mr. Cameron is the past Chair of the International Parcel Tankers Association ("IPTA"). Currently, Mr. Cameron represents Ardmore on the following Boards; Anglo Ardmore Ship Management Ltd., The West of England P&I Club and has represented as 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 overseen 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, in the seven years prior, he held various positions up to Trade Manager for Maersk in the USA, Denmark, Singapore and Germany. Currently, Mr. Ruppelt is on the Board of Anglo Ardmore Ship Management Ltd., is Chair of INTERTANKO's Commercial and Markets Committee and represents Ardmore at the INTERTANKO Council. He is currently pursuing a Global Executive MBA with INSEAD, is a graduate of Hamburg Shipping School and completed the management program 'Maersk International Shipping Education'. He is also a member of the Institute of Chartered Shipbrokers in London.

### Ms. Aideen O'Driscoll

Vice President, Director Corporate Services

Aideen O'Driscoll was appointed Ardmore's Vice President, Corporate Services in 2021, with responsibility for human resources, legal, office management and project management. Aideen joined Ardmore in June 2015 as Legal Associate, before being appointed to the role of Director of Human Resources in 2019. Prior to Ardmore, Aideen had spent five years practicing as a commercial conveyancing and banking solicitor. Aideen holds a Bachelor of Civil Law and an LLM Master's Degree in Law, both from University College Cork. She was admitted to the Roll of Solicitors in 2013 and has just completed an Executive MBA with Cork University Business School. Aideen is a member of the steering committee of the Diversity Study Group, promoting greater equality, diversity, and inclusion in the shipping industry.



# Our Fleet

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

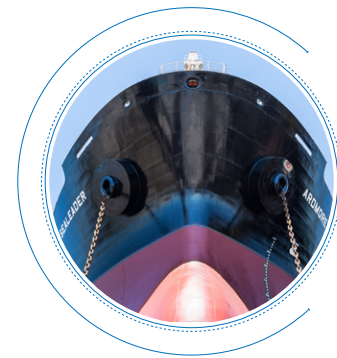
Built at top-tier yards in Japan and South Korea, Ardmore's fleet incorporates optimized "Eco" hull, engine, and propeller design modifications to improve fuel efficiency and reduce our carbon footprint. Ardmore currently has a combined fleet of 26\* Eco-Design and Eco-Mod product and chemical tankers trading globally.



Eco-Design MRs:

15

Medium Range Product tankers are the most flexible in the 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 delivered in 2013 or later, with latest hull form and engine design to optimize fuel efficiency and reduce carbon emissions.



Eco-Mod MRs:

5\*

Our Eco-Mod vessels were delivered in 2008-2010, 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 IMO2 notation and average tank size of less than 3,000 M<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.

\*Includes Time Charter-In Ship



# Vessels

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 Sealeader	Product	47,463	-	Aug-08	Japan	MI	Eco-Mod
Ardmore Sealifter	Product	47,472	-	Jul-08	Japan	MI	Eco-Mod
Ardmore Sealancer	Product	47,451	-	Jun-08	Japan	MI	Eco-Mod
Ardmore Seafarer	Product	49,999	-	Jun-10	Japan	SG	Eco-Mod
Ardmore Dauntless	Product/Chemical	37,764	2	Feb-15	Korea	MI	Eco-Design
Ardmore Defender	Product/Chemical	37,791	2	Feb-15	Korea	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
T Matterhorn <sup>(1)</sup>	Product	47,981	-	Dec-10	Japan	PA	Eco-Mod

Fleet list as at March 31, 2021

MI = Marshall Islands; SG = Singapore; PA = Panama


(1) Time Charter-In Ship


# Sustainability & Ardmore's Energy Transition Plan


The question around sustainability is simple: are you conducting yourself in a manner that will leave the world in a better condition for your grandchildren? This is a question we must face head-on, and we must continue to work on it until we can honestly and unreservedly answer in the affirmative.

Ardmore views sustainability as mostly and more immediately about the environment, and in particular the need to decarbonize, but also about other means to reduce or eliminate our negative impact on the environment, such as sulfur dioxide or nitrous oxide. There are also social and financial aspects to sustainability, which we believe are vitally important.

The crucial question for Ardmore and our industry is whether tankers can be sustainable. We believe so – it's a matter of the cargoes you carry, the way you care for them, and the environmental impact you have in transporting those cargoes. The basic framework of Ardmore's Energy Transition Plan ("ETP") addresses this further;

 We are in the business of liquid bulk transportation, and over time our activity will migrate more toward non-fossil fuel cargoes for which demand will grow along with the global economy

 In keeping with our "eco-mod" philosophy, we believe that there is significant opportunity for continued improvement in fuel efficiency as well as early adoption of transition and zero carbon fuels, and that Ardmore can play a role in assisting others through partnerships

 We believe that many of our customers have similar incentives to decarbonize their supply chains and will approach this through closer collaboration with shipping companies possessing the mindset and expertise to assist them in achieving their aims

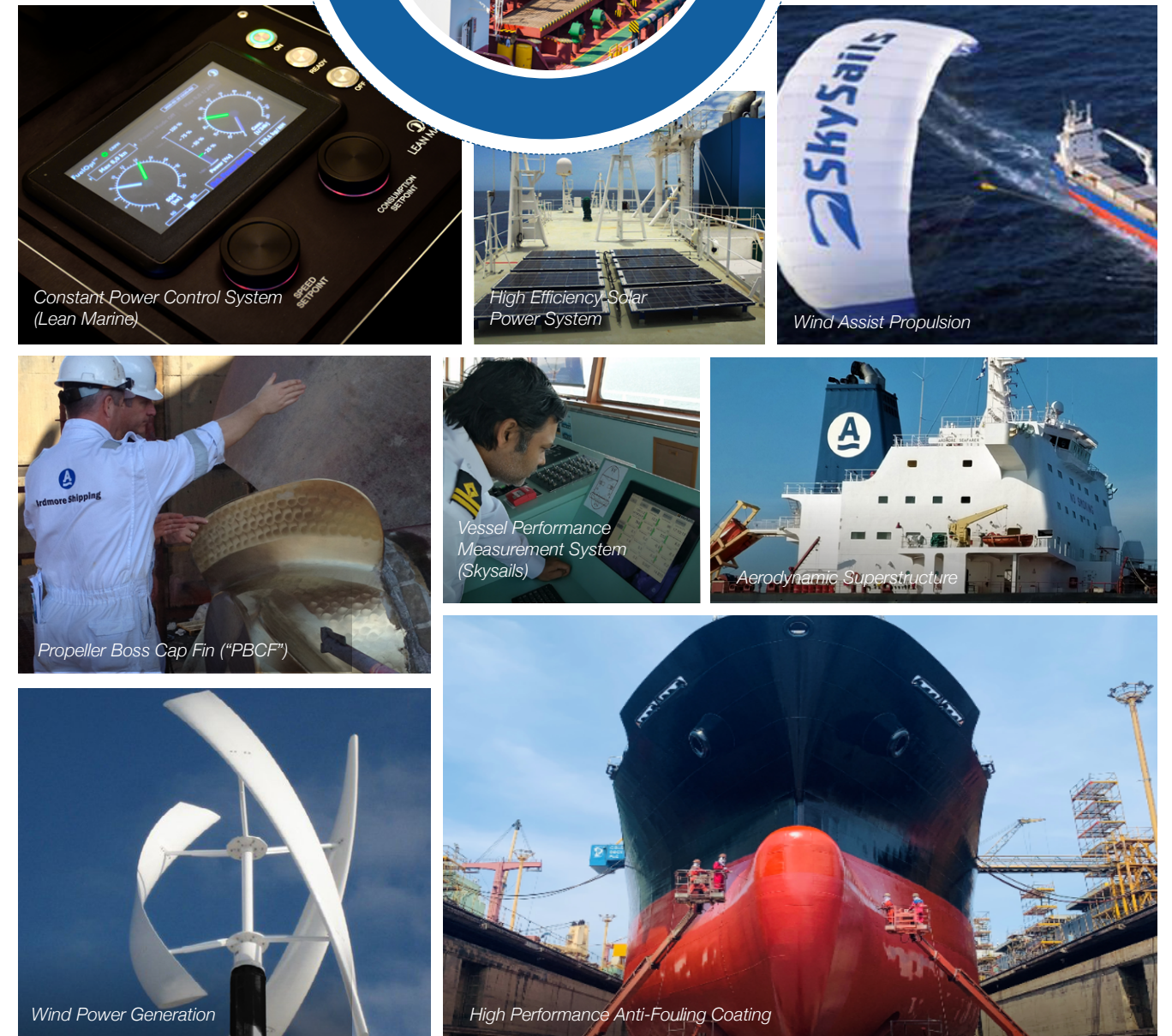
The Ardmore ETP is consistent with, and is an extension of, our existing strategy; it builds on our core strengths, and it fits in perfectly with our sense of purpose. When it comes to the energy transition, we have a clear and admittedly audacious sense of purpose: to play a pivotal role by leading the way toward true sustainability as a tanker company. Just as with the energy transition itself, our energy transition plan will unfold over years not months.

For more information on our approach to sustainability and our social responsibility please refer to our Progress Report 2020.

[www.ardmoreshipping.com/about/progress](http://www.ardmoreshipping.com/about/progress) 



## Cargos Carried in 2020



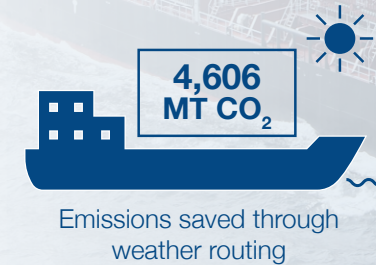
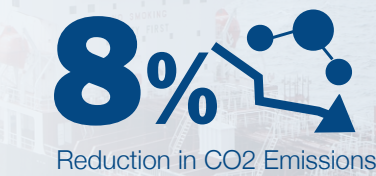
# ESG Highlights

## Environmental

2020 saw Ardmore reduce its metric tonnes of CO2 emissions generated from 422,984 in 2019 to 389,721. This is a result of our ongoing performance improvement initiatives, which include:

- The development of a hull coating assessment platform, which not only has allowed us to closely monitor the hull fouling but also enables us to assess the overall coating performance
- The installation and commissioning of a constant power control system, which reduces fuel consumption, ensuring the propulsive power is optimised by way of removing the overconsumption in adverse conditions

### SUSTAINABLE DEVELOPMENT GOALS



## Social

2020 was a challenging year for Ardmore but particularly for our seafarers, who in difficult conditions, continued to drive efficiency, performance and results on board our ships.

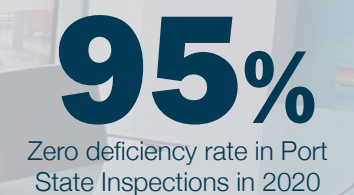
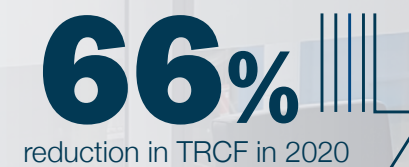
A result of these conditions was the successful interdepartmental collaboration and co-operation on the 'Bring 'em Home' project to repatriate crew in parallel to effectively managing the commercial operations of our vessels. Additionally, with a focus on supporting education and succession planning, we established the Anglo Ardmore bursary framework to support cadet officer training and developed a Safety Rating app to improve our overall safety performance.



## Governance

Ardmore prides itself on its strong track-record with regard to governance and our approach to this was again acknowledged in the 2020 ESG Scorecard from Webber Research, which recognised us as the #1 ranked product tanker and foreign private issuer in shipping.

Prominent in this is our board independence (independent board leader, only the CEO is a non-independent director), no related party transactions and our diversity at board level.



# Ardmore Shipping Corporation

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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

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

## Auditors

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# 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, 2020**  
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.

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

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, 2020, there were 33,186,603 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", "accelerated filer", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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 business and growth strategies and our Energy Transition Plan (“ETP”) and other plans, and related potential benefits and opportunities;
- fleet expansion and acquisitions, vessels and upgrades 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 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, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 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, 2018, 2017 and 2016 and for the years ended December 31, 2017 and 2016 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				
	2020	2019	2018	2017	2016
	\$	\$	\$	\$	\$
Revenue, net	\$ 220,057,606	230,042,240	210,179,181	195,935,392	164,403,938
Voyage expenses <sup>(1)</sup>	(81,253,212)	(96,056,391)	(98,142,454)	(72,737,902)	(37,121,398)
Vessel operating expenses	(62,546,733)	(62,546,606)	(67,017,632)	(62,890,401)	(56,399,979)
Charter hire costs	(1,367,528)	—	—	—	—
Depreciation	(32,187,324)	(32,322,695)	(35,137,880)	(34,271,091)	(30,091,237)
Amortization of deferred drydock expenditures	(6,198,245)	(4,803,069)	(3,637,276)	(2,924,031)	(2,715,109)
General and administrative expenses:					
Corporate	(15,122,906)	(14,951,996)	(12,626,373)	(11,979,017)	(12,055,725)
Commercial and chartering <sup>(2)</sup>	(2,780,970)	(3,194,218)	(3,233,888)	(2,619,748)	(2,021,487)
Loss on sale of vessels	—	(13,162,192)	—	—	(2,601,148)
Loss on vessel held for sale	(6,447,309)	—	(6,360,813)	—	—
Unrealized losses on derivatives	(113,591)	—	—	—	—
Interest expense and finance costs	(18,168,155)	(26,759,754)	(27,405,608)	(21,380,165)	(17,754,118)
Interest income	281,618	952,190	606,665	436,195	164,629
<b>(Loss)/income before taxes</b>	<b>(5,846,749)</b>	<b>(22,802,491)</b>	<b>(42,776,078)</b>	<b>(12,430,768)</b>	<b>3,808,366</b>
Income tax	(199,446)	(58,766)	(162,923)	(59,567)	(60,434)
<b>Net (loss)/income and comprehensive (loss)/income</b>	<b>\$ (6,046,195)</b>	<b>(22,861,257)</b>	<b>(42,939,001)</b>	<b>(12,490,335)</b>	<b>3,747,932</b>
(Loss) / Earnings per share, basic	\$ (0.18)	(0.69)	(1.31)	(0.37)	0.12
(Loss) / Earnings per share, diluted	(0.18)	(0.69)	(1.31)	(0.37)	0.12
Weighted average number of shares outstanding, basic	33,241,936	33,097,831	32,837,866	33,441,879	30,141,891
Weighted average number of shares outstanding, diluted	33,241,936	33,097,831	32,837,866	33,441,879	30,141,891

### BALANCE SHEET DATA

	As at December 31				
	2020	2019	2018	2017	2016
Cash and cash equivalents	\$ 58,365,330	51,723,107	56,903,038	39,457,407	55,952,873
Vessels and vessel equipment, net of accumulated depreciation	631,458,305	660,823,330	721,492,473	751,816,840	785,461,415
Deferred drydock expenditures, net of accumulated amortization	10,216,090	7,668,711	7,127,364	4,118,168	3,232,293
Advances for ballast water treatment systems	2,568,874	384,408	528,774	—	—
Total assets	\$ 752,007,855	772,438,430	844,759,801	845,539,989	883,642,723
Debt obligations	\$ 210,510,964	207,283,013	228,354,248	404,423,570	453,213,106
Finance lease obligations	\$ 197,704,384	215,679,694	241,476,098	42,494,019	9,130,650
Total stockholders' equity	\$ 320,334,946	326,055,768	346,583,934	380,973,760	404,269,799
Paid in capital <sup>(3)</sup>	\$ 402,897,285	401,842,777	399,509,686	390,541,689	401,347,393
Accumulated other comprehensive loss	\$ (729,135)	—	—	—	—
Accumulated (deficit)/surplus	\$ (81,833,204)	(75,787,009)	(52,925,752)	(9,567,929)	2,922,406

### CASHFLOW DATA

	For the years ended December 31				
	2020	2019	2018	2017	2016
Net cash provided by operating activities	\$ 46,094,449	20,471,260	9,426,377	18,416,228	42,634,500
Net cash (used in)/provided by investing activities	\$ (20,993,433)	23,894,165	(17,556,879)	(2,282,251)	(122,311,231)
Net cash (used in)/provided by financing activities	\$ (18,458,793)	(49,545,356)	25,576,133	(32,629,443)	95,520,221

### FLEET OPERATING DATA

	For the years ended December 31				
	2020	2019	2018	2017	2016
<b>Time Charter Equivalent<sup>(4)</sup></b>					
MR Tankers “Eco-design”	\$ 15,993	15,781	11,406	12,902	15,098
MR Tankers “Eco-mod”	\$ 14,284	14,062	11,916	12,975	14,318
Chemical Tankers “Eco-design”	\$ 14,332	12,420	11,406	11,949	15,395
Chemical Tankers “Eco-mod”	\$ —	—	—	—	11,839
Fleet weighted average TCE <sup>(5)</sup>	\$ 15,355	14,686	11,529	12,709	14,785
<b>Operating expenditure</b>					
Fleet operating expenses per day <sup>(6)</sup>	\$ 6,070	6,112	6,042	5,914	6,017
Technical management fees per day <sup>(7)</sup>	\$ 439	450	414	384	388
<b>Total fleet operating costs per day</b>	<b>\$ 6,509</b>	<b>6,562</b>	<b>6,456</b>	<b>6,298</b>	<b>6,405</b>
<b>Expenditures for drydock<sup>(8)</sup></b>	<b>\$ 7,003,305</b>	<b>5,387,875</b>	<b>6,599,085</b>	<b>3,809,906</b>	<b>3,099,805</b>
<b>On-hire utilization<sup>(9)</sup></b>	<b>98.80 %</b>	<b>99.66 %</b>	<b>99.30 %</b>	<b>99.61 %</b>	<b>99.52 %</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”) rate, a non-GAAP measure, 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, a non-GAAP measure, 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 Ardmore Ship Management Limited, which provides technical management services to most of our vessels.
- (8) Drydock expenditures include, among other things, costs for in-water surveys, direct costs that are incurred as part of vessel drydocking to meet regulatory requirements. Direct expenditures that are deferred include the shipyard costs, parts, inspection fees, steel, blasting and painting.
- (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 risks summarized below and discussed in greater detail in the following pages 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.*

#### Risk Factor Summary

- The tanker industry is cyclical and volatile in terms of charter rates and profitability.
- Weak spot charter markets may adversely affect our results of operations.
- The novel coronavirus (COVID-19) pandemic is dynamic and may directly or indirectly harm our business.
- Declines in oil prices may adversely affect our growth prospects and results of operations.
- Volatility in the markets in which our vessels trade may result in us having limited liquidity.
- Declines in charter rates and other market deterioration could cause us to incur impairment charges.
- Any vessel market value decreases could result in breaches of credit or lease facility covenants or impairment charges, and we may incur a loss if we sell vessels following a decline in their market value.
- An over-supply of tanker capacity may lead to reductions in charter rates, vessel values, and profitability.
- The state of global financial markets and economic conditions may adversely impact our ability to obtain additional financing or to refinance existing financing or otherwise negatively impact our business.
- Changes in fuel, or bunkers, prices may adversely affect our results of operations.
- Changes in the oil, oil products and chemical markets could result in decreased demand for our services.
- Our vessels may 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.
- We operate our vessels worldwide and, as a result, our vessels are exposed to international risks.
- Acts of piracy on ocean-going vessels could adversely affect our business.
- Political instability, terrorist or other attacks, war or international hostilities can affect the tanker industry.
- If our vessels call on ports subject to U.S. restrictions, the market for our securities could be adversely affected.
- The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.
- Maritime claimants could arrest our vessels, which would have a negative effect on our business.
- Governments could requisition our vessels during a period of war or emergency.
- Increased demand for and supply of vessels fitted with exhaust gas scrubbers could reduce demand for our existing vessels.
- Technological innovation could reduce our charter hire income and the value of our vessels.
- Failure to protect our information systems against security breaches or system failure could adversely affect our business and results of operations.
- If labor or other interruptions are not resolved, they could have a material adverse effect on our business.
- We will be required to make substantial capital expenditures to expand and maintain our fleet, which will depend on our ability to obtain additional financing.

- 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 we do not acquire suitable vessels or shipping companies or successfully integrate any acquired vessels or shipping companies, we may not be able to effectively grow.
- Delays in vessel deliveries, cancellations of vessel orders or the inability to complete vessel acquisitions could harm our results of operations.
- If we purchase and operate second-hand vessels, we will be exposed to increased operating costs and these vessels could adversely affect our ability to obtain profitable charters.
- An increase in operating or voyage expenses would decrease our earnings and cash flows.
- We may be unsuccessful in competing in the international tanker market.
- The loss of any key customers could result in a significant loss of revenues and cash flow.
- Charterers may terminate or default on their charters.
- Our ability to obtain additional debt financing may depend on the performance of charters and the creditworthiness of our charterers.
- Debt and other obligations may limit our ability to obtain financing and pursue other opportunities.
- Servicing our current or future indebtedness and lease obligations limits available funds and if we cannot service our debt, we may lose our vessels.
- We are a holding company and depend on the ability of our subsidiaries to distribute funds to us.
- Our credit facilities and lease arrangements contain restrictive covenants.
- Any interest rate increases would increase our debt service costs on variable-rate debt and lease obligations.
- LIBOR's continued use is uncertain.
- Failure to maintain an effective system of internal control over financial reporting could affect our ability to accurately report our results and prevent fraud.
- We are subject to certain risks with respect to our counterparties on contracts.
- Our insurance may not be adequate to cover our losses that may result from our operations.
- We may be required to make additional insurance premium payments.
- We are subject to complex laws and regulations which can adversely affect our business.
- Climate change and greenhouse gas restrictions may adversely affect our operating results.
- Increasing scrutiny and changing expectations about Environmental, Social and Governance ("ESG") policies may impose additional costs on us or expose us to additional risks.
- Ballast water discharge regulations may adversely affect our results of operation and financial condition.
- If we fail to comply with international safety regulations, we may be subject to increased liability and may result in a denial of access to, or detention in, certain ports.
- Failure to comply with data privacy laws could harm customer relationships and expose us to claims and fines.
- Because we are incorporated in the Marshall Islands, shareholders may have fewer rights and protections under Marshall Islands law than under a typical jurisdiction in the United States.
- It may be difficult to serve process on or enforce a U.S. judgment against us, our officers and our directors.
- 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.
- Anti-takeover provisions in our articles of incorporation and bylaws documents could adversely affect the market price of our common shares.



- 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.
- We may have to pay tax on U.S. source shipping income, which would reduce our earnings.
- We may be subject to additional taxes, which could adversely impact our business and financial results.
- Our business depends upon key members of our senior management team.
- Future sales of our common shares could cause the market price of our common shares to decline.
- Exposure to currency exchange rate fluctuations could result in fluctuations in our operating results.

## 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 February 15, 2021, three of our vessels were on time charter, and 23 vessels operating 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 February 15, 2021, 23 vessels operating 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. 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. The continuation of the pandemic, 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, including the developments of variants of the virus, and its ultimate scope, duration and effects are uncertain. The pandemic and 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 continue to 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, 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 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 or moderated by expanding vaccine accessibility, 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. In addition, public health threats and other highly communicable disease outbreaks, such as the COVID-19 pandemic, could adversely affect the business, results of operations or financial condition of us or our customers, suppliers and other business partners.

**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. 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, 2020, we had total cash and cash equivalents of \$58.4 million. 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, 2020, was \$20.5 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 undiscounted future 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 undiscounted future 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 February 15, 2021. 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 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 price and supply of fuel is unpredictable and fluctuates based on events outside our control, including, among other factors, 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.

**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 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 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 installed 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 February 2021, owners of approximately 40% 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 February 15, 2021, three of our vessels were employed under fixed rate time charter agreements. 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 assets or companies for acquisition or successfully integrate any acquired assets or 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 assets and/or companies for acquisitions at attractive prices;
- identify suitable businesses for acquisitions or joint ventures;
- integrate any acquired assets 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 and successfully enter additional new markets;
- improve or expand our operating, financial and accounting systems and controls; and
- obtain required financing for our existing and new assets, businesses and operations.

Our failure to effectively identify, purchase, develop and integrate any assets 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 and expertise may not be adequate as we implement our plan to expand the size of our fleet or enter new markets and we may not be able to effectively hire more employees, adequately improve those systems or develop that expertise. 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 increase our financial leverage and debt service costs 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 assets and operations into existing infrastructures. The expansion of our fleet and business 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 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 February 15, 2021, three of our vessels were employed under fixed rate time charter agreements. 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.

**The loss of any key customer 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. Vitol Group accounted for 10% or more of our consolidated revenue for the years ended December 31, 2020 and 2018. No customer accounted for 10% or more of our consolidated revenue for the year ended December 31, 2019. 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, 2020, we had \$408.2 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 or assume debt as part of acquisitions. 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 finance 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:

- 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;
- reduce any dividends; 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:

- 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;
- pay dividends or distributions;
- 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.

**Interest rate increases 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 variable rate ranging from 2.25% to 3.50% above LIBOR. Certain of our finance lease arrangements bear interest at an annual variable 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.

From time to time we hedge a portion of the interest rate risk of our variable debt and finance leasing obligations. However, our financial condition could be materially adversely affected at any time that we have not entered into interest rate hedging arrangements to hedge our exposure to the interest rates applicable to our variable-rate debt facilities, financing leases and any other financing arrangements we may enter into in the future. We cannot provide assurances that any hedging activities that we enter into will fully mitigate our interest rate risk from variable-rate obligations.

**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 during 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 U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by Treasury securities (“SOFR”). SOFR is observed and backward-looking, which stands in contrast with LIBOR under the current methodology, which is an estimated forward-looking rate and relies, to some degree, on the expert judgment of submitting panel members. Whether or not SOFR attains market acceptance as a LIBOR replacement tool remains in question. As such, the future of LIBOR at this time is uncertain.

If LIBOR ceases to exist, we may need to renegotiate any credit agreements or interest rate derivatives agreements extending beyond 2021 that utilize LIBOR as a factor in determining the interest rate or hedge rate, which could adversely impact our cost of debt.

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, 2020, we had \$408.2 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.

**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 and time 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 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. This year, the shipping industry is experiencing significant increases in premiums for coverage by 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.



## LEGAL AND REGULATORY RISKS

**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. Cost of compliance with such laws and regulations may be significant and, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. Compliance with existing and future regulatory obligations may include 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.

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

An increasing concern for, and focus on climate change, has promoted extensive existing and proposed international, national and local regulations intended to reduce greenhouse gas emissions. Compliance with such regulations and our efforts to participate in reducing greenhouse gas emissions will likely increase our compliance costs, require significant capital expenditures to reduce vessel emissions and require changes to our business.

Our business includes transporting refined petroleum products. Regulatory changes and growing public concern about the environmental impact of climate change may lead to reduced demand for petroleum products and decreased demand for our services, while increasing or creating greater incentives for use of alternative energy sources. We expect regulatory and consumer efforts aimed at combating climate change to intensify and accelerate. Although we do not expect demand for oil to decline dramatically over the short-term, in the long-term climate change likely will significantly affect demand for oil and for alternatives. Any such change could adversely affect our ability to compete in a changing market and our business, financial condition and results of operations.

**Increasing scrutiny and changing expectations from investors, lenders and other market participants with respect to our Environmental, Social and Governance (“ESG”) policies may impose additional costs on us or expose us to additional risks.**

Companies across all industries are facing increasing scrutiny relating to their ESG policies. Investor advocacy groups, certain institutional investors, investment funds, lenders and other market participants are increasingly focused on ESG practices and, in recent years, have placed increasing importance on the implications and social cost of their investments. The increased focus and activism related to ESG and similar matters may hinder access to capital, as investors and lenders may decide to reallocate capital or to not commit capital as a result of their assessment of a company’s ESG practices. Diminished access to capital could hinder our growth. Companies that do not adapt to or comply with investor, lender or other industry shareholder expectations and standards, which are evolving, or which are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, may suffer from reputational damage and their business, financial condition and stock price may be adversely affected.

We may face increasing pressures from investors, lenders and other market participants, which are increasingly focused on climate change, to prioritize sustainable energy practices, reduce our carbon footprint and promote sustainability. As a result, we may be required to implement more stringent ESG procedures or standards so that our existing and future investors and lenders remain invested in us and make further investments in us, especially given our business of transporting refined petroleum products. In addition, it is likely we will incur additional costs and require additional resources to monitor, report and comply with wide-ranging ESG requirements. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

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

The International Maritime Organization, the United Nations agency for maritime safety and the prevention of pollution by vessels (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 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 will involve 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 are currently in effect to regulate ballast discharge, exchange and installation, the Vessel Incidental Discharge Act, 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.

**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 and European Union 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.

**Our failure to comply with data privacy laws could damage our customer relationships and expose us to litigation risks and potential fines.**

Data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions and countries in which we provide services and continue to develop in ways which we cannot predict, including with respect to evolving technologies such as cloud computing. The EU adopted the General Data Privacy Regulation ("GDPR"), a comprehensive legal framework to govern data collection, use and sharing and related consumer privacy rights which took effect in May 2018. The GDPR includes significant penalties for non-compliance. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or impairment to our reputation in the marketplace, which could have a material adverse effect on our business, financial condition and results of operations.

#### **RISKS RELATED TO AN INVESTMENT IN OUR SECURITIES**

**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 Marshall Islands Business Corporations Act (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 all 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 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.**

On March 9, 2020, we announced a new capital allocation policy which sets out our priorities among fleet maintenance, financial strength, accretive growth and, once the other priorities are achieved, returning capital to shareholders. Commencing with the quarter ended March 31, 2020, we transitioned to the new policy.

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 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 will also depend 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;
- asset 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;
- 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;
- the amount of any cash reserves established by our board of directors; and
- restrictions under our financing agreements and Marshall Islands law.

**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 2020 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.

## GENERAL RISKS

### **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.

### **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.

### **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.

## **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 February 15, 2021, our fleet consists of 25 owned 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 76 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 includes 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 believe that the global energy transition will have a profound impact on the shipping industry, including the product and chemical tanker segments. While this transition will unfold over years, the impact is already being felt through anticipated Energy Efficiency Existing Ship Index and Carbon Intensity Indicator regulations and constraints on newbuilding ordering activity. We view energy transition as less of a compliance challenge and more of an opportunity, which we have set out in our Energy Transition Plan (“ETP”), which is posted on our website.

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.

In terms of our industry, we expect continued challenging market conditions until a full economic recovery is underway, largely dependent on the effectiveness and timing of the COVID-19 vaccine rollout. Thereafter, we expect a rebound in charter rates and financial performance in a recovering market with above-trend demand growth, led by refined product draws and disruption and trading activity creating longer voyages getting refined products to markets where needed. We expect continued product tanker demand growth to 2030, with global economic growth and refinery activity away from points of consumption offsetting the initial impact of energy transition.

When the market does recover, we believe that we are well positioned to benefit from it with our 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 February 15, 2021, our current fleet consists of 25 owned vessels, including 21 Eco-design and four Eco-mod vessels, all of which are in operation. The average age of our vessels at February 15, 2021, was 7.8 years.

Vessel Name	Type	Dwt Tonnes	IMO	Built	Country	Flag	Specification
<i>Ardmore Seavaliant</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 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 Seafarer</i>	Product	49,999	—	Jun-10	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>1,115,567</b>					

#### Business Strategy

Our primary 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. 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.

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.

In addition, our ETP is consistent with, and is an extension of, our business strategy; it builds on our core strengths, and we intend to play a leading role in moving toward true sustainability as a tanker company. The basic framework of our ETP is as follows:

- We are in the business of liquid bulk transportation, and over time our activity will migrate more toward non-fossil fuel cargoes for which demand will grow along with the global economy. At this point, already 25% of our business is the transportation of non-fossil fuel cargo.
- In keeping with our “eco mod” philosophy, we believe there is significant opportunity in our industry for continued improvement in fuel efficiency, as well as early adoption of transition and zero carbon fuels, and that we can play a role in assisting others through partnerships.
- We believe that many of our customers have similar incentives to decarbonize their supply chains and will approach this through close collaboration with shipping companies possessing the mindset and expertise to assist them in achieving their aims.

As part of our growth strategy, we regularly monitor, evaluate and enter into discussions regarding potential expansion opportunities, including through vessel and business acquisitions and joint ventures. We are selective in implementing our growth strategy and there is no assurance that existing or future evaluations, discussions or negotiations relating to these opportunities will result in completed or successful transactions.

## 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, 2020, we employed 47 full-time staff and eight part-time staff onshore. Through AASML, our 50%-owned joint venture ship manager, and Thome Ship Management, our third-party technical manager, approximately 1,046 seafarers, including 497 officers and cadets and 549 crew serve our fleet.

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
ULCC/VLCC	200,000+	Uncoated	Non IMO	Crude Oil	
Suezmax	120,000 - 199,999	Uncoated	Non IMO	Crude Oil	
Aframax	80,000 - 119,999	Uncoated	Non IMO	Crude Oil	Refined Products - Dirty
Panamax	60,000 - 79,999	Uncoated	Non IMO	Crude Oil	Refined Products - Dirty
Large Range 3 (LR3)	120,000 - 199,999	Coated	Non IMO	Refined Products	Crude
Large Range 2 (LR2)	80,000 - 119,999	Coated	Non IMO	Refined Products	Crude
Large Range 1 (LR1)	60,000 - 79,999	Coated	Non IMO	Refined Products	Crude
Medium Range (MR)	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	
Small Range (SR)	10,000 - 24,999	Coated	Non-IMO	Refined Products	
	10,000 - 24,999	Coated	IMO 2	Refined Products	Chemicals/Veg Oils
Stainless Steel Tankers	10,000 +	Stainless	IMO 2	Chemicals/Veg Oils	Refined Products
Specialist Tankers	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 can carry products as well as some chemicals, representing 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.

The outbreak of COVID-19 severely affected demand of crude oil and refined petroleum products as several major economies enforced lockdowns to contain the spread of the virus and mitigate the damage caused by the pandemic. Accordingly, the world seaborne tanker trade, including crude oil, oil products and chemicals fell 8.8% to 3,113 million tons. The decline in trade from 3,415 million tons in 2019 was mainly led by a plunge of 9.1% and 9.9% in both crude oil and oil products trade to a total of 1,891 million tons and 934 million tons, respectively. Meanwhile, seaborne trade of chemicals declined at a slower pace of 3.6% to 289 million tons in 2020. Over the period 2010 to 2020, the seaborne trade in chemicals expanded at an average annual growth of 2.9%, surpassing oil products, which registered an average growth of 1.4%, whereas seaborne crude oil trade fell at an average rate of 0.5% per annum over the past decade primarily due to demand destruction in 2020 on account of mobility restrictions enforced by state authorities in several major economies. Oil demand and trade started a gradual recovery in 2H20 on the back of easing of lockdown restriction in major parts of the world. Moreover, several countries have authorized emergency use of various COVID-19 vaccines and a widespread availability of these vaccines would play a key role in containing the pandemic, which will support the seaborne trade and tanker demand.

Between 2015 and 2020, seaborne trade fell at an annual rate of 0.9% for crude oil and 0.6% for oil products, whereas it grew at an annual rate of 1.7% for chemicals. From 2010 to 2020, chemicals was the fastest growing sector in international tanker shipping followed by refined products. The sharp decline in seaborne trade in 2020 is primarily due to the lockdown measures adopted by most countries to contain the spread of the pandemic and can be seen as an outlier. Roll out of various vaccines and gradual easing of restrictions is expected to support the growth in demand and seaborne trade of crude oil, refined products and chemicals. Changes in the volume of world seaborne tanker trade from 2010 to 2020 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
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	2,080	-1.7%	1,036	-1.8%	300	2.4%	3,415	-1.4%	2.8%
2020*	1,891	-9.1%	934	-9.9%	289	-3.6%	3,113	-8.8%	-4.4%
CAGR (2014-2019)	1.8%		2.5%		3.5%		2.2%		
CAGR (2009-2019)	0.8%		2.9%		4.0%		1.6%		
CAGR (2015-2020)	-0.9%		-0.6%		1.7%		-0.6%		
CAGR (2010-2020)	-0.5%		1.4%		2.9%		0.3%		

\* 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 International Maritime Organization (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 number 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.

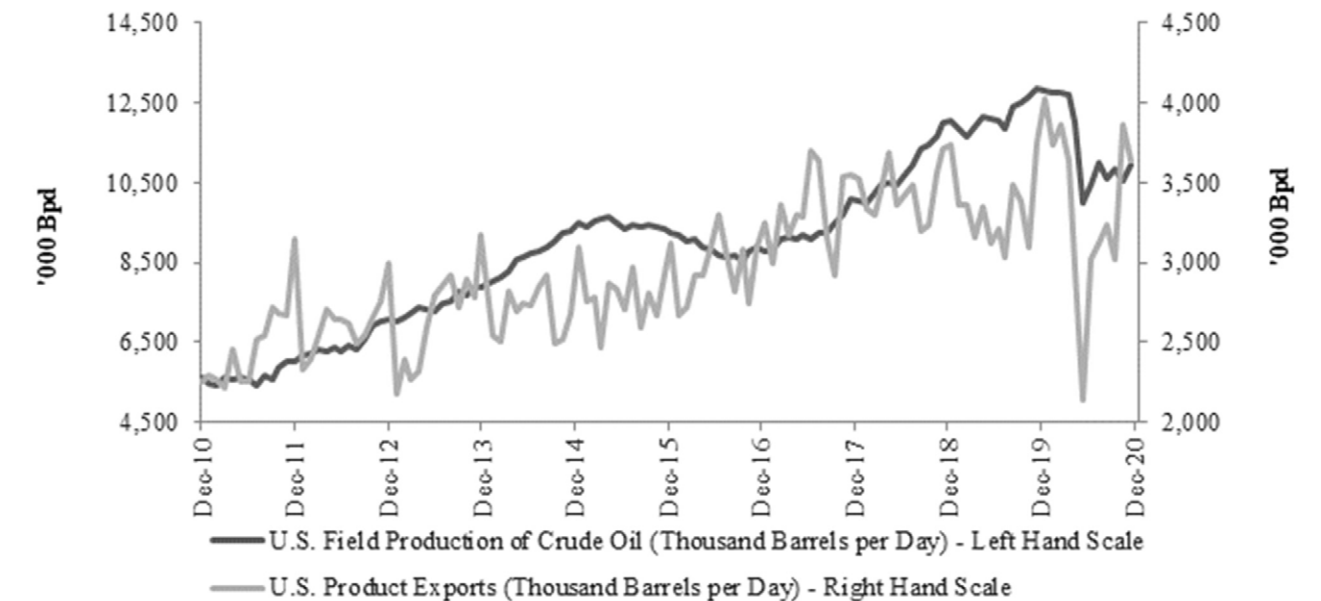
Growth in oil demand and the changing location of oil supply have altered the structure of the tanker market in recent years. Between 2003 and 2008, more than half of new crude oil production was located in the Middle East and Africa. These two regions still produce around one third of global supply. 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 the U.S. and oil sands in Canada. This has reduced the demand of U.S. seaborne crude imports, but is resulting in greater oil product volumes becoming available for export from the U.S. Gulf as refiners have access to ample supplies of competitively priced feedstock.

New technologies, such as horizontal drilling and hydraulic fracturing, triggered a shale oil revolution in the U.S., and in 2013, for the first time in the past 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. Thereby, this allowed U.S. oil producers access to international markets.

The first shipments of U.S. crude 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 mbpd of crude oil in 2015 and 2016. However, 2017 marked a very important development for U.S. crude producers as the country exported crude to every major importer, including China, India, South Korea and several European countries. Consequently, U.S. crude oil exports averaged 1.2 mbpd and 2.1 mbpd in 2017 and 2018 respectively, with increasing production encouraging greater loadings in the Gulf of Mexico. U.S. crude exports averaged 3.0 mbpd in 2019, inching up further in first quarter of 2020 to 3.5 mbpd. However, the outbreak of COVID-19 and steep decline in crude oil prices in 2020 adversely affected oil production, reducing exports from March 2020 with the country exporting 2.7 mbpd in November 2020.

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 over the past decade. Although exports of products nosedived in April-May 2020 due to lockdown restrictions, it recovered quickly in the following few months and exported 3.6 mbpd in November 2020.

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



\*Source: JODI

Much of the increase in U.S. exports has helped fulfil 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 in addition to capacity expansion in China and India, while at the same time, poor refinery margins have led to the closure of refineries in the developed world, most notably in Europe. 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 Europe and the U.S. eastern seaboard. Refinery shutdowns close to consuming regions elsewhere in the world will also 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 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 2010 and 2019, refinery throughput in the OECD Americas and OECD Asia Oceania moved up 6.5% and 1.5% to 19.1 mbpd and 6.8 mbpd respectively, whereas refining throughput in OECD Europe declined 0.5% to 12.2 mbpd. Cumulatively, this has resulted in OECD's refining throughput of 38.1 mbpd in 2019, totaling 46.4% of global refinery throughput. However, in 2020 refinery throughput of all OECD regions declined in double digits with the OECD refinery throughput falling 13.4% to 33 mbpd and accounting for 44.4% of the global refinery throughput. The demand destruction due to the pandemic led to a decline in refining activity in almost every region except China and Africa. While refinery throughput remained flat at 2 mbpd in Africa, it moved up by 3.1% to 13.4 mbpd in China as the country remained largely unaffected by the pandemic despite the initial outbreak in Wuhan.

#### Refinery Throughput<sup>(1)</sup> 2010-2020

(‘000 Barrels Per Day)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
OECD Americas	17,931	17,898	18,190	18,492	18,934	18,850	18,960	19,290	19,400	19,100	16,500
OECD Europe	12,265	11,935	11,942	11,304	11,232	11,900	11,920	12,300	12,100	12,200	10,700
OECD Asia Oceania	6,697	6,586	6,609	6,720	6,652	6,700	6,890	7,200	7,000	6,800	5,800
FSU	6,401	6,592	6,683	6,831	7,069	6,850	6,880	6,880	7,000	6,800	6,400
Non-OECD Europe	658	627	587	559	557	500	500	570	600	600	400
China	8,630	9,041	9,749	10,427	10,864	10,400	10,790	11,830	12,000	13,000	13,400
Other Asia	8,598	8,637	8,792	8,588	8,541	10,000	10,380	10,440	10,600	10,300	9,300
Latin America	4,678	4,873	4,470	4,589	4,545	4,550	4,200	3,830	3,500	3,200	3,000
Middle East	6,164	6,324	6,257	6,202	6,501	6,450	6,810	7,520	8,000	7,700	6,800
Africa	2,451	2,168	2,202	2,182	2,255	2,250	2,090	1,920	2,100	2,000	2,000
<b>Total</b>	<b>74,473</b>	<b>74,681</b>	<b>75,481</b>	<b>75,894</b>	<b>77,150</b>	<b>78,450</b>	<b>79,420</b>	<b>81,780</b>	<b>82,300</b>	<b>81,700</b>	<b>74,300</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.

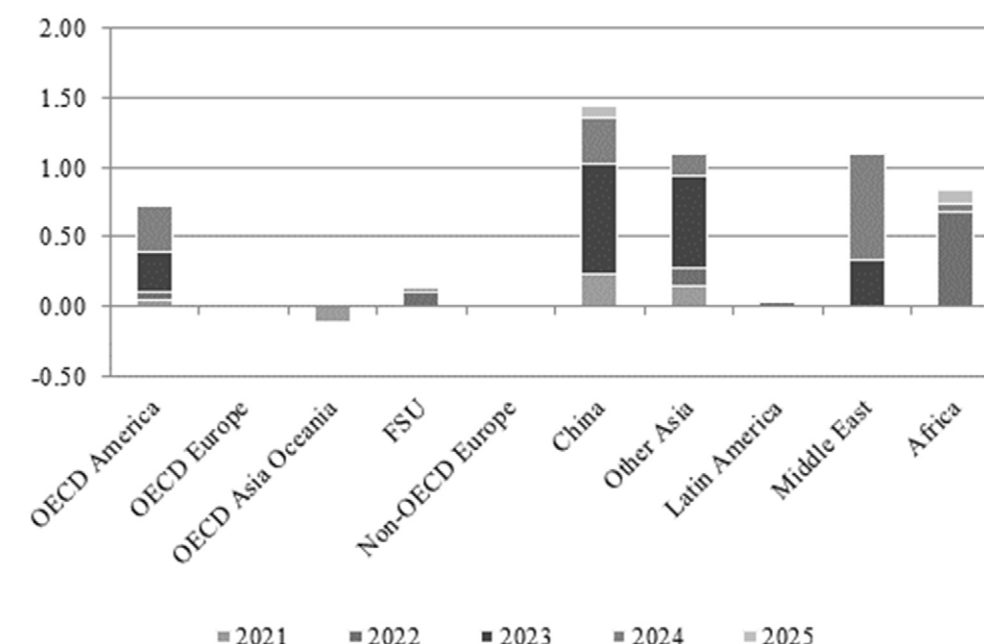
\*Provision estimates

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 1.08 mbpd was scheduled to come online in 2020 whereas 60 kbpd of existing refining capacity was scheduled to be phased out in OECD America and non-OECD Europe. Additional new refinery capacity is currently scheduled for both the Middle East and Asia from 2021 to 2025. From 2021 to 2025, the anticipated additions to refinery capacity on a regional basis (illustrated in the chart below) is 5.36 mbpd, or 5.3% of the existing global refinery capacity.

#### Planned Additions to Global Refining Capacity<sup>(1)</sup> (Million Barrels Per Day)



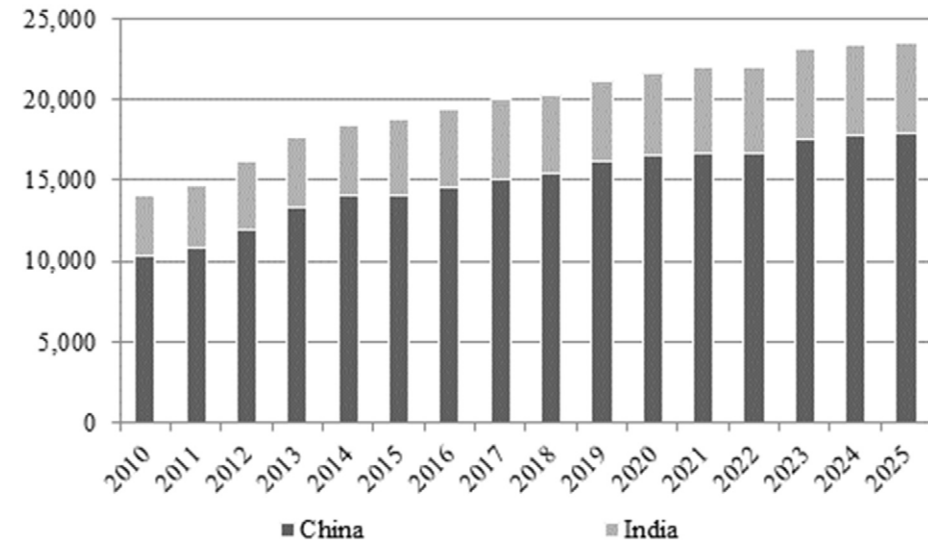
(1) Assumes all announced plans go ahead as scheduled

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 where the new capacities coming on stream are primarily for exports. 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. It is also the case that a few new refineries or expansions are planned for in developed economies. 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-oriented refineries. From 2010 to 2020, Chinese refining capacity increased 60.2%, while the growth for India was 38.5% (see chart below).



**China and India – Refining Capacity<sup>(1)</sup>**  
(‘000 Barrels Per Day)



(1) Capacity for 2021 to 2025 assumes all announced plans go ahead as scheduled

Source: BP, IEA

As a result of the growth in trade and changes in the location of refinery capacity, demand for product tankers expressed in tonne-miles grew at a CAGR of 2.8% between 2010 and 2019. However, the pace of growth reduced to 1.6% between 2010 and 2020 mainly due to an 8.8% plunge in tonne-mile demand in 2020 because of weak demand on account of restrictions imposed by several major economies to contain the spread of COVID-19. Generally, the growth in products trade and product tanker demand is more consistent and less volatile than in crude oil trade.

**Seaborne Product Trade and Tonne-mile Demand**



\* 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, 2020, the world tanker fleet consisted of 7,075 vessels with a combined capacity of 637.4 million dwt. Within the total tanker fleet, MR vessels account for 32.3% of total ship numbers with a total capacity of 103.1 million dwt. MR vessels are considered the ‘workhorses’ of the fleet.

As of December 31, 2020, the MR product tanker orderbook was 149 vessels totaling 7.1 million dwt. The MR orderbook as a percentage of the existing MR fleet, in terms of dwt, was 6.9% compared with close to 50% at the last peak in 2008. Based on scheduled deliveries, 5.0 million dwt of MR product tankers are due for delivery in 2021 and a further 2.0 million dwt in 2022. Approximately 70% of the vessels on order in the MR category are scheduled to be delivered in 2021, which will increase the MR fleet by 4.8%, assuming no vessel is scrapped. Current estimates suggest that there is approximately 50% of vessel capacity across the entire tanker orderbook which is scheduled for delivery in 2021, adding 24.4 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. Low vessel earnings in a weak tanker market encouraged scrapping activity in 2018 when 154 tankers aggregating 19.8 million dwt were sold to scrapyards, of which 34 tankers aggregating 1.4 million dwt were MR tankers. In comparison, only 34 vessels totalling 2.7 million dwt were demolished in 2019, of which 20 tankers totalling 0.8 million dwt were MRs. Provisional data for 2020 suggests that 32 tankers with aggregate capacity of 2.3 million dwt were demolished, of which 10 vessels aggregating 0.5 million dwt were MRs.

**World Tanker Fleet and Orderbook: December 31, 2020**

Vessel Type/Class	Fleet		Size dwt	Orderbook		% Fleet Dwt	Orderbook Delivery Schedule (M Dwt)			
	Number	M Dwt		Number	M Dwt		2021	2022	2023	2024+
ULCC/VLCC.....	832	256.5	200,000+	64	19.4	7.6%	7.4	9.6	2.4	0.0
Suezmax.....	590	92.2	120,000-199,999	59	9.2	10.0%	4.4	4.5	0.3	0.0
Aframax (Uncoated).....	670	73.3	80,000-119,999	48	5.4	7.4%	3.4	2.0	0.1	0.0
Panamax (Uncoated).....	83	5.8	60,000-79,999	1	0.1	1.2%	0.0	0.1	0.0	0.0
<b>Crude Tankers.....</b>	<b>2,175</b>	<b>427.9</b>		<b>172</b>	<b>34.2</b>	<b>8.0%</b>	<b>15.2</b>	<b>16.2</b>	<b>2.8</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).....	383	42.0	80,000-119,999	49	5.6	13.4%	3.1	1.4	1.2	0.0
Large Range 1 (LR1).....	382	28.2	60,000-79,999	1	0.1	3.0%	0.1	0.0	0.0	0.0
<b>LR Product Tankers.....</b>	<b>786</b>	<b>73.5</b>		<b>50</b>	<b>5.7</b>	<b>7.7%</b>	<b>3.1</b>	<b>1.4</b>	<b>1.2</b>	<b>0.0</b>
Coated IMO 2.....	1,066	48.7	25,000-59,999	52	2.4	5.0%	1.5	0.8	0.1	0.0
Coated IMO 3 & Non IMO Coated/Uncoated.....	1,222	54.3	25,000-59,999	97	4.7	8.6%	3.4	1.2	0.1	0.0
<b>Total MR.....</b>	<b>2,288</b>	<b>103.1</b>		<b>149</b>	<b>7.1</b>	<b>6.9%</b>	<b>5.0</b>	<b>2.0</b>	<b>0.2</b>	<b>0.0</b>
Small Range.....	1,024	15.1	10,000-24,999	30	0.5	3.2%	0.5	0.3	0.0	0.0
Stainless Steel Tankers.....	802	17.8	10,000+	42	0.9	5.0%	0.6	0.1	0.2	0.0
<b>Total All Tankers.....</b>	<b>7,075</b>	<b>637.4</b>		<b>443</b>	<b>48.3</b>	<b>7.6%</b>	<b>24.4</b>	<b>19.9</b>	<b>4.3</b>	<b>0.0</b>

Source: Drewry

There are two important regulations that came into force in 2019 and might 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 came into effect from 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 few of the industry participants are of 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 came into force on January 1, 2020, and will impact future vessel supply, is the drive to introduce low sulfur fuels. For many years, heavy fuel oil (“HFO”) 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 HFO 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 shift the industry away from HFO to 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, are 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 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 initial days and hovered around \$190-200 per tonne in February 2020. Despite the initial speculation, the shipping industry did not see any systemic shortage of the new low sulfur fuel, which came out as a relief. The premium commanded by low sulphur fuel reduced to around \$60 per ton by December 2020 as the availability of compliant fuel is not an issue due to reduced demand and increased supply across major bunkering ports. The narrowing premium diluted shipowners’ incentive to invest in scrubbers and prolonged the period for the return on investment for those who had already invested in scrubbers. Overall, installation of scrubbers and new fuel regulations turned out to be a non-event in the backdrop of COVID-19 and low fuel prices. On the scrubber side of the story, the industry saw major traction in 4Q19, and by end 2020, nearly 14% of the global fleet capacity (in terms of numbers) was equipped with scrubbers with installation pending on nearly 1.7% of the fleet. Looking closely, the vessels with higher operating fuel requirements (larger ships) showed greater inclination towards scrubbers. For example, in the ULCC/VLCC category, 39.7% of the global fleet capacity had scrubbers installed/pending vs. 26.4% and 13% for Aframax (coated) and MR tankers, respectively.

**IMO 2030, IMO 2050 and Sea cargo charter**

In addition to recently implemented emission control regulations, IMO has been devising strategies to reduce greenhouse gases (“GHG”) and carbon emissions from ships. According to the latest announcement, IMO plans to initiate measures to reduce CO<sub>2</sub> emissions by at least 40% by 2030 and 70% by 2050 from the levels in 2008. It also plans to introduce measures to reduce GHG emissions by 50% by 2050 from the 2008 levels. These are likely to be achieved by setting energy efficiency requirements and encouraging ship owners to use alternative fuels such as biofuels, and electro-/synthetic fuels such as hydrogen or ammonia. It may include limiting the speed of the ships. Currently, there is uncertainty regarding the exact measures that the IMO will undertake to achieve these targets. Although the current macroeconomic environment constitutes the main deterrent, IMO-related uncertainty is also one of the factors deterring ship owners from ordering newbuild vessels, as these vessels may have a high environmental compliance cost in the future. As mentioned above, some shipowners are ahead of the curve by having ordered LNG-fueled ships in order to comply with stricter regulations that may be announced in future.

In November 2020, Marine Environment Protection Committee (“MEPC”) approved a draft for the new mandatory regulations to cut the carbon intensity of existing ships. Formal adoption of the proposal for GHG and CO<sub>2</sub> emissions reduction action plan is expected in June 2021. It will be a combination of technical and operational measures. These will be monitored by the flag administration and corrective actions will be required in the event of constant non-compliance. The draft amendments would require the IMO to review the effectiveness of the implementation of the Carbon Intensity Indicator (“CII”) and Energy Efficiency Existing Ship Index (“EEXI”) requirements, by January 1, 2026 at the latest. EEXI is a technical measure and would apply to ships above 400 GT. It indicates the energy efficiency of the ship compared to a baseline and is based on a required reduction factor (expressed as a percentage relative to the Energy Efficiency Design Index baseline). On the other hand, CII is an operational measure which specifies carbon intensity reduction requirements for vessels with 5,000 GT and above. The CII determines the annual reduction factor needed to ensure continuous improvement of the ship’s operational carbon intensity within a specific rating level. The operational carbon intensity rating would be given on a scale of A, B, C, D or E indicating a major superior, minor superior, moderate, minor inferior, or inferior performance level, respectively. The performance level would be recorded in the ship’s Ship Energy Efficiency Management Plan (SEEMP). A ship rated D for three consecutive years, or E, would have to submit a corrective action plan, to show how the required index (C or above) would be achieved. Further, the European Union has endorsed a binding target of at least 55% domestic reduction in economy-wide GHG reduction by 2030 compared to 1990. EU shipowners are required to comply with this regulation.

The sea cargo charter, applicable to bulk ship charterers, is a global framework that allows for the integration of climate considerations into chartering decisions to favor climate-aligned maritime transport. At present, 18 charterers are signatories to the sea cargo charter. These charters have vowed to make the details of their shipping carbon footprint public. We expect these regulations to affect old tonnage more, which would need to slow steam or carry out energy efficiency improvements to remain viable. They are likely to make the very old tonnage uneconomical.

### Energy Transition

Traditionally, fossil fuel-based energy sources such as oil, natural gas and coal have propelled the global economy, but their share has been declining over the past few years from 86.9% in 2011 to 84.3% in 2019 with the share of oil remaining stagnant at around 33% during the period. However, the energy transition from fossil fuel-based energy to renewable sources of energy is currently underway which has received a boost from the accelerated sales of electric vehicles (“EVs”), even though their share in total sales was a meagre 2.5% in 2019. As the cost of EVs becomes competitive against internal combustion engine vehicles, and charging infrastructure is developed across the world, sales of EVs are expected to gain momentum, reducing the demand for gasoline and diesel in the long run. The demand for naphtha and jet fuel is likely to remain robust and will be the key driver of global trade in crude and refined petroleum products.

### The Product Tanker Freight Market

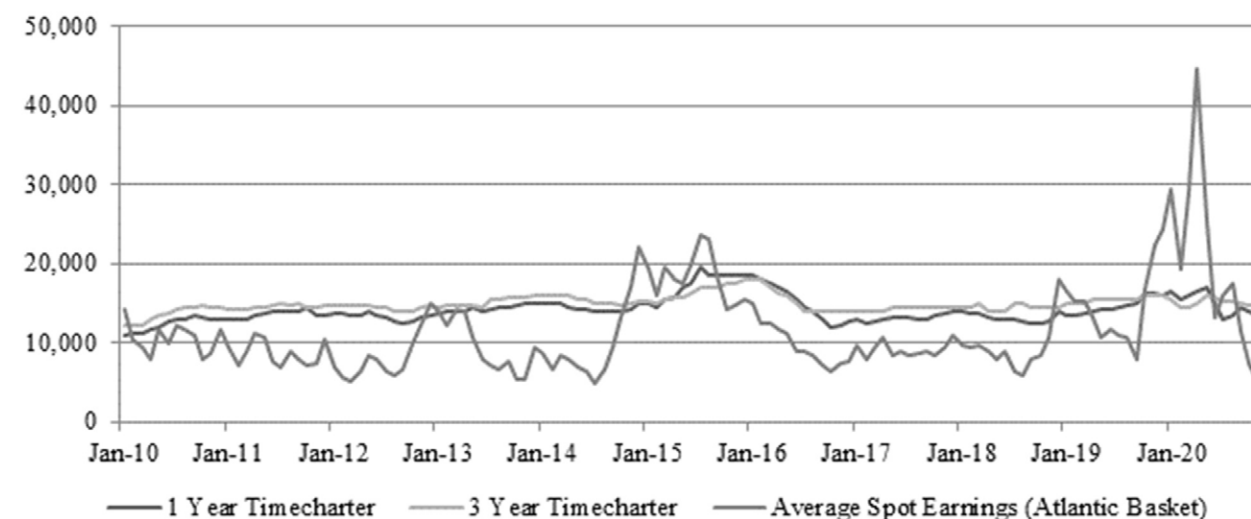
Between 2003 and early 2008, the differential between demand and supply for tankers remained narrow and rates were generally very firm. Following the global financial crisis in 2009, tanker demand nosedived, coinciding with substantial tonnage entering the fleet, driving earnings down until the market 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; and
- lower bunker prices have also been a factor contributing to higher net earnings

For example, the average time charter equivalent (“TCE”) of the spot rate for an 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 for product tanker declined further. In 2017, average one-year time charter rate for MR tankers was \$13,188/day, while on TCE basis, the average rate during 2017 was \$9,158/day. The product tanker market remained weak in 1H18 and started to recover in 2H18 as the supply demand dynamics improved on the back of high demolitions in 2017-18, 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 TCE rate and one-year time charter rate increasing to \$14,592 and \$14,667, respectively. The surge in product tanker charter rates in 2019 was primarily driven by a spike in diesel trade before IMO 2020 regulations came into effect on January 1, 2020. Additionally, the trickle-down effect of the tight crude tanker market after U.S. sanctions on Cosco Shipping Tanker (Dalian) Co. pushed product tanker freight rates to multi-year highs towards the end of 2019 as several LR2 vessels moved into crude trade, thus reducing clean product capacity in the short term. However, in 2020 the tanker market underwent an unprecedented turbulence due to the outbreak of COVID-19. The sudden demand destruction due to lockdown measures and limited availability of onshore storage led to a surge in demand for tankers for floating storage of crude oil as well as refined products. Accordingly, TCE rates of oil tankers rallied across vessel classes in March and April 2020; for instance, average spot TCE rates for MR tankers shot up 131% from \$19,289/day in February 2020 to \$44,618 in April 2020. However, reduced crude oil production and refinery runs since May 2020 and gradual recovery in demand led to continuous decline in vessel earnings in the latter half of the year as several vessels locked-in for floating storage re-joined the trading fleet. As a result, in 2020 TCE rates and one-year time charter rates for MR tankers averaged \$18,551/day and \$14,879/day, respectively. The trend in MR spot and time charter rates from January 2010 to December 2020 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 realized 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 2020, the newbuilding price for an MR product tanker was estimated at \$34.0 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 2020, a five-year old MR product tanker was estimated to have a value of \$26.0 million. The trend in newbuilding prices, second-hand values and freight rates for an MR tanker from 2010 to 2020 are summarized in the table below.

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

Period Averages	Spot TCE	Time charter (US\$/day)		Asset Prices (US\$million)	
	(US\$/day)	1 Year	3 Year	Newbuild	5 Year Old
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
2020	18,551	14,879	15,083	34.8	28.0
Dec-20	4,346	13,500	14,750	34.0	26.0
<b>2016-2020</b>					
5 Year Avg.	12,273	14,207	14,954	34.4	26.3
5 Year Low	4,346	12,000	14,000	32.0	22.0
5 Year High	44,618	18,500	18,000	36.0	31.0
<b>2011-2020</b>					
10 Year Avg.	11,578	14,405	15,088	34.8	26.4
10 Year Low	4,346	12,000	14,000	32.0	22.0
10 Year High	44,618	19,500	18,000	37.0	31.0

Source: Drewry

## The Chemical Tanker Industry

### Introduction

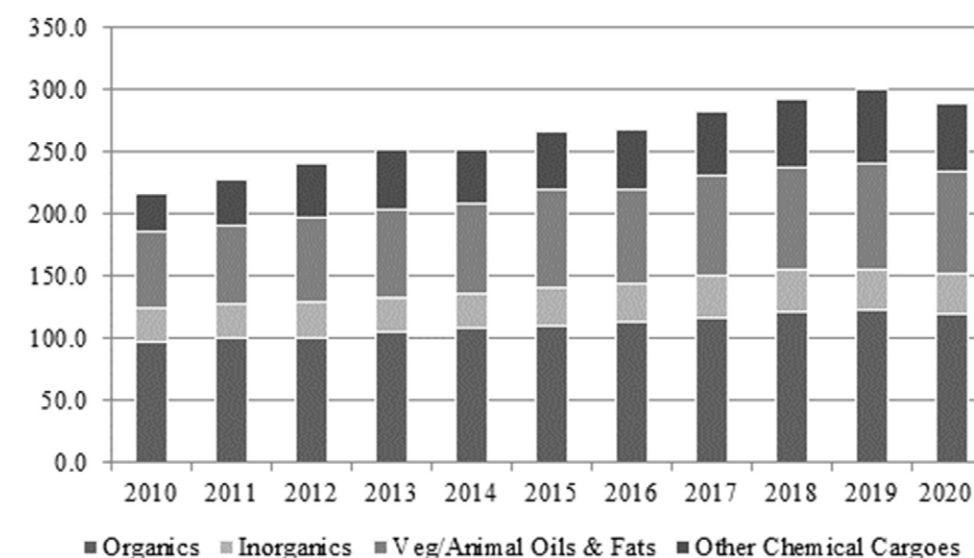
The world chemical industry is one of the largest and most diversified industries in the world, with more than 1,000 large and medium-sized companies manufacturing over 70,000 different product lines. Although most specialist chemicals are used locally, world trade is becoming an increasingly prominent 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, 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: organic chemicals, inorganic chemicals, vegetable oils and fats and other commodities such as molasses.

**Seaborne Chemical Trades**  
(Million Tons)



\* Provisional estimates

Source: Drewry

Saudi Arabia and the U.S. are two key exporters of organic chemicals, accounting for approximately 25% of all exports, while China accounts for about 40% of the total organic chemical imports. South Korea and India are also important players in the trade of organic chemicals and together account for nearly 16% of all exports. The four organic chemicals most frequently traded by sea are methanol, styrene, benzene and paraxylene. Organic chemicals represent around 40% to 45% of global seaborne trade of chemicals whereas inorganic chemical trade accounts for around 10-15% of total seaborne movements. They are not traded as widely as organic chemicals as they present several transport problems – not only are they very dense, they are also highly corrosive. Veg/Animal Oils & Fats is another key component of the seaborne chemical trade and accounts for nearly 30% of the total trade of chemicals. Palm oil accounts for about half of the Veg/Animal Oils & Fats trade, followed by 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 will be affected by the development of shale gas. Increased supplies of natural gas in the U.S. have already served to push down 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 opens up new opportunities to expand U.S. ethylene cracking capacity, and subsequently, petrochemical capacity. Ethylene cracker utilization in the U.S. has improved, 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 will lead 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. will 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. This often requires 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 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 recognize 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. Equally, 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, 2020, the global IMO 2 coated and stainless-steel tanker fleet consisted of 1,769 vessels with a combined capacity of 38.5 million dwt. The orderbook consisted of 90 vessels with an aggregate capacity of 2.5 million dwt, or 6.4% of the existing fleet. In 2020, provisional data suggests that only 13 MR chemical tankers totaling 0.5 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, 2020

Ship Type	Size (DWT)	Fleet		Orderbook			Orderbook Delivery Schedule (M Dwt)			
		Number	M Dwt	Number	M Dwt	% Fleet	2021	2022	2023	2024+
Coated IMO 2 . . . . .	10,000+	967	20.7	48	1.6	5.0%	0.8	0.7	0.1	0.0
Stainless Steel . . . . .	10,000+	802	17.8	42	0.9	5.0%	0.5	0.4	0.0	0.0
<b>Total . . . . .</b>		<b>1769</b>	<b>38.5</b>	<b>90</b>	<b>2.5</b>	<b>6.4%</b>	<b>1.3</b>	<b>1.1</b>	<b>0.1</b>	<b>0.0</b>

Source: Drewry

### The Chemical Tanker Freight Market

Nearly 40% to 60% of all chemical movements are covered by COAs, 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 pool TCE rates declined between 2008 and 2010. However, freight rates on most routes strengthened in 2011 followed by a decline in 2012. Freight rates continued to record small gains on the back of increased vessel demand in 2013 and 2014 due to improved seaborne chemical trade. Pool TCE earnings of chemical tankers surged 33.7% in 2015 as many of these vessels switched to trade in a strong product tanker market limiting the supply in addition to growing seaborne trade of chemicals. However, pool TCE rates plunged 27.9% in 2016 as a result of a slowdown in demand growth and increased supply of vessels. Pool TCE rates dropped further by 12.1% in 2017 on account of supply side pressure due to a greater number of newbuilding deliveries and subdued demolitions in an already weak market. In 2018, freight rates declined by another 2.4%, despite the strengthening of world seaborne trade due to oversupply of vessels. However, pool TCE rates increased by 18.6% in 2019 on the back of growing trade and improved supply-demand dynamics. Provisional data for 2020 suggests that global seaborne chemical trade fell 3.6% due to weak demand on account of the COVID-19 pandemic however pool TCE rates increased by 4.6% as many vessels shifted to trade in product tanker market which limited the availability of vessels operating chemical tanker market.

## Chemical Tanker Asset Values

As in other shipping sectors, chemical tanker sale and purchase values also show a relationship with 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 variation in specification. At end 2020, prices were generally 0.5% to 2% lower than the average of newbuild prices over the past ten years, whereas in the second-hand market, asset values are 2% to 8% lower than the average of the vessel values over the last ten years.

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

Year	Pool TCE	Newbuilding Price		Secondhand Price <sup>(1)</sup>	
	US\$/Day	(US\$million)		(US\$million)	
	35-37,000	22-24,000	35-37,000	22-24,000	35-37,000
2010	9,838	27.3	33.3	15.6	18.0
2011	13,931	27.0	32.0	14.3	15.6
2012	13,280	27.9	32.9	14.3	14.8
2013	13,864	28.6	33.6	14.5	14.1
2014	14,719	29.2	34.2	14.5	15.7
2015	19,675	27.8	32.8	13.8	17.0
2016	14,178	26.9	31.9	14.6	16.5
2017	12,462	26.0	31.0	13.4	14.6
2018	12,159	26.4	31.7	12.6	13.6
2019	14,424	29.0	34.0	12.5	14.2
2020*	15,093	27.1	32.5	12.7	14.7
<b>2011-2020</b>					
10 Year Avg	14,378	27.6	32.7	13.7	15.1
10 Year Low	12,159	26.0	31.0	12.5	13.6
10 Year High	19,675	29.2	34.2	14.6	17.0

\* Provisional estimates

(1) For a 10-year old vessel

Note: The above values are for coated chemical tankers

Source: Drewry

## COVID-19 Pandemic

COVID-19 has resulted and may continue 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 cargo we transport could adversely affect demand for our vessels and services.

## 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 environmental standards relating to, among other things, oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms. IMO committees also have adopted resolutions relating to international certificates of fitness for the carriage of dangerous chemicals in bulk and providing for enhanced vessel inspection programs.

We may need to make certain financial expenditures to continue to comply with these regulations. 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 fuels, or certain exhaust gas cleaning systems. Ships are now 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 took effect March 1, 2020. In November 2020, MEPC 75 adopted amendments to Annex VI which, among other things, added new paragraphs related to in-use and onboard fuel oil sampling and testing. These paragraphs would require one or more sampling points to be fitted or designated for the purpose of taking representative samples of the fuel oil being used or carried for use on board the ship. These amendments are expected to enter into force on April 1, 2022. 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 having commenced 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. Notably, MEPC 75 adopted amendments to MARPOL Annex VI which brings forward the effective date of the EEDI’s “phase 3” requirements from January 1, 2025 to April 1, 2022 for several ship types, including gas carriers, general cargo ships, and LNG carriers.

Additionally, MEPC 75 introduced draft amendments to Annex VI which impose new regulations to reduce greenhouse gas emissions from ships. These amendments introduce requirements to assess and measure the energy efficiency of all ships and set the required attainment values, with the goal of reducing the carbon intensity of international shipping. The requirements include (1) a technical requirement to reduce carbon intensity based on a new Energy Efficiency Existing Ship Index (“EEXI”), and (2) operational carbon intensity reduction requirements, based on a new operational carbon intensity indicator (“CII”). The attained EEXI is required to be calculated for ships of 400 gross tonnage and above, in accordance with different values set for ship types and categories. With respect to the CII, the draft amendments would require ships of 5,000 gross tonnage to document and verify their actual annual operational CII achieved against a determined required annual operational CII. Additionally, MEPC 75 proposed draft amendments requiring that, on or before January 1, 2023, all ships above 400 gross tonnage must have an approved SEEMP on board. For ships above 5,000 gross tonnage, the SEEMP would need to include certain mandatory content. The draft amendments introduced at MEPC 75 may be adopted at the MEPC 76 session, to be held during 2021.

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 the 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 8, 2024. Costs of compliance with these regulations may be substantial. Additionally, in November 2020, MEPC 75 adopted amendments to the BWM Convention which would require a commissioning test of the ballast water management system for the initial survey or when performing an additional survey for retrofits. This analysis will not apply to ships that already have an installed BWM system certified under the BWM Convention. These amendments are expected to enter into force on June 1, 2022.

Once mid-ocean ballast water exchange or 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. In November 2020, MEPC 75 approved draft amendments to the Anti-fouling Convention to prohibit anti-fouling systems containing cybutryne, which would apply to ships from January 1, 2023, or, for ships already bearing such an anti-fouling system, at the next scheduled renewal of the system after that date, but no later than 60 months following the last application to the ship of such a system. These amendments may be formally adopted at MEPC 76.

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:

- (1) injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;
- (2) injury to, or economic losses resulting from, the destruction of real and personal property;
- (3) loss of subsistence use of natural resources that are injured, destroyed or lost;
- (4) 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;
- (5) lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and
- (6) 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 the 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". This rule became effective on June 22, 2020, although the effective date has been stayed in at least one U.S. state pursuant to court order. 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 replaced 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.

On September 15, 2020, the European Parliament voted to include greenhouse gas emissions from the maritime sector in the European Union's carbon market from 2022. This will require shipowners to buy permits to cover these emissions. Contingent on another formal approval vote, specific regulations are forthcoming and are expected to be proposed by 2021.

### ***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, former U.S. President Trump announced that the United States intends to withdraw from the Paris Agreement and the withdrawal became effective on November 4, 2020. On January 20, 2021, U.S. President Biden signed an executive order to rejoin the Paris Agreement. It will take 30 days for the United States to rejoin.

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. As previously discussed, regulations relating to the inclusion of greenhouse gas emissions from the maritime sector in the European Union’s carbon market are also forthcoming.

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, former U.S. President Trump 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 and on August 13, 2020, the EPA released rules rolling back standards to control methane and volatile organic compound emissions from new oil and gas facilities. However, U.S. President Biden recently directed the EPA to publish a proposed rule suspending, revising, or rescinding certain of these rules. 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 Facility 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-GL).

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. For example, 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 \$8.0 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 76 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, 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 entered into leases with third parties for our offices in Singapore and Houston, Texas. Average aggregate payments under these leases are approximately \$0.5 million per annum.

As at February 15, 2021, all of our 25 owned 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, 2020, 2019 and 2018 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 for the year ended December 31, 2019 for a discussion of our results of operations for the year ended December 31, 2018.*

#### **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:

- *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 February 15, 2021, three of our vessels were on time charter.
- *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.

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 Sale

In December 2020, we agreed to terms for the sale of the *Ardmore Seamariner* and repaid all amounts outstanding under the related term loan on January 7, 2021. The sale price of the vessel by Ardmore was \$10.0 million, which was paid upon delivery of the vessel to the buyer on January 14, 2021.

### Share Repurchase Plan

During the three months ended December 31, 2020, we repurchased 98,652 of our common shares under our new share repurchase plan adopted in September 2020, at a weighted-average price of \$2.91 per share for a total of \$286,856.

### Financing

On December 17, 2020, we completed the previously announced \$10 million loan facility from Iyo Bank Japan for the *Ardmore Seafarer*, a 2010-built Japanese MR product tanker which delivered to us in August 2020. The facility has a duration of five years and is priced at LIBOR plus a margin of 2.25%. The covenants and other conditions of the facility are consistent with those of our existing debt facilities.

### Pandemic

In response to the COVID-19 pandemic, many countries, ports and organizations, including those where we conduct a large part of our operations, have implemented measures to combat the outbreak, such as quarantines and travel restrictions. Such measures have caused severe trade disruptions. In addition, the pandemic has resulted and may continue 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. The extent to which the pandemic may impact our results of operations and financial condition, including possible impairments, will depend on future developments, which are highly uncertain and cannot be predicted, including, among others, new information which may emerge concerning the severity of the virus of its variants and the level of the effectiveness and delivery of vaccines and other actions to contain or treat its impact. Accordingly, an estimate of the impact cannot be made 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 our 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 period to the next scheduled drydocking on a straight line basis.

**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. We did not participate in commercial pools for the years ended December 31, 2020 and December 31, 2019.

#### 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; 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 February 15, 2021, our owned fleet consists of 25 double-hulled product and chemical tankers all of which are in operation. We acquired 11 of our vessels as second-hand vessels, all of which were upgraded to increase efficiency and improve performance; we sold a total of three of such Eco-mod vessels during 2019. In 2016, 2017, 2018, 2019 and 2020 we paid \$174.0 million, \$0.4 million, \$16.8 million (\$1.6 million of which was paid as a deposit in 2017), \$2.6 million and \$16.7 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. 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. In August 2020, we took delivery of one Eco-mod vessel. During 2020, the Eco-mod *Ardmore Seamariner* was classified as held for sale; the vessel was delivered to the buyer in January 2021.

#### Operating Results

The table below presents our operating results for the years ended December 31, 2020 and 2019 and includes related disclosure about year-to-year changes.

#### Consolidated Statements of Operations for the Years Ended December 31, 2020 and December 31, 2019

	Year Ended December 31		Variance	Variance (%)
	2020	2019		
Revenue, net	\$ 220,057,606	230,042,240	(9,984,634)	(4)%
Voyage expenses	(81,253,212)	(96,056,391)	14,803,179	15%
Vessel operating expenses	(62,546,733)	(62,546,606)	(127)	(0)%
Charter hire costs	(1,367,528)	—	(1,367,528)	(100)%
Depreciation	(32,187,324)	(32,322,695)	135,371	0%
Amortization of deferred drydock expenditures	(6,198,245)	(4,803,069)	(1,395,176)	(29)%
General and administrative expenses				
Corporate	(15,122,906)	(14,951,996)	(170,910)	(1)%
Commercial and chartering	(2,780,970)	(3,194,218)	413,248	13%
Loss on vessel held for sale	(6,447,309)	—	(6,447,309)	(100)%
Loss on sale of vessels	—	(13,162,192)	13,162,192	100%
Unrealized losses on derivatives	(113,591)	—	(113,591)	(100)%
Interest expense and finance costs	(18,168,155)	(26,759,754)	8,591,599	32%
Interest income	281,618	952,190	(670,572)	(70)%
<b>Loss before taxes</b>	<b>(5,846,749)</b>	<b>(22,802,491)</b>	<b>16,955,742</b>	<b>74%</b>
Income tax	(199,446)	(58,766)	(140,680)	(239)%
<b>Loss</b>	<b>\$ (6,046,195)</b>	<b>(22,861,257)</b>	<b>16,815,062</b>	<b>74%</b>

**Revenue, net.** Revenue, net for the year ended December 31, 2020 was \$220.1 million, a decrease of \$10.0 million from \$230.0 million for the year ended December 31, 2019.

The average number of owned vessels decreased to 25.4 for the year ended December 31, 2020, from 25.6 for the year ended December 31, 2019, resulting in revenue days of 9,049 for the year ended December 31, 2020, as compared to 9,100 for the year ended December 31, 2019.

We had 26 and 25 vessels employed directly in the spot market as at December 31, 2020 and 2019, respectively. We consider employment under voyage charters, trip charters and time charters of less than three months duration as being employed in the spot market. For spot chartering arrangements, we had 9,049 revenue days for the year ended December 31, 2020, as compared to 9,100 for the year ended December 31, 2019. This decrease in revenue days derived from spot chartering arrangements resulted in a decrease in spot market revenue of \$1.3 million, while changes in spot rates resulted in a decrease in revenue of \$8.7 million.

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 \$81.3 million for the year ended December 31, 2020, a decrease of \$14.8 million from \$96.1 million for the year ended December 31, 2019. Voyage expenses decreased primarily due to the decrease in bunker prices for the year ended December 31, 2020, as compared to the year ended December 31, 2019.

**TCE Rate.** The average TCE rate for our fleet was \$15,355 per day for the year ended December 31, 2020, an increase of \$669 per day from \$14,686 per day for the year ended December 31, 2019. The increase in average TCE rate was the result of higher spot rates and lower voyage expenses for the year ended December 31, 2020.

**Vessel Operating Expenses.** Vessel operating expenses were \$62.5 million for the year ended December 31, 2020, consistent with \$62.5 million for the year ended December 31, 2019. Vessel operating expenses, by their nature, are prone to fluctuations between periods. Average fleet operating expenses per day, including technical management fees, were \$6,509 for the year ended December 31, 2020, as compared to \$6,562 for the year ended December 31, 2019.

**Depreciation.** Depreciation expense for the year ended December 31, 2020 was \$32.2 million, consistent with \$32.3 million for the year ended December 31, 2019.

**Amortization of Deferred Drydock Expenditures.** Amortization of deferred drydock expenditures for the year ended December 31, 2020 was \$6.2 million, an increase of \$1.4 million from \$4.8 million for the year ended December 31, 2019. 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, 2020 were \$15.1 million, consistent with \$15.0 million for the year ended December 31, 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, 2020 were \$2.8 million, a decrease of \$0.4 million from \$3.2 million for the year ended December 31, 2019, due to a decrease in staff costs and reduced travel due to Covid-19 travel restrictions.

**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, 2020 were \$18.2 million, a decrease of \$8.6 million from \$26.8 million for the year ended December 31, 2019. Cash interest expense decreased by \$7.9 million to \$16.3 million for the year ended December 31, 2020, from \$24.2 million for the year ended December 31, 2019. The decrease in interest expense and finance costs is primarily due to a decreased average LIBOR during the year ended December 31, 2020, compared to the year ended December 31, 2019, as well as our entering into three-year floating-to-fixed interest rate swap agreements with an average fixed interest rate of 0.32%. Amortization of deferred finance fees for the year ended December 31, 2020 was \$1.8 million, a decrease of \$0.8 million from \$2.6 million for the year ended December 31, 2019. 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.

## B. Liquidity and Capital Resources

Our primary sources of liquidity are cash and cash equivalents, cash flows provided by our operations, our undrawn credit facilities and capital raised through financing transactions. Our total cash and cash equivalents as at December 31, 2020 were \$58.4 million, an increase of \$6.7 million from \$51.7 million as at December 31, 2019. We believe that our working capital, together with expected cash flows from operations 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, any dividends on our shares of common stock, 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 may reduce 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 and finance lease payments. 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, 2020, we were in compliance with all covenants relating to our financing facilities.

## Cash Flow Data for the Years Ended December 31, 2020 and 2019

CASH FLOW DATA	For the year ended December 31	
	2020	2019
Net cash provided by operating activities . . . . .	\$ 46,094,449	20,471,260
Net cash (used in) / provided by investing activities . . . . .	\$ (20,993,433)	23,894,165
Net cash (used in) financing activities . . . . .	\$ (18,458,793)	(49,545,356)

### 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, 2020, cash flow provided by operating activities was \$46.1 million. Net loss (after adding back depreciation, amortization of deferred drydock expenditures, share-based compensation, loss on vessel held for sale, amortization of deferred finance fees, unrealized losses on derivatives and foreign exchange losses on operating leases of \$49.8 million) was an inflow of \$43.8 million. Changes in operating assets and liabilities resulted in an inflow of \$9.3 million and drydock payments were \$7.0 million.

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 gains 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.

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

For the year ended December 31, 2020, the net cash used in investing activities was \$21.0 million consisting of payments in relation to vessel equipment, including the purchase of the *Ardmore Seafarer* for \$16.7 million, advances for ballast water treatment systems, leasehold improvements and other non-current assets. Payments for vessel equipment and advances for ballast water treatment systems were \$20.9 million for 2020. Payments for office equipment, and fixtures and fittings and leasehold improvements were \$0.1 million.

For the year ended December 31, 2019, net cash provided by investing activities was \$23.9 million consisting of payments in relation to vessel equipment, advances for ballast water treatment systems, 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 advances for ballast water treatment systems were \$2.5 million for 2019. Payments for office equipment, and fixtures and fittings and leasehold improvements were \$0.2 million.

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

For the year ended December 31, 2020, the net cash used in financing activities was \$18.5 million. Proceeds from long-term debt amounted to \$19.6 million and repayments of debt amounted to \$17.3 million. Total principal repayments of finance lease arrangements were \$18.7 million. We also paid dividends of \$1.7 million related to the fourth quarter of 2019, repurchased shares amounting to \$0.3 million and incurred payments of \$0.2 million relating to deferred finance fees for debt facilities.

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.

## Capital Expenditures

### Drydock

Nine of our vessels completed drydock surveys in 2020. The drydocking schedule through December 31, 2024 for our vessels that were in operation as of December 31, 2020 is as follows:

	For the Years Ending December 31,			
	2021	2022	2023	2024
Number of vessels in drydock (excluding in-water surveys) . . . . .	4	—	12	3

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, 2020 is as follows:

	For the Years Ending December 31,			
	2021	2022	2023	2024
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 or 2018. 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, once the other priorities are achieved, returning capital to shareholders. Commencing with the quarter ended March 31, 2020, we transitioned to the new policy.



### 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, 2020. As of that date, we had no such obligations or commitments due after the year ending December 31, 2030.

ITEM	FY 2021	FY 2022 – 2024	FY 2025 – 2027	FY 2028 – 2030	Total
Debt	\$ 23,506,236	\$ 186,777,651	\$ 3,600,000	\$ —	\$ 213,883,887
Finance leases	26,523,339	88,678,997	89,827,743	26,750,763	231,780,842
Interest expense	5,812,368	15,091,852	1,828,940	791,504	23,524,664
Operating leases	473,361	841,970	324,021	—	1,639,352
	<b>\$ 56,315,304</b>	<b>\$ 291,390,470</b>	<b>\$ 95,580,704</b>	<b>\$ 27,542,267</b>	<b>\$ 470,828,745</b>

- (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 plus a margin of 3%, 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 Accounting Standards Codification 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.

#### 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, Leases. 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. We did not participate in commercial pools for the years ended December 31, 2020 and December 31, 2019.

**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 2013, 2014, 2015, 2016, April 2018 (which included DERs), March 2019 (which included DERs) and March 2020 (which included DERs). We granted RSUs which included DERs, to certain directors and officers in January 2019, March and May 2019 and March and May 2020. 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 15 (“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 of \$300 per lightweight tonne. The estimated scrap value is reviewed each year and would be adjusted prospectively, if applicable.

**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 undiscounted future 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.

Undiscounted future cash flows are determined by applying various assumptions 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 us over the last five years, where available, and historical average one-year time charter rates for the industry over the last 10 years. Recognizing that rates tend to be cyclical and considering market volatility based on factors beyond our control, management believes it is reasonable to use estimates based on a combination of more recent internally generated rates and the 10-year average historical average industry rates. An impairment charge is recognized if the carrying value is in excess of the estimated undiscounted future cash flows. The impairment loss is measured based on the excess of the carrying amount over the fair market value of the asset.

Undiscounted future 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 market and Company specific revenue data as discussed above, and also considering other external market sources, including analysts’ reports and freight forward agreement curves. Projected future charter rates are the most significant and subjective assumption that management uses for its impairment analysis.

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 projection 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, 2020 and 2019. At December 31, 2020, we were holding the *Ardmore Seamariner* vessel listed in the table below as held for sale. At December 31, 2019, no vessels were classified as 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, 2020, and, accordingly, have not recorded an impairment charge.

Carrying value includes, as applicable, vessel costs, deferred drydock expenditures, vessel equipment, advances for ballast water treatment systems, 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, 2020	Dec 31, 2019
<i>Ardmore Seavalliant</i> * #	2013	49,998	\$ 28,555,910	\$ 30,008,441
<i>Ardmore Seaventure</i> * #	2013	49,998	28,980,859	30,626,981
<i>Ardmore Seavantage</i> * #	2014	49,997	30,452,892	32,012,301
<i>Ardmore Seavanguard</i> * #	2014	49,998	30,526,505	32,139,743
<i>Ardmore Sealion</i> *	2015	49,999	29,739,294	29,944,595
<i>Ardmore Seafox</i> *	2015	49,999	29,926,796	29,965,036
<i>Ardmore Seawolf</i> *	2015	49,999	30,030,708	30,379,014
<i>Ardmore Seahawk</i> *	2015	49,999	30,483,940	30,792,789
<i>Ardmore Endeavour</i> * #	2013	49,997	27,633,660	29,324,231
<i>Ardmore Enterprise</i> *	2013	49,453	23,824,902	25,240,256
<i>Ardmore Endurance</i>	2013	49,466	23,564,640	24,834,638
<i>Ardmore Explorer</i>	2014	49,494	24,988,708	26,177,924
<i>Ardmore Encounter</i>	2014	49,478	25,341,635	26,459,679
<i>Ardmore Exporter</i>	2014	49,466	24,990,880	26,254,789
<i>Ardmore Engineer</i> *	2014	49,420	25,982,698	27,620,053
<i>Ardmore Seamariner (1)</i> #	2006	45,726	—	18,077,467
<i>Ardmore Sealancer</i> *	2008	47,451	14,202,204	15,298,821
<i>Ardmore Sealeader</i> * #	2008	47,463	17,344,364	18,164,201
<i>Ardmore Seafarer</i> *	2010	49,999	16,852,020	—
<i>Ardmore Sealifter</i> * #	2008	47,472	16,873,658	17,645,881
<i>Ardmore Dauntless</i> * #	2015	37,764	29,948,834	30,654,392
<i>Ardmore Defender</i> * #	2015	37,791	30,234,072	30,858,546
<i>Ardmore Cherokee</i> *	2015	25,215	25,237,297	26,666,695
<i>Ardmore Cheyenne</i> *	2015	25,217	25,584,343	26,336,422
<i>Ardmore Chinook</i> *	2015	25,217	26,385,088	26,492,941
<i>Ardmore Chippewa</i> *	2015	25,217	26,557,362	26,900,613
<b>Total</b>			<b>\$ 644,243,269</b>	<b>\$ 668,876,449</b>

## Vessel Held For Sale

	Built	DWT	Carrying Value as at	
			Dec 31, 2020	Dec 31, 2019
<i>Ardmore Seamariner</i> <sup>(1)</sup>	2006	45,726	\$ 16,342,309	\$ —
<b>Total</b>			\$ 16,342,309	\$ —

(1) During 2020, the *Ardmore Seamariner* was classified as held for sale. We completed the sale in January 2021.

\* Indicates vessels for which we believe, as of December 31, 2020, 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, 2020 were recoverable as the projected undiscounted future cash flows of these vessels exceeded their carrying value by a significant amount.

# 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 projected undiscounted future cash flows of these vessels exceeded their carrying value by a significant amount.

At December 31, 2020, we estimate that the aggregate carrying value of our owned vessels exceeded their aggregate basic market value by approximately \$60.7 million as at December 31, 2020. At December 31, 2019, we estimate that the aggregate basic market value of our owned vessels exceeded their aggregate carrying value by approximately \$11.6 million as at December 31, 2019. We believe that 21 of our vessels' carrying values exceeded the basic market value as of December 31, 2020 and 10 of our vessels' carrying values exceeded the basic market value as of December 31, 2019. 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, a 10% reduction in time charter rates and third party forward 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 six 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 2023 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.

Name	Age	Class	Position
Mr. Mats Berglund	58	I	Director, Member of the Compensation Committee and Nominating and Corporate Governance Committee
Mr. Mark Cameron	54	N/A	Executive Vice President and Chief Operating Officer
Mr. Brian Dunne	54	III	Director, Chair of the Audit Committee, Member of the Nominating and Corporate Governance Committee
Mr. Anthony Gurnee	61	II	Chief Executive Officer, President and Director
Mr. Curtis Mc Williams	65	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	39	N/A	Senior Vice President and Chief Commercial Officer
Dr. Kirsi Tikka	64	I	Director, Member of the Compensation Committee
Mr. Paul Tivnan	41	N/A	Senior Vice President, Chief Financial Officer, Secretary and Treasurer
Ms. Helen Tveitan de Jong	53	II	Director, Member of the Audit Committee

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

**Mats Berglund** has been a director of Ardmores 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 Chair of Ark Life Assurance Company and a director of Chorus Aviation Capital (Ireland), AASET 2018-2 and AASET 2019-2. He was previously a director of ReAssure, Guardian Assurance, 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, wave energy, and sustainable aquaculture 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 Modiv Board of Directors (formerly, the RW Holdings NNN REIT, Inc.). 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 Truststreet 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, in the seven years prior, he held various positions up to Trade Manager for Maersk in the USA, Denmark, Singapore and Germany. Mr. Ruppelt is Chair of INTERTANKO's Commercial and Markets Committee and represents Ardmore at the INTERTANKO Council. Mr Ruppelt is currently pursuing a Global Executive MBA with INSEAD. Mr Ruppelt is a graduate of Hamburg Shipping School and completed the management program 'Maersk International Shipping Education'. He is also a member of the Institute of Chartered Shipbrokers in London.

**Kirsi Tikka** was appointed as a director of Ardmore in September 2019. 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. Dr. Tikka is chairing the U.S. National Academies Committee on Oil in the Sea IV: Input, Date and Effects, and is a member of the U.S. National Academies Committee on U.S. Coast Guard Oversight of Recognized Organizations. 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 Classification Society ("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 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.

**Helen Tveitan de Jong** has been a director of Ardmore 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 2020. For 2020, 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 2020. 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, 2020, ASC had granted 3,099,782 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 4, 2020 ASC granted 549,020 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 March 4, 2020, ASC granted 94,105 RSUs to certain of its officers that will vest in three equal annual tranches. On May 29, 2020, ASC granted 78,510 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”)

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. No DER awards were granted during 2020.

Please see Note 15 “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 six 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. 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 Mc Williams, 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. Our shareholders may also nominate directors in accordance with the procedures set forth in our bylaws.

The Compensation Committee consists of Curtis Mc Williams, as Chair, Mats Berglund and Kirsi Tikka. The Compensation Committee oversees our equity incentive plan and recommends director and senior employee compensation.

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, 2020, approximately 1,046 seagoing staff serve on the vessels that we manage and 47 full-time staff and eight part-time staff serve on shore. This compares with 1,054 seafarers and 48 full-time staff and three part-time staff on shore as of December 31, 2019. 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. 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 February 15, 2021 (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 February 15, 2021 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>
Aristotle Capital Boston, LLC <sup>(2)</sup>	3,572,196	10.76 %
BlackRock, Inc <sup>(3)</sup>	2,191,085	6.60 %
Private Management Group, Inc. <sup>(4)</sup>	2,108,086	6.35 %
Dimensional Fund Advisors LP <sup>(5)</sup>	2,043,093	6.16 %
Russell Investments Group, Ltd. <sup>(6)</sup>	1,686,341	5.08 %
Donald Smith & Co., Inc <sup>(7)</sup>	1,363,807	4.11 %
All directors and executive officers as a group	*	*

- (1) Based on 33,274,932 shares of common stock outstanding on February 15, 2021.
  - (2) This information is based on the Amendment No. 1 to Schedule 13G filed with the SEC on February 2, 2021. According to this Amendment No. 1 to Schedule 13G Aristotle Capital Boston, LLC possessed sole voting power over 2,031,042 shares and sole dispositive power over 3,572,196 shares.
  - (3) This information is based on the Amendment No. 2 to Schedule 13G filed with the SEC on January 29, 2021. According to this Amendment No. 2 to Schedule 13G, BlackRock, Inc. possessed sole voting power over 2,126,691 shares and sole dispositive power over 2,191,085 shares.
  - (4) This information is based on the Schedule 13G filed with the SEC on February 9, 2021. According to Schedule 13G, Private Management Group, Inc. possessed sole voting power over 2,108,086 shares and sole dispositive power over 2,108,086 shares.
  - (5) This information is based on the Amendment No. 2 to Schedule 13G filed with the SEC on February 12, 2021. According to this Amendment No.2 to Schedule 13G, Dimensional Fund Advisors LP possessed sole voting power over 1,939,922 shares and sole dispositive power over 2,043,093 shares.
  - (6) This information is based on Schedule 13G filed with the SEC on February 2, 2021.
  - (7) This information is based on the Schedule 13G filed with the SEC on February 11, 2021. According to this Schedule 13G, Donald Smith & Co. Inc possessed sole voting power over 1,320,951 shares and sole dispositive power over 1,333,651 shares; DSCO Value Fund L.P. possessed sole voting power over 8,429 shares and sole dispositive power over 8,429 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.
- \* Less than 1% of outstanding shares of our common stock.

As of February 15, 2021, we had two 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 33,158,680 shares of our common stock, representing approximately 99.7% 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**

We have a 50%-owned joint venture entity, Anglo Ardmere Ship Management Limited (“AASML”), owned in equal shares by the third-party technical manager Anglo-Eastern and our wholly-owned subsidiary Ardmere Shipping (Bermuda) Limited. AASML was incorporated in June 2017 and began providing technical management services exclusively to the Ardmere fleet on January 1, 2018. We have entered into standard Baltic and International Maritime Council (BIMCO) ship management agreements with AASML for the provision of technical management services to 17 of our vessels as at December 31, 2020 (2019: 16 vessels). AASML provides the vessels with a wide range of shipping services such as repairs and maintenance, provisioning and crewing.

## **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 reasonably be expected to 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.

### **Capital Allocation 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, once the other priorities are achieved, returning capital to shareholders. We transitioned to the new policy commencing with the quarter ended March 31, 2020.

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**

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

## **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 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 Exhibit 2.2 (Description of Capital Stock) of 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 us 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 2020 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. Our common shares, which constitute our 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 2020 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 2020 taxable year and were not subject to the 5% Override Rule, and we intend to take that position on our 2020 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, our functional currency. 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.

We are exposed to the risk of credit loss in the event of non-performance by the counterparties to interest rate swap arrangements. In order to minimize counterparty risk, we have only entered into derivative transactions with investment grade counterparties at the time of the transactions. In addition, to the extent possible and practical, we enter into interest rate swaps with different counterparties to reduce concentration risk.

During the year ended December 31, 2020, we entered into floating-to-fixed interest rate swap agreements over a three-year term with multiple counterparties. In accordance with these transactions, we will pay an average fixed-rate interest amount of 0.32% and will receive floating rate interest amounts based on LIBOR. These interest rate swaps have a total notional amount of \$324.1 million, of which \$273.3 million are designated as cash flow hedges.

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, 2020 by \$3.7 million (2019: \$3.9 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, State Street Global Advisors and JP Morgan Asset Management. While we believe this risk of loss is low, we intend to monitor this arrangement and 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, 2020 our 26 vessels in operation were employed with 15 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 voyage and 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, 2020. 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, 2020, 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 evaluated the effectiveness of our internal control over financial reporting as of December 31, 2020, 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, 2020 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, 2020.

## **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, 2020 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**

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 years ended December 31, 2020 and 2019 were Deloitte & Touche LLP.

### **Audit Fees**

The audit fees for the audit of the years ended December 31, 2020 and 2019 were \$0.5 million and \$0.5 million, respectively.

### **Audit-Related Fees**

Audit-related fees relating to work performed by our principal accountants for the years ended December 31, 2020 and 2019 were \$55,000 and \$55,000, respectively.

### **Tax Fees**

There were no tax fees billed by our principal accountants in 2020 or 2019.

### **All Other Fees**

There were no other fees billed by our principal accountants in 2020 or 2019.

### **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 2020 and 2019.

## **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**

In September 2020, our Board of Directors authorized a new share repurchase plan (the "Repurchase Plan"), expanding and replacing our earlier plan. Pursuant to the Repurchase Plan, we may purchase up to \$30 million of our common shares through September 30, 2023, at times and prices that are considered by us to be appropriate. We expect to repurchase shares under the plan in the open market or in privately negotiated transactions, but we are not obligated under the terms of the plan to repurchase any shares, and, at any time, we may suspend, delay or discontinue the Repurchase Plan. During the year ended December 31, 2019, we repurchased no shares of our common stock. During the year ended December 31, 2020, we repurchased 98,652 shares, all under our Repurchase Plan, at a weighted-average price of \$2.91 per share (including fees and commission of \$0.02 per share) for a total of \$286,856. We repurchased all of these shares during November 2020. The total remaining share repurchase authorization under the Repurchase Plan at December 31, 2020, was \$29.7 million.

## **Item 16.F. Change in Registrant's Certifying Accountant**

Not applicable.

### 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 each composed of independent directors, 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 (incorporated herein by reference to Exhibit 2.2 to the Company’s Annual Report on Form 20-F filed with the SEC on April 3, 2020).
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, Ardmore Shipping LLC, the Company, ABN Amro Bank NV, Credit Agricole Corporate and Investment Bank and the other banks and financial institutions party thereto (incorporated herein by reference to Exhibit 4.2 to the Company’s Annual Report on Form 20-F filed with the SEC on April 3, 2020).
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, Ardmore Shipping LLC, the Company, Nordea Bank ABP, Filial I Norge, Skandinaviska Enskilda Banken Ab (Publ) and the other banks and financial institutions party thereto (incorporated herein by reference to Exhibit 4.3 to the Company’s Annual Report on Form 20-F filed with the SEC on April 3, 2020).
4.4	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).
4.5	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)
101	The following materials from the Company’s Annual Report on Form 20-F for the fiscal year ended December 31, 2020, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of December 31, 2020 and 2019; (ii) Consolidated Statements of Operations for the years ended December 31, 2020, 2019 and 2018;

- (iii) Consolidated Statements of Comprehensive Loss for the years ended December 31, 2020, 2019 and 2018;
- (iv) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2020, 2019 and 2018;
- (v) Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018; and
- (vi) Notes to Consolidated Financial Statements

**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

Anthony Gurnee  
Chief Executive Officer  
(Principal Executive Officer)

Date: March 5, 2021

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**Report of Independent Registered Public Accounting Firm**

To the shareholders and the Board of Directors of Ardmore Shipping Corporation:

**Opinions 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, 2020 and 2019, and the related consolidated statements of operations, comprehensive loss, changes in stockholders' equity and cash flows for the years 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, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for the years 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, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

**Basis for Opinions**

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 audits 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 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. 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 audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits 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.

## Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### Vessel Impairment – Future Charter Rates – Refer to Note 2 of the consolidated financial statements

#### Critical Audit Matter Description

The Company assesses vessels and equipment that are held and used for impairment when events and 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 undiscounted future 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. Undiscounted future cash flows are determined by applying various assumptions based on historical trends as well as future expectations. In estimating future revenue, the Company considers 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. An impairment charge is recognized if the carrying value is in excess of the estimated undiscounted future cash flows. The impairment loss is measured based on the excess of the carrying amount over the fair market value of the asset.

Undiscounted future 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. Projected future charter rates are the most significant and subjective assumption that the Company uses for its impairment analysis. The total carrying value of vessels and vessel equipment, net, as of December 31, 2020, was \$631.5 million.

We identified projected charter rates used in the undiscounted future cash flows analysis as a critical audit matter because of the significant judgments made by management to estimate future charter rates, as charter rates tend to be cyclical and subject to significant volatility. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management's projected charter rates.

## How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the projected charter rates utilized in the undiscounted future cash flows analysis included the following, among others:

- We tested the effectiveness of controls over management's review of the impairment analysis, including the future charter rates used within the undiscounted future cash flows analysis.
- We evaluated the reasonableness of the Company's estimate of future charter rates through the performance of the following procedures:
  - Evaluated the Company's methodology for estimating future charter rates, which, for the year ending December 31, 2021, consider the rates currently in effect for the duration of their current charters, third party forward rates and the Company's recent historical performance, and for periods after December 31, 2021, reflect the Company's estimates of the future charter rates based on the most recent ten-year historical one-year time charter average for the applicable vessel class.
  - Compared the future charter rates utilized in the undiscounted future cash flow analysis to 1) the Company's historical rates, 2) historical rate information by vessel class published by third parties and 3) other external market sources, including analysts' reports and freight forward agreement curves.
  - Obtained the supporting information related to the assumptions used in the projected charter rates and discussed with the Company's management and considered the consistency of the assumptions used with evidence obtained in other areas of the audit. This included 1) internal communications by management to the board of directors, and 2) external communications by management to analysts and investors.

/s/ Deloitte & Touche LLP

New York, New York

March 5, 2021

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 statements of operations, comprehensive loss, changes in stockholders' equity and cash flows of Ardmore Shipping Corporation (the Company) for the year 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 results of the Company's operations and its cash flows for the year 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 audit. 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 audit 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 audit 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 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. We believe that our audit provides 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	
		2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents . . . . .		58,365,330	51,723,107
Receivables, net of allowance for bad debts of \$0.5 million (2019: \$0.9 million) . . . . .		17,808,496	30,083,358
Prepaid expenses and other assets . . . . .		3,683,910	1,940,030
Advances and deposits . . . . .		2,516,646	4,114,065
Inventories . . . . .		10,274,062	10,158,735
Vessel held for sale . . . . .		9,895,000	—
<b>Total current assets</b> . . . . .		<b>102,543,444</b>	<b>98,019,295</b>
<b>Non-current assets</b>			
Vessels and vessel equipment, net of accumulated depreciation of \$170.2 million (2019: \$146.2 million) . . . . .		631,458,305	660,823,330
Deferred drydock expenditures, net of accumulated amortization of \$13.3 million (2019: \$10.3 million) . . . . .		10,216,090	7,668,711
Advances for ballast water treatment systems . . . . .		2,568,874	384,408
Other non-current assets, net of accumulated depreciation of \$1.7 million (2019: \$1.4 million) . . . . .		678,632	917,222
Amount receivable in respect of finance leases . . . . .		2,880,000	2,880,000
Operating lease, right-of-use asset . . . . .	7	1,662,510	1,745,464
<b>Total non-current assets</b> . . . . .		<b>649,464,411</b>	<b>674,419,135</b>
<b>TOTAL ASSETS</b> . . . . .		<b>752,007,855</b>	<b>772,438,430</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable . . . . .		9,125,321	4,789,935
Accrued expenses and other liabilities . . . . .	4	11,233,767	16,278,084
Accrued interest on debt and finance leases . . . . .		769,304	880,183
Current portion of long-term debt . . . . .	5	22,456,396	20,216,171
Current portion of finance lease obligations . . . . .	6	18,454,222	17,975,322
Current portion of derivative liabilities . . . . .	8	397,418	—
Current portion of operating lease obligations . . . . .	7	463,559	289,231
<b>Total current liabilities</b> . . . . .		<b>62,899,987</b>	<b>60,428,926</b>
<b>Non-current liabilities</b>			
Non-current portion of long-term debt . . . . .	5	188,054,568	187,066,842
Non-current portion of finance lease obligations . . . . .	6	179,250,162	197,704,372
Non-current portion of derivative liabilities . . . . .	8	433,974	—
Non-current portion of operating lease obligations . . . . .	7	1,034,218	1,182,522
<b>Total non-current liabilities</b> . . . . .		<b>368,772,922</b>	<b>385,953,736</b>
<b>Stockholders' equity</b>			
Common stock (\$0.01 par value, 225,000,000 shares authorized, 35,206,656 issued and 33,186,603 outstanding as at December 31, 2020 and 35,019,232 issued and 33,097,831 outstanding as at December 31, 2019) . . . . .		352,067	350,192
Additional paid in capital . . . . .		418,180,983	416,841,494
Accumulated other comprehensive loss . . . . .		(729,135)	—
Treasury stock (2,020,053 shares as at December 31, 2020 and 1,921,401 shares as at December 31, 2019) . . . . .		(15,635,765)	(15,348,909)
Accumulated deficit . . . . .		(81,833,204)	(75,787,009)
<b>Total stockholders' equity</b> . . . . .		<b>320,334,946</b>	<b>326,055,768</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> . . . . .		<b>752,007,855</b>	<b>772,438,430</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Ardmore Shipping Corporation**  
**Consolidated Statements of Operations**  
(Expressed in U.S. Dollars, except for shares)

	Notes	For the years ended December 31		
		2020	2019	2018
Revenue, net	3	220,057,606	230,042,240	210,179,181
Voyage expenses		(81,253,212)	(96,056,391)	(98,142,454)
Vessel operating expenses		(62,546,733)	(62,546,606)	(67,017,632)
Charter hire costs		(1,367,528)	—	—
Depreciation		(32,187,324)	(32,322,695)	(35,137,880)
Amortization of deferred drydock expenditures		(6,198,245)	(4,803,069)	(3,637,276)
General and administrative expenses				
Corporate		(15,122,906)	(14,951,996)	(12,626,373)
Commercial and chartering		(2,780,970)	(3,194,218)	(3,233,888)
Loss on vessel held for sale	9	(6,447,309)	—	(6,360,813)
Loss on sale of vessels	9	—	(13,162,192)	—
Unrealized losses on derivatives		(113,591)	—	—
Interest expense and finance costs	10	(18,168,155)	(26,759,754)	(27,405,608)
Interest income		281,618	952,190	606,665
<b>Loss before taxes</b>		<b>(5,846,749)</b>	<b>(22,802,491)</b>	<b>(42,776,078)</b>
Income tax	11	(199,446)	(58,766)	(162,923)
<b>Net loss</b>		<b>(6,046,195)</b>	<b>(22,861,257)</b>	<b>(42,939,001)</b>
Net loss per share, basic and diluted	12	(0.18)	(0.69)	(1.31)
Weighted average number of shares outstanding, basic and diluted	12	33,241,936	33,097,831	32,837,866

*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)

	For the years ended December 31		
	2020	2019	2018
Net loss	(6,046,195)	(22,861,257)	(42,939,001)
Other comprehensive loss, net of tax			
Net change in unrealized losses on cash flow hedges	(729,135)	—	—
Other comprehensive loss, net of tax	<b>(729,135)</b>	<b>—</b>	<b>—</b>
<b>Comprehensive loss</b>	<b>(6,775,330)</b>	<b>(22,861,257)</b>	<b>(42,939,001)</b>

*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)

	Number of shares outstanding	Share capital	Additional paid in capital	Accumulated other comprehensive loss	Treasury stock	Accumulated deficit	TOTAL
Balance as at December 31, 2017	32,139,956	340,613	405,549,985	—	(15,348,909)	(9,567,929)	380,973,760
Cumulative effect of accounting change (1)	—	—	—	—	—	(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 the year	—	—	—	—	—	(42,939,001)	(42,939,001)
Balance as at December 31, 2018	<u>33,097,831</u>	<u>350,192</u>	<u>414,508,403</u>	<u>—</u>	<u>(15,348,909)</u>	<u>(52,925,752)</u>	<u>346,583,934</u>
Share-based compensation	—	—	2,333,091	—	—	—	2,333,091
Loss for the year	—	—	—	—	—	(22,861,257)	(22,861,257)
Balance as at December 31, 2019	<u>33,097,831</u>	<u>350,192</u>	<u>416,841,494</u>	<u>—</u>	<u>(15,348,909)</u>	<u>(75,787,009)</u>	<u>326,055,768</u>
Issue of common stock	187,424	1,875	(1,875)	—	—	—	-
Share-based compensation	—	—	3,000,672	—	—	—	3,000,672
Payment of dividend	—	—	(1,659,308)	—	—	—	(1,659,308)
Repurchase of common stock	(98,652)	—	—	—	(286,856)	—	(286,856)
Changes in unrealized loss on cash flow hedges	—	—	—	(729,135)	—	—	(729,135)
Loss for the year	—	—	—	—	—	(6,046,195)	(6,046,195)
Balance as at December 31, 2020	<u>33,186,603</u>	<u>352,067</u>	<u>418,180,983</u>	<u>(729,135)</u>	<u>(15,635,765)</u>	<u>(81,833,204)</u>	<u>320,334,946</u>

(1) The opening accumulated deficit has been adjusted on January 1, 2018 in connection with the adoption of FASB Accounting Standards Codification (ASC) 606.

*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		
		2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss		(6,046,195)	(22,861,257)	(42,939,001)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation		32,187,324	32,322,695	35,137,880
Amortization of deferred drydock expenditures		6,198,245	4,803,069	3,637,276
Share-based compensation		3,000,672	2,333,091	1,636,547
Loss on vessel held for sale	9	6,447,309	—	6,360,813
Loss on sale of vessels	9	—	13,162,192	—
Amortization of deferred finance fees		1,765,271	2,560,180	4,668,077
Unrealized losses on derivatives		113,591	—	—
Foreign exchange		108,978	(73,207)	(200,504)
Deferred drydock expenditures		(7,003,305)	(5,387,875)	(6,599,085)
Changes in operating assets and liabilities:				
Receivables		12,274,862	(2,623,226)	(614,151)
Working capital advances		—	—	3,100,000
Prepaid expenses and other assets		(1,743,880)	137,453	(664,608)
Advances and deposits		1,597,419	(1,981,261)	882,968
Inventories		(115,327)	2,653,304	(3,179,793)
Accounts payable		2,543,080	(3,672,559)	3,013,580
Accrued expenses and other liabilities		(5,098,531)	(48,663)	4,991,495
Accrued interest on debt and finance leases		(135,064)	(852,676)	194,883
<b>Net cash provided by operating activities</b>		<u>46,094,449</u>	<u>20,471,260</u>	<u>9,426,377</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of vessels		—	26,557,707	—
Payments for acquisition of vessels and vessel equipment		(18,720,337)	(2,599,827)	(16,824,102)
Advances for ballast water treatment systems		(2,184,466)	114,235	(528,774)
Payments for other non-current assets		(88,630)	(177,950)	(204,003)
<b>Net cash (used in) / provided by investing activities</b>		<u>(20,993,433)</u>	<u>23,894,165</u>	<u>(17,556,879)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from long-term debt		20,375,243	201,462,500	3,902,122
Repayments of long-term debt		(18,017,863)	(222,198,713)	(184,306,269)
Proceeds from finance leases		—	—	209,725,500
Repayments of finance leases		(18,650,009)	(26,510,556)	(7,336,520)
Payments for deferred finance fees		(220,000)	(2,298,587)	(3,740,150)
Net proceeds from equity offerings		—	—	7,331,450
Repurchase of common stock		(286,856)	—	—
Payment of dividend		(1,659,308)	—	—
<b>Net cash (used in) / provided by financing activities</b>		<u>(18,458,793)</u>	<u>(49,545,356)</u>	<u>25,576,133</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<u>6,642,223</u>	<u>(5,179,931)</u>	<u>17,445,631</u>
Cash and cash equivalents at the beginning of the year		51,723,107	56,903,038	39,457,407
<b>Cash and cash equivalents at the end of the period</b>		<u>58,365,330</u>	<u>51,723,107</u>	<u>56,903,038</u>
Cash paid during the period for interest in respect of debt		6,526,308	11,544,904	17,482,989
Cash paid during the period for interest in respect of finance leases		9,902,396	13,529,033	5,100,987
Cash paid during the period for operating lease liabilities		501,118	501,848	522,009
Cash paid during the period for income taxes		138,841	54,730	139,849

*The accompanying notes are an integral part of these consolidated financial statements.*

## 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, 2020, the Company had 27 vessels in operation. The average age of the Company’s operating fleet as at December 31, 2020 was 7.6 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, 2020, ASC had 76 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.

## 1.3. Vessels

As at December 31, 2020, the Company owned and operated a modern fleet of 26 product/chemical vessels, 25 with Marshall Island flags and one with a Singapore flag, and with a combined carrying capacity of 1,161,293 deadweight tonnes (“dwt”) and an average age of approximately 7.6 years.

Vessel Name	Type	Dwt	IMO <sup>(1)</sup>	Built	Country	Specification
<i>Ardmore Seavaliant</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 Sealancer</i> . . . . .	Product	47,451	—	Jun-08	Japan	Eco-mod
<i>Ardmore Sealeader</i> . . . . .	Product	47,463	—	Aug-08	Japan	Eco-mod
<i>Ardmore Sealifter</i> . . . . .	Product	47,472	—	Jun-08	Japan	Eco-mod
<i>Ardmore Seafarer</i> . . . . .	Product	49,999	—	Jun-10	Japan	Eco-mod
<i>Ardmore Dauntless</i> . . . . .	Product/Chemical	37,764	2	Feb-15	Japan	Eco-design
<i>Ardmore Defender</i> . . . . .	Product/Chemical	37,791	2	Feb-15	Japan	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>26</b>	<b>1,161,293</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 accounting principles generally accepted in the United States of America (“U.S. GAAP”). All subsidiaries are 100% directly or indirectly owned by ASC. AASML, which is a 50% owned joint venture, is accounted for using the equity method. All intercompany balances and transactions have been eliminated on consolidation.

## 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 operations.

## 2.4. Recent accounting pronouncements

In June 2016, the Financial Accounting Standards Board issued ASU 2016-13: Financial Instruments - Credit Losses (Topic 326) which requires recognition of management's estimates of current expected credit losses, rather than the current incurred losses model. The new model is generally applicable to all financial instruments that are not accounted for at fair value through net income. The standard is effective for annual and interim periods beginning after December 15, 2019. The implementation of this standard on January 1, 2020 did not represent a significant impact on the consolidated financial statements and related disclosures.

On March 12, 2020, the FASB issued ASU 2020-04 - Reference Rate Reform ("ASC 848"): "Facilitation of the Effects of Reference Rate Reform on Financial Reporting". The purpose of this guidance is to provide relief for impacted areas as it relates to impending reference rate reform. ASC 848 contains optional expedients and exceptions for applying US GAAP to contracts, hedging relationships, and other areas or transactions that are impacted by reference rate reform. ASU 2020-04 is effective upon issuance for all entities and elections of certain optional expedients are required to apply the provisions of the guidance. The Company continues to assess all potential impacts of the standard and will disclose the nature and reason for any elections that the Company makes.

During the year ended December 31, 2020, the Company has elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. The Company continues to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

## 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.

### 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. These costs are from the later 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.

### 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 recognized 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 net realizable 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.

A loss 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 (2019: \$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. 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. Advances for ballast water treatment systems**

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 undiscounted future 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.

For purposes of testing for recoverability, undiscounted future cash flows are determined by applying various assumptions based on historical trends as well as future expectations. In estimating future revenue, the Company considers 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. 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 internally generated rates and the 10-year average historical average industry rates. Undiscounted future 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 market and Company specific revenue data as discussed above, and also considering other external market sources, including analysts' reports and freight forward agreement curves.

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, 2020, 2019 and 2018.

#### **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 operations using the effective interest method over the life of the lease.

#### **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.

#### **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. Derivatives**

As required by ASC 815, Derivatives and Hedging, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply, or the Company elects not to apply hedge accounting.

The Company elected to classify settlement payments as operating activities within the statement of cash flows.

#### **2.24. 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 operations. The investment in AASML and the equity in income of AASML is insignificant.

#### **2.25. 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.

#### **2.26. 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.

#### **2.27. 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.



## 2.28. 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 operations using the effective interest rate method over the life of the related debt or finance lease.

## 2.29. 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 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 operations 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.

## 2.30. 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 an increase in additional paid in capital and cumulative losses as an increase to accumulated deficit.

## 2.31. 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.

## 2.32. 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 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 operations 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, 2020 amounted to \$Nil (2019: \$Nil, 2018: \$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, 2020 amounted to \$Nil (2019: \$Nil, 2018: \$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		
	2020	2019	2018
Charterer A .....	26,759,247	<10%	27,025,590

The following table presents the Company’s revenue contributions by nature of vessel employment.

	For the years ended December 31		
	2020	2019	2018
Voyage charters <sup>(1)</sup> .....	206,350,782	218,969,349	193,679,937
Time charters <sup>(2)</sup> .....	13,696,635	10,974,608	2,453,062
Pooling arrangements <sup>(3)</sup> .....	10,189	98,283	14,046,182
	<b>220,057,606</b>	<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.
- (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.

**4. Accrued expenses and other liabilities**

Accrued expenses and other liabilities consist of the following as at December 31, 2020 and 2019:

	As at December 31	
	2020	2019
Accrued vessel operating expenses and voyage expenses .....	8,320,291	12,096,220
Other accrued expenses .....	2,913,476	4,181,864
<b>Total accrued expenses .....</b>	<b>11,233,767</b>	<b>16,278,084</b>

**5. Debt**

As at December 31, 2020, the Company had six 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 14 vessels as at December 31, 2020. 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 carrying amounts in the table below approximate the fair value for the variable rate debt which is considered to be a Level 2 item as the Company considers the estimate of rates it could obtain for similar debt. The fair value of an asset or liability is based on assumptions that market participants would use in pricing the asset or liability. The hierarchies of inputs used when determining fair value are described below:

*Level 1:* Valuations based on quotes prices in active markets for identical instruments that the Company is able to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment.

*Level 2:* Valuations based on quoted prices in active markets for instruments that are similar, or quoted prices in markets that are not active for identical or similar instruments, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

*Level 3:* Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The outstanding principal balances on each loan facility as at December 31, 2020 and 2019 were as follows:

	As at December 31	
	2020	2019
NIBC Bank Facility	4,625,000	6,045,000
Nordea/SEB Joint Bank Facility	88,503,292	100,000,000
Nordea/SEB Revolving Facility	39,237,241	40,000,000
ABN/CACIB Joint Bank Facility	57,124,104	61,462,500
ABN AMRO Revolving Facility	14,394,250	4,019,007
IYO Bank Facility	10,000,000	—
<b>Total debt</b>	<b>213,883,887</b>	<b>211,526,507</b>
Deferred finance fees	(3,372,923)	(4,243,494)
<b>Net total debt</b>	<b>210,510,964</b>	<b>207,283,013</b>
Current portion of long-term debt	23,506,236	21,274,111
Current portion of deferred finance fees	(1,049,840)	(1,057,940)
Total current portion of long-term debt	<b>22,456,396</b>	<b>20,216,171</b>
<b>Non-current portion of long-term debt</b>	<b>188,054,568</b>	<b>187,066,842</b>

Future minimum scheduled repayments under the Company's loan facilities for each year are as follows:

	As at
	December 31
	2020
2021	23,506,236
2022	33,275,486
2023	18,881,236
2024	134,620,929
2025	3,600,000
	<b>213,883,887</b>

#### 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. On January 7, 2021, Ardmore repaid the facility in full.

#### Nordea / SEB Joint Bank Facility and Nordea / SEB Revolving 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 2020 and 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. On July 17, 2020, this facility was renewed for a further two years. Interest under this facility is calculated at a rate of LIBOR plus 3.9%. Interest payments are payable on a quarterly basis. The facility matures in July 2022 with options to extend for two more years.

#### IYO Bank Facility

On December 17, 2020, one of ASC's subsidiaries entered into a \$10.0 million long-term loan facility with IYO Bank to finance a secondhand vessel acquisition which delivered to the Company in 2020. The facility was drawn down in December 2020. Interest is calculated at a rate of LIBOR plus 2.25%. 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 December 2025.

#### 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, 2020, was \$20.5 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, 2020 and 2019.

## 6. Finance lease

As at December 31, 2020, 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, 2020 (2019: 12 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, 2020 and 2019 were as follows:

	As at December 31	
	2020	2019
Japanese Leases No.1 and 2 . . . . .	26,531,100	31,398,900
Japanese Lease No.3 . . . . .	13,119,000	15,498,000
CMBFL Leases No.1 to 4 . . . . .	72,459,942	79,896,836
Ocean Yield ASA . . . . .	55,729,620	61,153,740
Japanese Lease No.4 . . . . .	21,949,099	23,983,699
China Huarong Leases . . . . .	41,992,081	46,717,764
<b>Finance lease obligations</b> . . . . .	<b>231,780,842</b>	<b>258,648,939</b>
Amounts representing interest and deferred finance fees . . . . .	(34,076,458)	(42,969,245)
<b>Finance lease obligations, net of interest and deferred finance fees</b> . . . . .	<b>197,704,384</b>	<b>215,679,694</b>
Current portion of finance lease obligations . . . . .	19,084,775	18,650,022
Current portion of deferred finance fees . . . . .	(630,553)	(674,700)
Non-current portion of finance lease obligations . . . . .	181,250,674	200,335,437
Non-current portion of deferred finance fees . . . . .	(2,000,512)	(2,631,065)
<b>Total finance lease obligations, net of deferred finance fees</b> . . . . .	<b>197,704,384</b>	<b>215,679,694</b>

Maturity analysis of the Company's finance lease facilities for each year are as follows:

	As at
	December 31, 2020
2021 . . . . .	26,523,339
2022 . . . . .	26,470,805
2023 . . . . .	38,028,900
2024 . . . . .	24,179,292
2025 . . . . .	75,863,062
2026 - 2030 . . . . .	40,715,444
<b>Finance lease obligations</b> . . . . .	<b>231,780,842</b>
Amounts representing interest and deferred finance fees . . . . .	(34,076,458)
<b>Finance lease obligations, net of interest and deferred finance fees</b> . . . . .	<b>197,704,384</b>

Assets recorded under finance leases consist of the following:

	As at December 31	
	2020	2019
Vessels and vessel equipment, net of accumulated depreciation . . . . .	282,930,184	296,708,230
Deferred drydock expenditures, net of accumulated amortization . . . . .	2,751,781	4,419,417
Advances for ballast water systems . . . . .	2,141,135	221,277
	<b>287,823,100</b>	<b>301,348,924</b>

## 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 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, 2020 and 2019.

## 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.

The liabilities described below are for the Company's offices in Cork, Ireland, Singapore and Houston, Texas which are denominated in various currencies. The weighted average remaining term of the office leases as at December 31, 2020 was 4.6 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 operations.

	As at December 31	
	2020	2019
Operating lease, right-of-use asset . . . . .	1,662,510	1,745,464
<b>Total operating lease, right-of-use asset . . . . .</b>	<b>1,662,510</b>	<b>1,745,464</b>
Current portion of operating lease obligations . . . . .	463,559	289,231
Non-current portion of operating lease obligations . . . . .	1,034,218	1,182,522
<b>Total operating lease obligations . . . . .</b>	<b>1,497,777</b>	<b>1,471,753</b>

	For the years ended December 31		
	2020	2019	2018
Foreign exchange loss/(gain) on operating leases . . . . .	108,978	(73,207)	(200,504)
<b>Total foreign exchange loss/(gain) on operating leases . . . . .</b>	<b>108,978</b>	<b>(73,207)</b>	<b>(200,504)</b>

As at December 31, 2020, the Company had the following maturity of operating lease obligations:

	As at December 31 2020
2021 . . . . .	473,361
2022 . . . . .	299,029
2023 . . . . .	269,859
2024 . . . . .	273,082
2025 . . . . .	277,062
2026 . . . . .	46,959
Total lease payments . . . . .	1,639,352
Less imputed interest . . . . .	(141,575)
<b>Present value of lease liabilities . . . . .</b>	<b>1,497,777</b>

## 8. Interest Rate Swaps

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

During the second quarter of 2020, the Company entered into floating-to-fixed interest rate swap agreements, associated with existing variable-rate debt and financing facilities, over a three-year term with multiple counterparties. In accordance with these transactions, the Company will pay an average fixed-rate interest amount of 0.32% and will receive floating rate interest amounts based on LIBOR. These interest rate swaps have a total notional amount of \$324.1 million of which \$273.3 million is designated as cash flow hedges.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in Accumulated Other Comprehensive Loss and subsequently reclassified into interest expense in the same period(s) during which the hedged transaction affects earnings. Reclassification adjustments related to the interest rate swaps amounted to approximately \$80,000 for the year ended December 31, 2020.

Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements and/or the Company has not elected to apply hedge accounting. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings.

The Company records the fair value of the interest rate swaps as an asset or liability on its balance sheet. Interest rate swaps are considered to be a Level 2 item. The following table shows the interest rate swap liabilities as of December 31, 2020 and December 31, 2019:

Derivatives designated as hedging instruments	Balance Sheet location	December 31, 2020	December 31, 2019
Interest rate swap . . . . .	Current portion of derivative liabilities	\$ 349,374	—
Interest rate swap . . . . .	Non - current portion of derivative liabilities	\$ 379,762	—

The following table shows the interest rate swap liabilities not designated as hedging instruments as of December 31, 2020 and December 31, 2019:

Derivatives not designated as hedging instruments	Balance Sheet location	December 31, 2020	December 31, 2019
Interest rate swap . . . . .	Current portion of derivative liabilities	\$ 48,044	—
Interest rate swap . . . . .	Non - current portion of derivative liabilities	\$ 54,212	—

## 9. Loss on sale 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 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 <sup>(1)</sup> .....	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 .....	(223,178)	(99,503)	(322,681)
Debt termination costs and related finance fees .....	(66,684)	(55,218)	(121,902)
<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>

In December 2020, Ardmore agreed to terms for the sale of the *Ardmore Seamariner*. Effective December 2020, Ardmore reclassified the vessel as held for sale and ceased to depreciate the vessel. The Company repaid all amounts outstanding under the related term loan in January 2021. The sale price for the vessel was \$10.0 million, resulting in a net loss of \$6.4 million which was recognized in the year ended December 31, 2020. The vessel was delivered to the buyer in January 2021.

The loss on the vessel held for sale for the year ended December 31, 2020 is calculated as follows:

	<u>Seamariner</u>
Sales proceeds .....	10,000,000
Net book value of vessel .....	(16,342,309)
Sales related costs .....	(105,000)
<b>Loss on vessel held for sale</b> .....	<b><u>(6,447,309)</u></b>

## 10. Interest expense and finance costs

	<u>For the years ended December 31</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Interest incurred – debt .....	6,585,889	10,780,248	17,070,112
Interest incurred – finance leases .....	9,737,294	13,419,326	5,667,420
Amortization of deferred finance fees .....	1,765,271	2,023,279	2,400,621
Write-off of deferred finance fees in relation to refinancing .....	—	536,901	2,267,455
Swap Interest .....	79,701	—	—
	<b><u>18,168,155</u></b>	<b><u>26,759,754</u></b>	<b><u>27,405,608</u></b>

## 11. Income taxes

The components of income tax are as follows:

	<u>For the years ended December 31</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current tax expenses .....	(199,446)	(58,766)	(162,923)
<b>Income tax expense for year</b> .....	<b><u>(199,446)</u></b>	<b><u>(58,766)</u></b>	<b><u>(162,923)</u></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:

	<u>For the years ended December 31</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Bermuda statutory income tax rate .....	0.00 %	0.00 %	0.00 %
Income subject to tax in other jurisdictions .....	3.41 %	0.26 %	0.38 %
<b>Effective tax rate</b> .....	<b><u>3.41 %</u></b>	<b><u>0.26 %</u></b>	<b><u>0.38 %</u></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 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.

	<u>For the years ended December 31</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Numerator:</b>			
Net loss .....	\$ (6,046,195)	(22,861,257)	(42,939,001)
<b>Denominator:</b>			
Weighted average number of shares outstanding ..	33,241,936	33,097,831	32,837,866
<b>Net loss per share, basic and diluted</b> .....	<b><u>\$ (0.18)</u></b>	<b><u>(0.69)</u></b>	<b><u>(1.31)</u></b>

For the year ended December 31, 2020, SARs granting the right to acquire 3,094,003 shares (2019: 2,544,983, 2018: 1,984,983) and 319,144 RSUs were outstanding (2019: 322,106, 2018: Nil). The SARs and RSUs have been excluded from the computation of diluted loss per share as they are anti-dilutive as a result of the net loss for all periods.

The Company 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. The Company did not make any payments of dividends for any other quarter in the year ended December 31, 2019. The Company did not make any payment of dividends for the years ended December 31, 2020 or 2018.

### 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, 2020 and 2019 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 17 vessels of the Company's fleet as at December 31, 2020 (2019: 16 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, 2020 were \$2.8 million (2019: \$3.0 million), which are included in vessel operating expenses in the consolidated statement of operations. Amounts due from/(to) AASML in respect of management fees were \$Nil as at December 31, 2020 (2019: \$Nil). Advances to AASML for technical management services as at December 31, 2020 were \$1.9 million (2019: \$2.8 million) and are included in Advances and deposits in the consolidated balance sheets. Amounts payable to AASML for technical management services as at December 31, 2020 were \$3.0 million with \$2.2 million included in Accounts payable and \$0.8 million included in Accrued expenses and other liabilities in the consolidated balance sheets.

### 14. Share-based compensation

#### Stock appreciation rights

As at December 31, 2020, the Company had granted 3,099,782 SARs (inclusive of 5,779 forfeited SARs), which included 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	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	
04-Mar-20 . . .	549,020	\$ 5.25	3 yrs	\$ 5.25	0 %	0.73 %	46.42 %	\$ 2.04	4.5 yrs	Black-Scholes	

Changes in the SARs for the year ended December 31, 2020 are set forth below:

	No. of SARs	Weighted average exercise price
Balance as at January 1, 2020 . . . . .	2,544,983	\$ 7.14
SARs granted during the year ended December 31, 2020 . . . . .	549,020	\$ 5.25
SARs forfeited during the year ended December 31, 2020 . . . . .	—	—
<b>Balance as at December 31, 2020 (none of which are exercisable or convertible) . .</b>	<b>3,094,003</b>	<b>\$ 6.80</b>

The total cost related to non-vested awards expected to be recognized through 2023 is set forth below:

Period	TOTAL
2021 . . . . .	746,667
2022 . . . . .	435,556
2023 . . . . .	62,222
	<u>1,244,445</u>

#### Restricted stock units

As at December 31, 2020, the Company had granted 494,721 RSUs, which included DERs, 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
04-Mar-20 . . . . .	94,105	3 years	\$ 5.25
29-May-20 . . . . .	78,510	1 year	\$ 5.84

Changes in the RSUs for the year ended December 31, 2020 is set forth below:

	No. of RSUs	Weighted average fair value at grant date
Balance as at January 1, 2020 . . . . .	322,106	\$ 5.28
RSUs granted during the year ended December 31, 2020 . . . . .	172,615	\$ 5.52
RSUs vested during the year ended December 31, 2020 . . . . .	(176,304)	\$ (5.67)
RSUs forfeited during the year ended December 31, 2020 . . . . .	—	—
<b>Balance as at December 31, 2020 (none of which are vested) . . . . .</b>	<b>318,417</b>	<b>\$ 5.19</b>

The total cost related to non-vested awards expected to be recognized through 2023 is set forth below:

Period	TOTAL
2021 . . . . .	502,282
2022 . . . . .	189,110
2023 . . . . .	27,447
	<u>718,839</u>

#### Dividend equivalent rights

As at December 31, 2020, 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, 2020 is set forth below:

	No. of DERs	Weighted average fair value at grant date
Balance as at January 1, 2020	1,146,517	0.49
DERs granted during the year ended December 31, 2020	—	—
DERs forfeited during the year ended December 31, 2020	—	—
<b>Balance as at December 31, 2020 (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
2021	234,081
	<b>234,081</b>

**15. Repurchase of common stock**

In September 2020, the Company's Board of Directors authorized a new share repurchase plan, expanding and replacing the Company's earlier plan. Pursuant to the new share repurchase plan, the Company may purchase up to \$30 million of its common shares through September 30, 2023, at times and prices that are considered to be appropriate by the Company. The Company expects to repurchase these shares in the open market or in privately negotiated transactions, but is not obligated under the terms of the plan to repurchase any shares, and at any time, the Company may suspend, delay or discontinue the plan.

During the year ended December 31, 2020, the Company repurchased 98,652 common shares at a weighted-average price of \$2.91 (including fees and commission of \$0.02 per share) per share for a total of approximately \$0.3 million.

During the years ended December 31, 2019 and 2018, no shares were repurchased.

**Ardmore Shipping Corporation**

**Subsidiary Companies**

This is a list of subsidiary companies of Ardmore Shipping Corporation as at December 31, 2020.

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 Maritime Services (Asia) Pte. Ltd.	Singapore	100.00% (Immediate Parent - Ardmore Shipping (Bermuda) Limited)
Ardmore Shipping (UK) Limited	United Kingdom	100.00% (Immediate Parent - Ardmore Shipping (Bermuda) Limited)
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)
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)
Lahinch Shipco (Pte.) Ltd	Singapore	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)



<u>Company Name</u>	<u>Incorporation Jurisdiction</u>	<u>Ownership</u>
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)
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)
Magee Shipco LLC	Marshall Islands	100.00% (Immediate Parent - Ardmore Shipping LLC)
Malin Shipco LLC	Marshall Islands	100.00% (Immediate Parent - Ardmore Shipping LLC)
Meela Shipco LLC	Marshall Islands	100.00% (Immediate Parent - Ardmore Shipping LLC)
Portmore Shipco LLC	Marshall Islands	100.00% (Immediate Parent - Ardmore Shipping LLC)
Rockall Shipco LLC	Marshall Islands	100.00% (Immediate Parent - Ardmore Shipping LLC)
Shannon Shipco LLC	Marshall Islands	100.00% (Immediate Parent - Ardmore Shipping LLC)
Sheelin Shipco LLC	Marshall Islands	100.00% (Immediate Parent - Ardmore Shipping LLC)
Skellig Shipco LLC	Marshall Islands	100.00% (Immediate Parent - Ardmore Shipping LLC)
Strangford Shipco LLC	Marshall Islands	100.00% (Immediate Parent - Ardmore Shipping LLC)
Swilly Shipco LLC	Marshall Islands	100.00% (Immediate Parent - Ardmore Shipping LLC)
Tyne Shipco LLC	Marshall Islands	100.00% (Immediate Parent - Ardmore Shipping LLC)
Valentia 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: March 5, 2021

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 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: March 5, 2021

By: /s/ Paul Tivnan  
 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, 2020 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: March 5, 2021

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, 2020 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: March 5, 2021

By: /s/ Paul Tivnan  
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 Registration Statement Nos. 333-203205, 333-227129 and 333-233540 on Form F-3 and Registration Statement No. 333-213344 on Form S-8 of our report dated March 5, 2021, 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, 2020.

/s/ Deloitte & Touche LLP

New York, New York

March 5, 2021

**EXHIBIT 15.2**

**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, 2020.

/s/ Ernst & Young

Dublin, Ireland

March 5, 2021

# Ardmore Shipping Corporation

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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

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

## Auditors

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