

May 30, 2018

**Chembulk Holding LLC 8.00% bonds 2018/2023 ISIN NO 0010814593**

We refer to the Bond Terms for the above captioned Bonds made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders and the undersigned as Issuer. Pursuant to Clause 12.2 of the Bond Terms a Compliance Certificate shall be issued in connection with each delivery of Financial Statements to the Bond Trustee.

This letter constitutes the Compliance Certificate for the Quarter ending March 31, 2018.

Capitalised terms used herein will have the same meaning as in the Bond Terms.

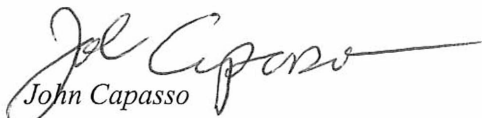
With reference to Clause 12.2 (*Requirements as to Financial Reports*) we hereby certify that all information delivered under cover of this Compliance Certificate is true and accurate and there has been no material adverse change to the financial condition of the Issuer since the date of the last accounts or the last Compliance Certificate submitted to you. Copies of our latest consolidated Interim Accounts are enclosed in accordance with the following:

Chembulk Holding LLC and its parent company Chembulk Tankers LLC were not legally formed and not in existence until January 5, 2018 which was after the beginning of the Quarter ending March 31, 2018. Therefore, we cannot supply Interim Accounts for these entities in conformity with US GAAP accounting for the full Quarter. In lieu of submitting the Interim Accounts for Chembulk Holding LLC, which will not be possible in compliance with US GAAP, we are therefore submitting proforma Interim Accounts for Chembulk Capital LLC, the legal entity that sits above Chembulk Holdings LLC and its Parent. Financial information for Chembulk Capital LLC was also provided to prospective Bondholders prior to the issuance of the Bonds, and the attached pro forma financial statements therefore provides the most relevant basis for measurement against the figures presented to prospective Bondholders prior to issuance of the Bonds. In the same way as for the figures presented prior to issuance of the Bonds, the attached pro forma Interim Accounts submitted for Chembulk Capital LLC have been adjusted to include the transactions related to the Bonds for the Quarter as if the Bonds were issued by Chembulk Capital LLC. Starting with the Quarter ending June 30, 2018, which is the first full Quarter of operations for the Issuer, we will provide actual Interim Accounts for the Issuer and its Parent in accordance with US GAAP.

The Financial Covenants set out in Clause 14.22 (*Financial Covenants*) are met, please see the calculations and figures in respect of the ratios attached hereto.

We confirm that, to the best of our knowledge, no Event of Default has occurred or is likely to occur.  
Yours faithfully,

Chembulk Holding LLC



John Capasso

Chief Financial Officer

Enclosure: Financial Statements; [and any other written documentation]

**CHEMBULK CAPITAL LLC**

**UNAUDITED PROFORMA COVENANT COMPLIANCE COMPUTATIONS  
FOR THE QUARTER ENDED MARCH 31, 2018**

**All figures in thousands USD**

Minimum Liquidity		Vessel LTV Ratio	
Cash and cash equivalents	\$ 100,092		
Restricted cash	<u>4,007</u>	Outstanding Bond amount	200,000
	104,098	Cash balance	<u>100,092</u>
Less: Restricted cash [1]	4,007	Net Debt	<u>99,908</u>
<b>Liquidity</b>	<b>100,092</b>	Vessel valuations [2]	363,500
		<b>Vessel LTV Ratio</b>	<b>27%</b>
[1] Restricted cash pertains to vessel under finance lease		[2] Vessel valuations performed by third parties in January 2018. Updated valuations will be obtained in June 2018	

Pro forma Interim Accounts for  
Chembulk Holding LLC and Chembulk Tankers LLC  
(based on actual accounts for Chembulk Capital LLC)  
For the Quarter ending March 31, 2018

# CHEMBULK CAPITAL LLC

## UNAUDITED PROFORMA CONSOLIDATED BALANCE SHEET

AS OF MARCH 31, 2018

All figures in thousands USD

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### ASSETS

#### CURRENT ASSETS:

Cash and cash equivalents	\$	100,092
Restricted cash		4,007
Due from charterers—net of provision for doubtful accounts of \$2,689		16,327
Advances		9,270
Inventory		6,628
Prepaid expenses and other current assets		4,537
Derivative asset		<u>290</u>

Total current assets 141,151

VESSELS—Net of accumulated depreciation of \$71,730 396,382

DEFERRED DRY DOCK—Net of accumulated amortization of \$3,533 9,565

FIXED ASSETS—Net of accumulated depreciation of \$636 1,016

CAPITAL LEASE ASSET—Net of accumulated depreciation of \$3,831 22,669

TIME CHARTER CONTRACTS—Net of accumulated amortization of \$8,624 1,518

TOTAL \$ 572,301

### LIABILITIES AND MEMBERS' EQUITY

#### CURRENT LIABILITIES:

Capital lease obligations	\$	20,284
Accounts payable and accrued expenses		26,910
Deferred revenue		<u>2,974</u>

Total current liabilities 50,168

LONG-TERM DEBT 200,000

DEFERRED FINANCING FEES (4,228)

DEFERRED TAX LIABILITY 80

Total liabilities 246,020

#### MEMBERS' EQUITY:

Members' contributions 376,052

Accumulated (deficit) (49,771)

Total members' equity 326,281

TOTAL \$ 572,301

## CHEMBULK CAPITAL LLC

### UNAUDITED PROFORMA CONSOLIDATED STATEMENT OF OPERATIONS FOR THE QUARTER ENDED MARCH 31, 2018

All figures in thousands USD

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REVENUE—Net	\$	52,407
VOYAGE EXPENSES		<u>23,213</u>
MANAGEMENT FEE		<u>850</u>
VESSEL OPERATING EXPENSES		<u>12,155</u>
CHARTER HIRE EXPENSE		<u>5,961</u>
GENERAL AND ADMINISTRATIVE		<u>4,278</u>
DEPRECIATION AND AMORTIZATION EXPENSE		<u>10,333</u>
OTHER EXPENSE:		
Interest expense		9,005
Loss on redelivery of leased vessel		1,410
Unrealized loss on derivatives		417
Tax expense		<u>57</u>
Total other expense		<u>10,889</u>
NET (LOSS)	\$	<u>(15,272)</u>

# CHEMBULK CAPITAL LLC

## UNAUDITED PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED MARCH 31, 2018 All figures in thousands USD

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### CASH FLOWS FROM OPERATING ACTIVITIES

Net (loss)	\$	(15,272)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Depreciation and amortization expense		10,334
Amortization of fair value of contracts		311
Amortization of deferred debt issuance costs		4,758
Provision on due from charterers		459
Net (gain) on sale of vessel		(190)
Net loss on redelivery of capital leased vessel		1,410
Unrealized loss on derivatives		417
Changes in assets and liabilities:		
Due from charters		489
Inventory		115
Advances		(754)
Prepaid expenses and other current assets		(1,255)
Deferred drydock costs incurred		(2,181)
Accounts payable and accrued expenses		1,887
Deferred revenue		897
Net cash provided by operating activities		<u>1,425</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Decrease in restricted cash		9,999
Sale of vessels		18,690
Addition of vessel equipment		(639)
Addition of non vessel fixed assets		<u>(47)</u>
Net cash provided by investing activities		<u>28,002</u>

### CASH FLOWS FROM FINANCING ACTIVITIES

Issuance of debt		200,000
Payments on debt		(141,192)
Deferred financing costs paid for loan origination		(4,364)
Finance lease obligation payments		<u>(867)</u>
Net cash provided by financing activities		<u>53,577</u>

### NET INCREASE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS—Beginning of period		<u>17,088</u>
CASH AND CASH EQUIVALENTS—End of period	\$	<u>100,092</u>



## CHEMBULK CAPITAL LLC

### UNAUDITED SUPPLEMENTAL PROFORMA CONSOLIDATED ADJUSTED EBITDA FOR THE QUARTER ENDED MARCH 31, 2018

All figures in thousands USD

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Net (loss)	\$	(15,272)
Add:		
Depreciation & Amortization		10,333
Interest expense		9,005
Transportation tax expense (included in voyage expenses)		425
Unrealized loss on derivatives		417
Amortization of intangible assets (included in charter hire expense)		311
Income tax expense		57
One Time Adjustments (see details below)		<u>1,728</u>
Consolidated Adjusted EBITDA	\$	<u>7,004</u>

One Time Adjustments		
Net loss on redelivery of leased vessel	\$	1,410
General and Administrative One Time (Bond issuance costs and professional fees)		<u>318</u>
Total One Time Adjustments	\$	1,728

## CHEMBULK CAPITAL LLC

### UNAUDITED SUPPLEMENTAL PROFORMA INTEREST EXPENSE INFORMATION FOR THE QUARTER ENDED MARCH 31, 2018

All figures in thousands USD

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Deferred financing fees	\$	4,758
Bond interest expense		2,489
Finance charges - leased vessels		1,006
Term loan interest expense (extinguished 2/5/2018)		737
Other		<u>16</u>
Total interest expense	\$	<u>9,005</u>



## Company Formation

Chembulk Holdings, LLC (“the Company” or the “Issuer”) was incorporated on January 5, 2018 in The Republic of the Marshall Islands as a limited liability company under the provisions of The Limited Liability Company Act 1996. The registered office is Trust Company Complex Ajeltake Road Ajeltke Island, Majuro, Marshall Islands MH96960. The Company, through its subsidiaries is engaged in ship owning and operating activities.

Chembulk Holding LLC and its Parent company Chembulk Tankers LLC were legally formed on January 5, 2018 which was after the beginning of the Quarter ending March 31, 2018. Therefore, we cannot supply Interim Accounts for these entities in conformity with US GAAP accounting for the full Quarter. In lieu of submitting the Interim Accounts for Chembulk Holding LLC and Chembulk Tankers LLC, we have submitted the proforma Interim Accounts for Chembulk Capital LLC, the legal entity that sits above both entities. Financial information for Chembulk Capital LLC was also provided to prospective Bondholders prior to the issuance of the Bonds, and therefore, provides the most relevant basis for measurement against the figures presented to prospective Bondholders prior to issuance of the Bonds. The pro forma Interim Accounts submitted for Chembulk Capital LLC have been adjusted to include the transactions related to the Bonds for the Quarter as if the Bonds were issued by Chembulk Capital LLC and reasonably reflect what the operating results of Chembulk Holding LLC and Chembulk Tankers LLC would have been, had they been in existence during the full Quarter.

## Fleet

The Company’s fleet as of March 31, 2018 consisted of the following vessels:

Classification	Vessel	Asset Class	Build Year	Builder	Country
Owned	Chembulk Columbus	<19k	2011	Shitanoe Zosen	Japan
Owned	Chembulk Houston	<19k	2003	Watanabe Zosen	Japan
Owned	Chembulk Sydney	<19k	2005	Asakawa S.B.	Japan
Owned	Chembulk Vancouver	<19k	2003	Higaki Zosen	Japan
Owned	Chembulk Wellington	<19k	2004	Asakawa S.B.	Japan
Owned	Chembulk Gibraltar	19k	2001	Fukuoka S.B.	Japan
Owned	Chembulk Kobe	19k	2002	Usuki Zosensho	Japan
Owned	Chembulk Shanghai	19k	2000	Fukuoka S.B.	Japan
Owned	Chembulk Singapore	19k	2007	Kitanihon Zosen	Japan
Owned	Chembulk Tortola	19k	2007	Kitanihon Zosen	Japan
Owned	Chembulk Ulsan	19k	2004	Kitanihon Zosen	Japan
Owned	Chembulk Yokohama	19k	2003	Usuki Zosensho	Japan
Owned	Chembulk New York	25/27k	2002	Kitanihon Zosen	Japan
Owned	Chembulk Savannah	25/27k	2002	Kitanihon Zosen	Japan
Owned	Chembulk Barcelona	32k	2004	Shin Kurushima	Japan
Owned	Chembulk Hong Kong	32k	2003	Shin Kurushima	Japan
Owned	Chembulk Lindy Alice	32k	2008	Kitanihon Zosen	Japan
Owned	Chembulk Minneapolis	32k	2007	Kitanihon Zosen	Japan
Owned	Chembulk New Orleans	32k	2003	Shin Kurushima	Japan
Owned	Chembulk Virgin Gorda	32k	2004	Shin Kurushima	Japan
Owned	Chembulk Westport	32k	2005	Kitanihon Zosen	Japan
Chartered-in	Chembulk Jakarta	19k	2009	Kitanihon Zosen	Japan
Chartered-in	JBU Sapphire	19k	2009	Kitanihon Zosen	Japan
Chartered-in	JBU Opal	19k	2009	Kitanihon Zosen	Japan
Chartered-in	Chem Ranger	25/27k	2010	Shin Kurushima	Japan
Chartered-in	Pacific Endeavor	25/27k	2011	Shin Kurushima	Japan

## **Senior Secured Bonds**

On February 2, 2018, the Company issued \$200 million in Senior Secured Callable Norwegian Bonds (the "Bonds") pursuant to the Bond Terms, dated January 31, 2018 between the Company and Nordic Trustee AS, as the Bond Trustee. The Bonds do not amortize and will be paid in full when they mature on February 2, 2023. The Bonds were issued at par and have a coupon rate of 8% that is paid semiannually.

The Bonds Terms contain certain financial covenants that the leverage ratio defined as the ratio of outstanding bond amount less consolidated cash balance must not exceed 75% and the Company's free liquidity shall always exceed \$15 million. The Company was in compliance with its financial covenants as of March 31, 2018.

Provided that the Company meets the minimum liquidity and loan-to-vessel-value requirements in connection with vessel purchases, the Company may issue up to \$50 million of additional Bonds (Tap Issuance) at current market rates to purchase additional vessels.

## **Fleet Development**

During the period of January 1, 2018 and March 31, 2018 the company sold its two LPG vessels, the Gas Batam and the Gas Sulawesi. The Company had previously decided to exit the LPG trade and with the sale of the two vessels, the company's focus is solely on chemical tankers. Since the purchase option on a chartered in vessel, The Chembulk Kings Point, was not attractive due mainly to forex rates; the Company did not exercise its option to purchase this Capital Lease Asset and returned the vessel to the lessor during the Quarter.

### **Vessel Performance**

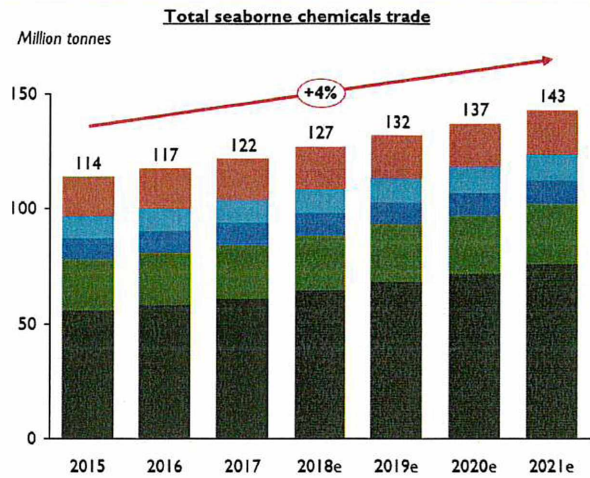
The Company's vessel utilization rate was 97.5% during the Quarter. There were 2,538 available days of trading in the Quarter and the Company incurred 63 off hire days for drydocking and repair resulting in 2,475 voyage days.

## **Market Overview**

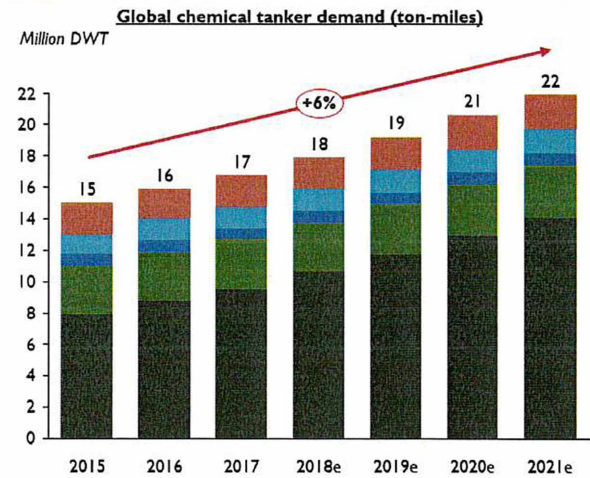
Market fundamentals remained largely unchanged during the Quarter. We remain optimistic about the medium to long term outlook for the chemical tanker industry. Industry indications reinforce that world demand for seaborne trade of chemical products is expected to continue to grow at or above world GDP growth. Demand for chemical products is forecasted to remain particularly strong in Asia as China and other countries convert to more consumer driven economies. Since the location of new chemical processing facilities is close to the favorably priced feed stocks in the US Gulf of Mexico and the Middle East, and far from the demand centers, the ton mileage required for chemical product shipments is expected to exceed the growth in GDP.



### Steady Growth in Seaborne Trade on the Back of GDP Growth



### Strong Chemical Tanker Demand Growth

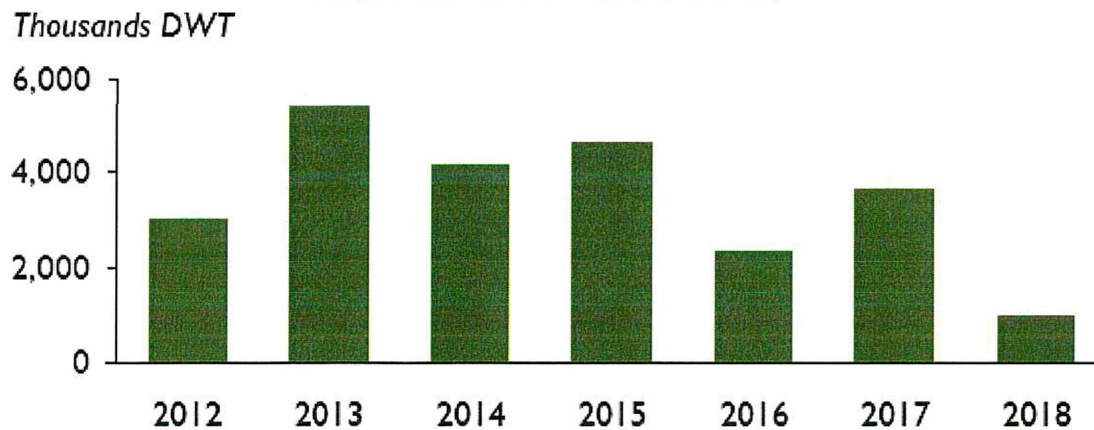


■ Oils and Fats 
 ■ Caustic Soda 
 ■ Inorganic Acids 
 ■ Speciality Chemicals 
 ■ Comm. Chemicals

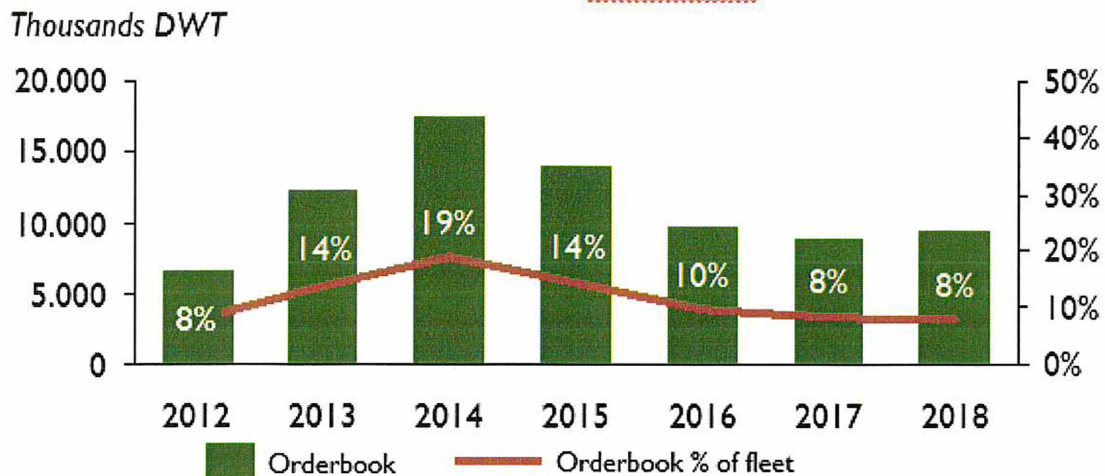
Source: Richardson Lawrie Associates

As demand remains strong for chemical products, the supply of new chemical tankers is anticipated to decline in the years ahead. The orderbook for new vessels, which peaked in 2014, has been notably declined and fleet growth is forecasted to decline below 2% during the foreseeable future.

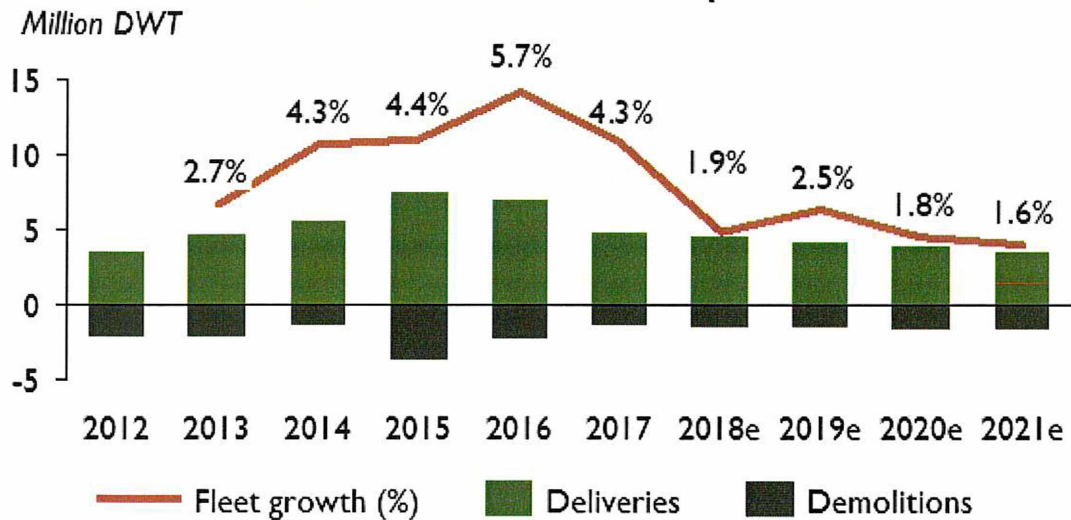
### New chemical tanker orders



### Chemical tanker orderbook

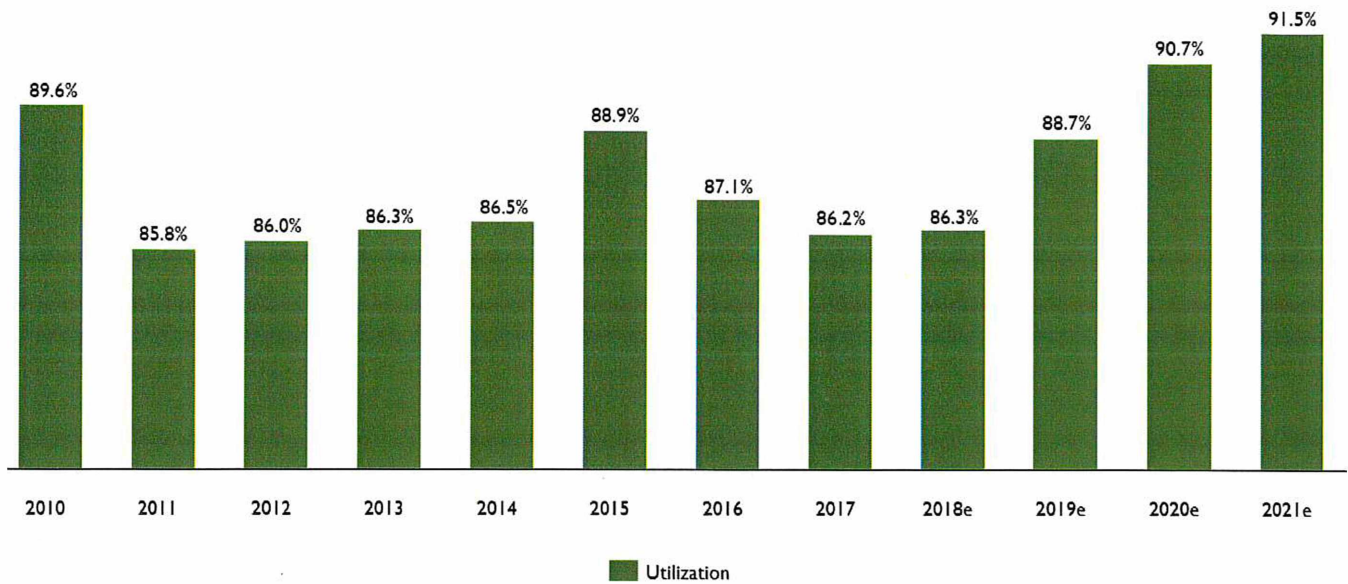


### Chemical tanker fleet development



Source: Drewry Marine

As demand for chemical products steadily grows over time and the supply growth of new chemical tankers remains at levels below the last few years, the utilization of the chemical tanker fleet is anticipated to meaningfully increase along with the corresponding vessel earnings.



Source: MSI

Consolidation of the chemical tanker market continues. Chembulk remains active in the market and committed to exploring opportunities to participate in future industry consolidation. The company continues to monitor the trade commentary and its effect on specific markets. In addition, the Company is focused on optimization of its current fleet, continuing to analyze all key global trades and underlying commodities and positioning the fleet accordingly.